INDEX TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

TATA CONSULTANCY SERVICES LIMITED

Unaudited Condensed Consolidated Interim Statements of Financial Position

	Note	As at June 30, 2018	As at March 31, 2018
		(In millions of USD)	
ASSETS			
Current assets			
Cash and cash equivalents	4	674	751
Bank deposits		251	316
Investments	6(a)	4,676	5,490
Trade receivables	5(a)	3,976	3,835
Unbilled receivables (Previous year: Unbilled revenue)		650	1,028
Other financial assets	7(a)	1,275	661
Income tax assets (net)		203	6
Other assets	8(a)	770	402
Total current assets		**12,475**	**12,489**
Non-current assets			
Investments	6(b)	35	46
Trade receivables	5(b)	24	14
Unbilled receivables (Previous year: Unbilled revenue)		26	35
Other financial assets	7(b)	392	410
Income tax assets (net)		508	635
Deferred tax assets (net)		436	527
Property, plant and equipment	9	1,684	1,784
Intangible assets	10	4	2
Goodwill		563	597
Other assets	8(b)	154	130
Total non-current assets		**3,826**	**4,180**
TOTAL ASSETS		**16,301**	**16,669**
LIABILITIES AND EQUITY			
Liabilities			
Current liabilities			
Trade payables		812	783
Borrowings		2	30
Other financial liabilities	11(a)	549	600
Unearned and deferred revenue		368	313
Employee benefit obligations		317	310
Provisions		41	37
Income tax liabilities (net)		467	219
Other liabilities	12(a)	473	450
Total current liabilities		**3,029**	**2,742**
Non-current liabilities			
Borrowings		7	8
Other financial liabilities	11(b)	73	77
Unearned and deferred revenue		39	77
Employee benefit obligations		40	45
Provisions		3	4
Deferred tax liabilities (net)		177	180
Other liabilities	12(b)	58	60
Total non-current liabilities		**397**	**451**
TOTAL LIABILITIES		**3,426**	**3,193**
Equity			
Share capital	13	71	43
Retained earnings		15,388	15,284
Other equity		(2,641)	(1,914)
Equity attributable to shareholders of the Company		**12,818**	**13,413**
Non-controlling interests		57	63
TOTAL EQUITY		**12,875**	**13,476**
TOTAL LIABILITIES AND EQUITY		**16,301**	**16,669**

See accompanying notes to unaudited condensed consolidated interim financial statements

TATA CONSULTANCY SERVICES LIMITED

Unaudited Condensed Consolidated Interim Statements of Profit or Loss and Other Comprehensive Income

	Note	Three month period ended June 30, 2018	Three month period ended June 30, 2017
		(In millions of USD, except shares and per share data)	
Revenue from operations		**5,051**	**4,591**
Cost of revenue		**2,961**	**2,683**
Gross profit		**2,090**	**1,908**
Operating expenses			
Selling, general and administrative expenses		826	835
Operating profit		**1,264**	**1,073**
Other income			
Finance and other income	15	117	91
Finance costs		(3)	(4)
Other gains (net)	16	64	58
Other income (net)		**178**	**145**
Profit before taxes		**1,442**	**1,218**
Income tax expense	17	357	294
Profit for the period		**1,085**	**924**
Other comprehensive income / (losses)			
Items that will be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations and translation to presentation currency		(671)	67
Net change in intrinsic value of derivatives designated as cash flow hedges		4	(22)
Net change in time value of derivatives designated as cash flow hedges		2	(4)
Net change in fair value of investments other than equity shares carried at fair value through OCI		(64)	22
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined employee benefit plans		(6)	5
Total other comprehensive income / (losses)		**(735)**	**68**
Total comprehensive income for the period		**350**	**992**
Profit for the period attributable to:			
Shareholders of the Company		1,082	923
Non-controlling interests		3	1
		1,085	**924**
Total comprehensive income for the period attributable to:			
Shareholders of the Company		349	990
Non-controlling interests		1	2
		350	**992**
Weighted average number of equity shares used in computing basic and diluted earnings per share		3,828,575,182	3,911,243,390
Basic and diluted earnings per share in USD		0.28	0.24

See accompanying notes to unaudited condensed consolidated interim financial statements

TATA CONSULTANCY SERVICES LIMITED
Unaudited Condensed Consolidated Interim Statements of Changes in Equity
For the three month periods ended June 30, 2017 and 2018

	Number of shares	Share capital	Share premium	Retained earnings	Special Economic Zone re-investment reserve	Foreign currency translation reserve	Cash flow hedging reserve		Investment revaluation reserve	Equity attributable to shareholders of the Company	Non-controlling interests	Total equity
							Intrinsic value	Time value				
					(In millions of USD, except share data)							
Balance as at April 1, 2017	**1,970,427,941**	**44**	**911**	**14,738**	**15**	**(2,166)**	**6**	**(8)**	**79**	**13,619**	**57**	**13,676**
Profit for the period				923	-	-	-	-	-	923	1	924
Other comprehensive income				4	-	67	(22)	(4)	22	67	1	68
Total comprehensive income	**-**	**-**	**-**	**927**	**-**	**67**	**(22)**	**(4)**	**22**	**990**	**2**	**992**
Dividend (including tax on dividend of $121 million)		-	-	(936)	-	-	-	-	-	(936)	(5)	(941)
Transfer to Special Economic Zone re-investment reserve		-	-	(57)	57	-	-	-	-	-	-	-
Transfer from Special Economic Zone re-investment reserve		-	-	15	(15)	-	-	-	-	-	-	-
Buy-back of equity shares*	(56,140,350)	(1)	(911)	(1,572)	-	-	-	-	-	(2,484)	-	(2,484)
Expenses for buy-back of equity shares*		-	-	(7)	-	-	-	-	-	(7)	-	(7)
Balance as at June 30, 2017	**1,914,287,591**	**43**	**-**	**13,108**	**57**	**(2,099)**	**(16)**	**(12)**	**101**	**11,182**	**54**	**11,236**
Balance as at April 1, 2018	**1,914,287,591**	**43**	**-**	**15,284**	**245**	**(2,115)**	**(11)**	**(16)**	**(17)**	**13,413**	**63**	**13,476**
Profit for the period				1,082	-	-	-	-	-	1,082	3	1,085
Other comprehensive income				(6)	-	(669)	4	2	(64)	(733)	(2)	(735)
Total comprehensive income	**-**	**-**	**-**	**1,076**	**-**	**(669)**	**4**	**2**	**(64)**	**349**	**1**	**350**
Dividend (including tax on dividend of $128 million)		-	-	(944)	-	-	-	-	-	(944)	(7)	(951)
Issue of bonus shares*	1,914,287,591	28	-	(28)	-	-	-	-	-	-	-	-
Balance as at June 30, 2018	**3,828,575,182**	**71**	**-**	**15,388**	**245**	**(2,784)**	**(7)**	**(14)**	**(81)**	**12,818**	**57**	**12,875**

See accompanying notes to unaudited condensed consolidated interim financial statements

*Refer note 13.

Retained earnings include statutory reserve of $41 million and $45 million as at June 30, 2018 and 2017, respectively.

Total equity (primarily retained earnings) includes $115 million and $96 million as at June 30, 2018 and 2017, respectively, pertaining to trusts and TCS Foundation held for specified purposes.

TATA CONSULTANCY SERVICES LIMITED

Unaudited Condensed Consolidated Interim Statements of Cash Flows

	Three month period ended June 30, 2018	Three month period ended June 30, 2017
	(In millions of USD)	
Cash flows from operating activities		
Profit for the period	1,085	924
Adjustments to reconcile profit or loss to net cash provided by operating activities		
Depreciation and amortisation expense	73	77
Bad debts and advances written off, allowance for doubtful trade receivables and advances (net)	7	5
Income tax expense	357	294
Unrealised foreign exchange gain	-	(4)
Net gain on disposal of property, plant and equipment	(3)	-
Net loss on investments	17	1
Operating profit before working capital changes	**1,536**	**1,297**
Net change in		
Trade receivables	(339)	29
Unbilled receivables (Previous period: Unbilled revenue)	341	(108)
Other financial assets	(37)	(19)
Other assets	(429)	(21)
Trade payables	55	23
Unearned and deferred revenue	37	(8)
Other financial liabilities	(19)	(119)
Other liabilities and provisions	71	112
Cash generated from operations	**1,216**	**1,186**
Taxes paid (net of refunds)	(94)	(186)
Net cash provided by operating activities	**1,122**	**1,000**

TATA CONSULTANCY SERVICES LIMITED

Unaudited Condensed Consolidated Interim Statements of Cash Flows

	Three month period ended June 30, 2018	Three month period ended June 30, 2017
	(In millions of USD)	
Cash flows from investing activities		
Bank deposits placed	(28)	-
Inter-corporate deposits placed	(612)	(11)
Purchase of investments*	(3,280)	(4,383)
Payment for purchase of property, plant and equipment	(64)	(91)
Purchase of intangible assets	(2)	-
Earmarked deposits placed with banks	(1)	-
Proceeds from bank deposits	78	2
Proceeds from inter-corporate deposits	2	381
Proceeds from disposal / redemption of investments*	3,701	6,597
Proceeds from disposal of property, plant and equipment	3	1
Net cash (used in) / provided by investing activities	**(203)**	**2,496**
Cash flows from financing activities		
Buy-back of equity shares	-	(2,484)
Expenses for buy-back of equity shares	-	(7)
Short-term borrowings (net)	(27)	(31)
Dividend paid (including tax on dividend)	(944)	(936)
Dividend paid to non-controlling interests (including tax on dividend)	(7)	(5)
Repayment of finance lease obligations	-	(1)
Net cash used in financing activities	**(978)**	**(3,464)**
Net change in cash and cash equivalents	(59)	32
Cash and cash equivalents at the beginning of the period	751	555
Exchange difference on translation of foreign currency cash and cash equivalents	(18)	24
Cash and cash equivalents at the end of the period	**674**	**611**
Supplementary cash flow information		
Interest paid	2	4
Interest received	110	114
Dividend received	-	1

See accompanying notes to unaudited condensed consolidated interim financial statements

*Purchase of investments include $1 million and $32 million for three month periods ended June 30, 2018 and 2017, respectively, and Proceeds from disposal / redemption of investments include $1 million and $31 million for three month periods ended June 30, 2018 and 2017, respectively, held by TCS Foundation, formed for conducting corporate social responsibility activities of the Group.

1. Corporate information

Tata Consultancy Services Limited ("the Company") and its subsidiaries (collectively together with employee welfare trusts referred to as "TCS Limited" or "the Group") provide IT services, consulting and business solutions that has been partnering with many of the world's largest businesses in their transformation journeys for the last fifty years. The Group offers a consulting-led, cognitive powered, integrated portfolio of IT, business and engineering services and solutions. This is delivered through its unique Location-Independent Agile delivery model recognised as a benchmark of excellence in software development.

The Company is a public limited company incorporated and domiciled in India. The address of its corporate office is TCS House, Raveline Street, Fort, Mumbai 400001. As at June 30, 2018, Tata Sons Limited owned 71.89% of the Company's equity share capital.

2. Significant accounting policies

a. Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting. They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

b. Basis of preparation

The condensed consolidated interim financial statements have been prepared on historical cost basis except for certain financial instruments which are measured at fair value at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

c. Basis of consolidation

Tata Consultancy Services Limited consolidates all entities which are controlled by it.

The Company establishes control when; it 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 the entity's returns by using its power over relevant activities of the entity.

Subsidiaries are consolidated from the date control commences until the date control ceases.

The results of subsidiaries acquired, or sold, during the year are consolidated from the effective date of acquisition and up to the effective date of disposal, as appropriate.

All inter-company transactions, balances and income and expenses are eliminated in full on consolidation.

Changes in the Company's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to shareholders of the Company.

d. Business combinations

The Group accounts for its business combinations under acquisition method of accounting. Acquisition related costs are recognised in profit or loss as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the condition for recognition are recognised at their fair values at the acquisition date.

Purchase consideration paid in excess of the fair value of net assets acquired is recognised as goodwill. Where the fair value of identifiable assets and liabilities exceed the cost of acquisition, the excess is recognised in determination of profit or loss after reassessing the fair values of the net assets and contingent liabilities.

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 arising from transfers of interests in entities that are under common control are accounted at historical cost. The difference between any consideration given and the aggregate historical carrying amounts of assets and liabilities of the acquired entity are recorded in shareholders' equity.

e. Use of estimates and judgments

The preparation of condensed consolidated interim financial statements in conformity with the recognition and measurement principles of IFRS that requires management to make estimates and judgements that affect the reported balances of assets and liabilities, disclosures of contingent liabilities at the date of the condensed consolidated interim financial statements and the reported amounts of income and expenses for the periods presented.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and future periods are affected.

Key source of estimation of uncertainty at the date of the condensed consolidated interim financial statements, which may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year, is in respect of impairment of goodwill, useful lives of property, plant and equipment, valuation of deferred tax assets, provisions and contingent liabilities and has been discussed below. Key source of estimation of uncertainty in respect of revenue recognition, employee benefits and fair value measurement of financial instruments have been discussed in their respective policies.

Impairment of Goodwill

The Group estimates the value-in-use of the cash generating units (CGUs) based on the future cash flows after considering current economic conditions and trends, estimated future operating results and growth rate and anticipated future economic and regulatory conditions. The estimated cash flows were developed using internal forecasts. The discount rates used for the CGUs represent the weighted average cost of capital based on the historical market returns of comparable companies.

Useful lives of property, plant and equipment

The Group reviews the carrying amount of property, plant and equipment at the end of each reporting period. This reassessment may result in change in depreciation expense in future periods.

Valuation of deferred tax assets

The Group reviews the carrying amount of deferred tax assets at the end of each reporting period. The policy has been explained under note 2(k).

Provisions and contingent liabilities

A provision is recognised when the Group has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. These are reviewed at the end of each reporting period adjusted to reflect the current best estimates. Contingent liabilities are not recognised in the financial statements. Contingent assets are neither recognised nor disclosed in the financial statements.

Fair value measurement of financial instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the Discounted Cash Flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. The policy has been further explained under note 2(l).

f. Revenue recognition

The Group earns revenue primarily from providing IT services, consulting and business solutions. The Group offers a consulting-led, cognitive powered, integrated portfolio of IT, business and engineering services and solutions.

Effective April 1, 2018, the Group has applied IFRS 15 which establishes a comprehensive framework for determining whether, how much and when revenue is to be recognised. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts. The Group has adopted IFRS 15 using the cumulative effect method. The effect of initially applying this standard is recognised at the date of initial application (i.e. April 1, 2018). The standard is applied retrospectively only to contracts that are not completed as at the date of initial application and the comparative information in the profit or loss is not restated – i.e. the comparative information continues to be reported under IAS 18 and IAS 11. The adoption of the standard did not have any material impact to the financial statements of the Group.

Revenue is recognised upon transfer of control of promised products or services to customers in an amount that reflects the consideration which the Group expects to receive in exchange for those products or services.

- Revenue from time and material and job contracts is recognised on output basis measured by units delivered, efforts expended, number of transactions processed, etc.
- Revenue related to fixed price maintenance and support services contracts where the Group is standing ready to provide services is recognised based on time elapsed mode and revenue is straight lined over the period of performance.
- In respect of other fixed-price contracts, revenue is recognised using percentage-of-completion method ('POC method') of accounting with contract cost incurred determining the degree of completion of the performance obligation. The contract cost used in computing the revenues include cost of fulfilling warranty obligations.
- Revenue from the sale of distinct internally developed software and manufactured systems and third party software is recognised upfront at the point in time when the system / software is delivered to the customer. In cases where implementation and / or customisation services rendered significantly modifies or customises the software, these services and software are accounted for as a single performance obligation and revenue is recognised over time on a POC method .
- Revenue from the sale of distinct third party hardware is recognised at the point in time when control is transferred to the customer.
- The solutions offered by the Group may include supply of third-party equipment or software. In such cases, revenue for supply of such third party products are recorded at gross or net basis depending on whether the Group is acting as the principal or as an agent of the customer. The Group recognises revenue in the gross amount of consideration when it is acting as a principal and at net amount of consideration when it is acting as an agent.

Revenue is measured based on the transaction price, which is the consideration, adjusted for volume discounts, service level credits, performance bonuses, price concessions and incentives, if any, as specified in the contract with the customer. Revenue also excludes taxes collected from customers.

Contract assets are recognised when there is excess of revenue earned over billings on contracts. Contract assets are classified as unbilled receivables (only act of invoicing is pending) when there is unconditional right to receive cash, and only passage of time is required, as per contractual terms.

Unearned and deferred revenue ("contract liability") is recognised when there is billings in excess of revenues.

In accordance with IAS 37, the Group recognises an onerous contract provision when the unavoidable costs of meeting the obligations under a contract exceed the economic benefits to be received.

Contracts are subject to modification to account for changes in contract specification and requirements. The Group reviews modification to contract in conjunction with the original contract, basis which the transaction price could be allocated to a new performance obligation or transaction price of an existing obligation could undergo a change. In the event transaction price is revised for existing obligation, a cumulative adjustment is accounted for.

The Group disaggregates revenue from contracts with customers by industry verticals, geography and nature of services.

Use of significant judgements in revenue recognition

- The Group's contracts with customers could include promises to transfer multiple products and services to a customer. The Group assesses the products / services promised in a contract and identifies distinct performance obligations in the contract. Identification of distinct performance obligation involves judgement to determine the deliverables and the ability of the customer to benefit independently from such deliverables.
- Judgement is also required to determine the transaction price for the contract. The transaction price could be either a fixed amount of customer consideration or variable consideration with elements such as volume discounts, service level credits, performance bonuses, price concessions and incentives. The transaction price is also adjusted for the effects of the time value of money if the contract includes a significant financing component. Any consideration payable to the customer is adjusted to the transaction price, unless it is a payment for a distinct product or service from the customer. The estimated amount of variable consideration is adjusted in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur and is reassessed at the each reporting period. The Group allocates the elements of variable considerations to all the performance obligations of the contract unless there is observable evidence that they pertain to one or more distinct performance obligations.
- The Group uses judgement to determine an appropriate standalone selling price for a performance obligation. The Group allocates the transaction price to each performance obligation on the basis of the relative stand-alone selling price of each distinct product or service promised in the contract. Where standalone selling price is not observable, the Group uses the expected cost plus margin approach to allocate the transaction price to each distinct performance obligation.
- The Group exercises judgement in determining whether the performance obligation is satisfied at a point in time or over a period of time. The Group considers indicators such as how customer consumes benefits as services are rendered or who controls the asset as it is being created or existence of enforceable right to payment for performance to date and alternate use of such product or service, transfer of significant risks and rewards to the customer, acceptance of delivery by the customer, etc.
- Contract fulfilment costs are generally expensed as incurred except for certain software licence costs which meet the criteria for capitalisation. The assessment of this criteria requires the application of judgement, in particular when considering if costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recovered.

g. Finance and other income

Dividend income is recorded when the right to receive payment is established. Interest income is recognised using effective interest method.

h. Leases

Finance lease

Assets taken on lease by the Group in its capacity as lessee, where the Group has substantially all the risks and rewards of ownership are classified as finance lease. Such leases are capitalised at the inception of the lease at lower of the fair value or the present value of the minimum lease payments and a liability is recognised for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost so as to obtain a constant periodic rate of interest on the outstanding liability for each year.

Operating lease

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor, are recognised as operating lease. Operating lease payments are recognised on a straight line basis over the lease term in profit or loss.

i. Cost recognition

Costs and expenses are recognised when incurred and have been classified according to their primary functions in the following categories:

Cost of revenue

These costs primarily include employee compensation of personnel engaged in providing services, travel expenses, fees to external consultants, cost of equipment and software licences, depreciation and amortisation of production related equipment and software, facility expenses, communication expenses and other project related expenses.

Selling, general and administrative expenses

Selling costs primarily include employee compensation for sales and marketing personnel, travel expenses, advertising, business promotion expenses, bad debts and advances written off, allowance for doubtful trade receivables and advances, facility expenses for sales and marketing offices and market research costs.

General and administrative costs primarily include employee compensation for administrative, supervisory, managerial and practice management personnel, depreciation and amortisation expenses of non-production equipment and software, facility expenses for administrative offices, communication expenses, fees to external consultants and other general expenses.

j. Foreign currency

The functional currency of Tata Consultancy Services Limited and its Indian subsidiaries is the Indian Rupee (₹) whereas the functional currency of foreign subsidiaries is the currency of their countries of domicile. These condensed consolidated interim financial statements are presented in US Dollars ($) to facilitate the investors' ability to evaluate TCS Limited's performance and financial position in comparison to similar companies domiciled in different foreign jurisdictions.

Foreign currency transactions are recorded at exchange rates prevailing on the date of the transaction. Foreign currency denominated monetary assets and liabilities are retranslated at the exchange rate prevailing on the dates of statement of financial position and exchange gains and losses arising on settlement and restatement are recognised in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currencies are not retranslated.

Assets and liabilities of entities with functional currency other than presentation currency have been translated to the presentation currency using exchange rates prevailing on the dates of statement of financial position. Statement of profit or loss and other comprehensive income statement has been translated using weighted average exchange rates. Translation adjustments have been reported as foreign currency translation reserve in the statement of changes in equity.

k. Income taxes

Income tax expense comprises current tax expense and the net change in the deferred tax asset or liability during the year. Current and deferred taxes are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

Current income taxes

The current income tax expense includes income taxes payable by Tata Consultancy Services Limited, its overseas branches and its subsidiaries in India and overseas. The current tax payable by Tata Consultancy Services Limited and its subsidiaries in India is Indian income tax payable on worldwide income after taking credit for tax relief available for export operations in Special Economic Zones (SEZs).

Current income tax payable by overseas branches of Tata Consultancy Services Limited is computed in accordance with the tax laws applicable in the jurisdiction in which the respective branch operates. The taxes paid are generally available for set off against the Indian income tax liability of Tata Consultancy Services Limited's worldwide income.

The current income tax expense for overseas subsidiaries has been computed based on the tax laws applicable to each subsidiary in the respective jurisdiction in which it operates.

Advance taxes and provisions for current income taxes are presented in the statement of financial position after off-setting advance tax paid and income tax provision arising in the same tax jurisdiction and where the relevant tax paying unit intends to settle the asset and liability on a net basis.

Deferred income taxes

Deferred income tax is recognised using the balance sheet approach. Deferred income tax assets and liabilities are recognised for deductible and taxable temporary differences arising between the tax base of assets and liabilities and their carrying amount, 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 income tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax liabilities are recognised for all taxable temporary differences except in respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be received or settled.

For operations carried out in SEZs, deferred tax assets or liabilities, if any, have been established for the tax consequences of those temporary differences between the carrying values of assets and liabilities and their respective tax bases that reverse after the tax holiday ends.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the relevant entity intends to settle its current tax assets and liabilities on a net basis.

Deferred tax assets include Minimum Alternative Tax (MAT) paid in accordance with the tax laws in India, which is likely to give future economic benefits in the form of availability of set off against future income tax liability. Accordingly, MAT is recognised as deferred tax asset in the statement of financial position when the asset can be measured reliably and it is probable that the future economic benefit associated with the asset will be realised.

l. Financial instruments

Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value measured on initial recognition of financial asset or financial liability.

Cash and cash equivalents

TCS Limited considers all highly liquid financial instruments, which are readily convertible into known amounts of cash that are subject to an insignificant risk of change in value and having original maturities of three months or less from the date of purchase, to be cash equivalents. Cash and cash equivalents consist of balances with banks which are unrestricted for withdrawal and usage.

Financial assets at amortised cost

Financial assets are subsequently measured at amortised cost if these financial assets are held within a business whose objective is to hold these assets 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.

Financial assets at fair value through other comprehensive income

Financial assets are measured at fair value through other comprehensive income if these financial assets are held within a business whose objective is achieved by both collecting contractual cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding and selling financial assets.

The Group has made an irrevocable election to present subsequent changes in the fair value of equity investments not held for trading in other comprehensive income.

Financial assets at fair value through profit or loss

Financial assets are measured at fair value through profit or loss unless they are measured at amortised cost or at fair value through other comprehensive income on initial recognition. The transaction costs directly attributable to the acquisition of financial assets and liabilities at fair value through profit or loss are immediately recognised in profit or loss.

Financial liabilities

Financial liabilities are measured at amortised cost using the effective interest method.

Equity instruments

An equity instrument is a contract that evidences residual interest in the assets of the company after deducting all of its liabilities. Equity instruments recognised by the Group are recognised at the proceeds received net of direct issue cost.

Hedge accounting

TCS Limited designates certain foreign exchange forward, currency options and futures contracts as hedge instruments in respect of foreign exchange risks. These hedges are accounted for as cash flow hedges.

TCS Limited uses hedging instruments that are governed by the policies of the Company and its subsidiaries which are approved by their respective Board of Directors, which provide written principles on the use of such financial derivatives consistent with the risk management strategy of the Company and its subsidiaries.

The hedge instruments are designated and documented as hedges at the inception of the contract. The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows. The effectiveness of hedge instruments to reduce the risk associated with the exposure being hedged is assessed and measured at inception and on an ongoing basis. If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in other equity are immediately reclassified in net foreign exchange gains in profit or loss.

The effective portion of change in the fair value of the designated hedging instrument is recognised in the other comprehensive income and accumulated under the heading cash flow hedging reserve.

The Group separates the intrinsic value and time value of an option and designates as hedging instruments only the change in intrinsic value of the option. The change in fair value of the time value and intrinsic value of an option is recognised in the statement of other comprehensive income and accounted as a separate component of equity. Such amounts are reclassified in profit or loss when the related hedged items affect profit or loss.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity till that time remains and is recognised in profit or loss when the forecasted transaction ultimately affects profit or loss. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss accumulated in equity is transferred to profit or loss.

m. Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation (other than freehold land) and impairment loss, if any.

Depreciation is provided for property, plant and equipment so as to expense the cost less residual values over their estimated useful lives based on a technical evaluation. The estimated useful lives and residual values are reviewed at the end of each reporting period, with the effect of any change in estimate accounted for on a prospective basis. The estimated useful lives are as mentioned below:

Type of asset	Method	Useful lives
Buildings	Straight line	20 years
Leasehold improvements	Straight line	Lease term
Computer equipment	Straight line	4 years
Furniture, fixtures, office equipment and other assets	Straight line	4-10 years

Assets held under finance leases are depreciated over the shorter of the lease term and their useful lives.

Depreciation is not recorded on capital work-in-progress until construction and installation are complete and the asset is ready for its intended use. Capital work-in-progress includes capital advances.

n. Goodwill and intangible assets

Goodwill represents the cost of acquired business as established at the date of acquisition of the business in excess of the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities less accumulated impairment losses, if any. Goodwill is tested for impairment annually or when events or circumstances indicate that the implied fair value of goodwill is less than its carrying amount.

Intangible assets purchased including acquired in business combination, are measured at cost as at the date of acquisition, as applicable, less accumulated amortisation and accumulated impairment, if any.

Intangible assets are amortised on a straight line basis.

Intangible assets consist of acquired contract rights, rights under licensing agreement and software licences and customer-related intangibles. Following table summarises the nature of intangibles and their estimated useful lives.

Nature of intangible	Useful lives
Acquired contract rights	3-12 years
Rights under licensing agreement and software licences	Lower of licence period and 2-5 year
Customer-related intangibles	3 years

o. Impairment

A. Financial assets (other than at fair value)

The Group assesses at each date of statement of financial position whether a financial asset or a group of financial assets is impaired. IFRS 9 requires expected credit losses to be measured through a loss allowance. The Group recognises lifetime expected losses for all contract assets and / or all trade receivables that do not constitute a financing transaction. In determining the allowances for doubtful trade receivables the Group has used a practical expedient by computing the expected credit loss allowance for trade receivables based on a provision matrix. The provision matrix takes into account historical credit loss experience and is adjusted for forward looking information. The expected credit loss allowance is based on the ageing of the receivables that are due and rates used in the provision matrix. For all other financial assets, expected credit losses are measured at an amount equal to the 12-month expected credit losses or at an amount equal to the life time expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition.

B. Non-financial assets

(i) Tangible and intangible assets

Property, plant and equipment and intangible assets with finite life are evaluated for recoverability whenever there is any indication that their carrying amounts may not be recoverable. If any such indication exists, the recoverable amount (i.e. 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 the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss.

(ii) Goodwill

CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is indication for impairment. If the recoverable amount of a CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

p. Employee benefits

Defined benefit plans

For defined benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the date of each statement of financial position. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Past service cost, both vested and unvested, is recognised as an expense at the earlier of (a) when the plan amendment or curtailment occurs; and (b) when the entity recognises related restructuring costs or termination benefits.

The retirement benefit obligations recognised in the statement of financial position represents the present value of the defined benefit obligations reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the scheme.

Defined contribution plans

Contributions to defined contribution plans are recognised as expense when employees have rendered services entitling them to such benefits.

Compensated absences

Compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related services are recognised as undiscounted liability at the date of statement of financial position. Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognised as an actuarially determined liability at the present value of the defined benefit obligation at the date of financial position.

q. Earnings per share

Basic earnings per share is computed by dividing profit or loss attributable to equity shareholders of the Company by the weighted average number of equity shares outstanding during the period. The Company did not have any potentially dilutive securities in any of the periods presented.

3. Recent accounting standards

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 16	Leases[1]
IFRIC 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Annual improvements — 2015-2017 cycle	IFRS 3 Business combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes, IAS 23 Borrowing costs[1]

[1] Effective for annual periods beginning on or after January 1, 2019.

IFRS 16 – Leases

On January 13, 2016, the International Accounting Standards Board issued the final version of IFRS 16, Leases. IFRS 16 will replace the existing leases standard, IAS 17 Leases, and related Interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise right to use asset and a corresponding liability for all leases with a term of more than 12 months, unless the underlying asset is of low value. The standard also contains enhanced disclosure requirements for lessees. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. The Group is in the process of evaluating the impact of the new standard.

IFRIC 23 – Uncertainty over Income Tax Treatments

On June 7, 2017, the International Accounting Standards Board issued IFRIC 23 which clarifies the accounting for uncertainties in income taxes. The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It outlines the following: (1) the entity has to use judgement, to determine whether each tax treatment should be considered separately or whether some can be considered together. The decision should be based on the approach which provides better predictions of the resolution of the uncertainty (2) the entity is to assume that the taxation authority will have full knowledge of all relevant information while examining any amount (3) entity has to consider the probability of the relevant taxation authority accepting the tax treatment and the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates would depend upon the probability. The Group is in the process of evaluating the impact of the interpretation.

IFRS 9 – Prepayment Features with Negative Compensation

In October 2017, the IASB issued amendments to IFRS 9, which amend the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. TCS Limited does not expect this amendment to have any significant impact on its financial statements.

IAS 28 – Long-term Interests in Associates and Joint Ventures

In October 2017, the IASB clarified that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. TCS Limited does not currently have any long-term interests in associates and joint ventures.

IAS 19 – Plan Amendment, Curtailment or Settlement

In February 2018, the IASB issued amendments to IAS 19 to clarify that if a plan amendment, curtailment or settlement occurs, it is mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. TCS Limited is in the process of evaluating the impact of the new standard.

Annual improvements — 2015-2017 cycle

In December 2017, the IASB published Annual Improvements to IFRS Standards 2015–2017 Cycle, containing the following amendments to IFRSs:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements — The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business. TCS Limited will apply the pronouncement if and when it obtains control / joint control of a business that is a joint operation.
- IAS 12 Income Taxes — An entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. TCS Limited is in the process of evaluating the impact of the new standard.
- IAS 23 Borrowing Costs — The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. TCS Limited does not expect any impact from this pronouncement.

4. Cash and cash equivalents

Cash and cash equivalents consist of the following:

	As at June 30, 2018	As at March 31, 2018
	(In millions of USD)	
Cash at banks and in hand	573	700
Bank deposits (original maturity less than three months)	101	51
Total	**674**	**751**
Held within India	72	70
Held outside India	602	681
Total	**674**	**751**

5. Trade receivables

Trade receivables consist of the following:

(a) Trade receivables – Current

	As at June 30, 2018	As at March 31, 2018
	(In millions of USD)	
Trade receivables	4,050	3,907
Less: Allowance for doubtful trade receivables	(74)	(72)
Total	**3,976**	**3,835**

(b) Trade receivables – Non-current

	As at June 30, 2018	As at March 31, 2018
	(In millions of USD)	
Trade receivables	80	70
Less: Allowance for doubtful trade receivables	(56)	(56)
Total	**24**	**14**

6. Investments

Investments consist of the following:

(a) Investments – Current

	As at June 30, 2018	As at March 31, 2018
	(In millions of USD)	
Investments carried at fair value through profit or loss		
Mutual fund units*	930	1,497
	930	**1,497**
Investments carried at fair value through OCI		
Government bonds and securities	3,566	3,877
Corporate bonds	108	116
	3,674	**3,993**
Investments carried at amortised cost		
Certificate of deposits	72	-
	72	**-**
Total	**4,676**	**5,490**

*Includes $8 million and $7 million as at June 30, 2018 and March 31, 2018, respectively, pertaining to trusts and TCS Foundation held for specified purposes.

(b) Investments – Non-current

	As at June 30, 2018	As at March 31, 2018
	(In millions of USD)	
Investments carried at fair value through profit or loss		
Mutual fund units	-	9
	-	**9**
Investments designated at fair value through OCI		
Equity shares	9	9
	9	**9**
Investments carried at amortised cost		
Government bonds and securities*	24	26
Corporate bonds*	2	2
	26	**28**
Total	**35**	**46**

*Pertains to trusts held for specified purposes.

7. Other financial assets

Other financial assets consist of the following:

(a) Other financial assets – Current

	As at June 30, 2018	As at March 31, 2018
	(In millions of USD)	
Interest receivable	91	82
Employee loans and advances	60	59
Fair value of foreign exchange derivative assets	38	14
Inter-corporate deposits	1,013	434
Security deposits	25	31
Earmarked balances with banks	33	34
Others	15	7
Total	**1,275**	**661**

(b) Other financial assets – Non-current

	As at June 30, 2018	As at March 31, 2018
	(In millions of USD)	
Interest receivable	2	-
Inter-corporate deposits	288	303
Security deposits	79	82
Earmarked balances with banks	1	-
Others	22	25
Total	**392**	**410**

Earmarked balances with banks significantly include margin money for purchase of investments, margin money for derivative contracts and unclaimed dividends.

Inter-corporate deposits placed with financial institutions yield fixed interest rate. Inter-corporate deposits include $90 million and $96 million as at June 30, 2018 and March 31, 2018, respectively, pertaining to trusts and TCS Foundation held for specified purposes.

8. Other assets

Other assets consist of the following:

(a) Other assets – Current

	As at June 30, 2018	As at March 31, 2018
	(In millions of USD)	
Advances to suppliers	26	23
Indirect tax recoverable	110	107
Prepaid expenses	100	167
Prepaid rent	8	8
Contract assets	434	-
Contract fulfillment costs	66	71
Others	26	26
Total	**770**	**402**

(b) Other assets – Non-current

	As at June 30, 2018	As at March 31, 2018
	(In millions of USD)	
Prepaid expenses	46	54
Prepaid rent	53	57
Contract assets	35	-
Contract fulfillment costs	16	15
Others	4	4
Total	**154**	**130**

9. Property, plant and equipment

Property, plant and equipment consist of the following:

	Freehold land	Buildings	Leasehold improve-ments	Computer equipment	Furniture, fixtures, office equipment and other assets	Total
			(In millions of USD)			
Cost as at April 1, 2018	**54**	**1,092**	**345**	**1,044**	**958**	**3,493**
Additions	-	24	19	33	27	103
Disposals	-	-	(9)	(5)	(6)	(20)
Translation exchange difference	(3)	(55)	(17)	(53)	(47)	(175)
Cost as at June 30, 2018	**51**	**1,061**	**338**	**1,019**	**932**	**3,401**
Accumulated depreciation as at April 1, 2018	**-**	**(280)**	**(197)**	**(816)**	**(630)**	**(1,923)**
Depreciation for the period	-	(14)	(7)	(30)	(22)	(73)
Disposals	-	-	9	5	6	20
Translation exchange difference	-	14	9	43	31	97
Accumulated depreciation as at June 30, 2018	**-**	**(280)**	**(186)**	**(798)**	**(615)**	**(1,879)**
Net carrying amount as at June 30, 2018	**51**	**781**	**152**	**221**	**317**	**1,522**
Capital work-in-progress						162
Total						**1,684**

	Freehold land	Buildings	Leasehold improve-ments	Computer equipment	Furniture, fixtures, office equipment and other assets	Total
			(In millions of USD)			
Cost as at April 1, 2017	**54**	**1,035**	**303**	**939**	**891**	**3,222**
Additions	-	61	53	132	85	331
Disposals	-	-	(12)	(33)	(18)	(63)
Translation exchange difference	-	(4)	1	6	-	3
Cost as at March 31, 2018	**54**	**1,092**	**345**	**1,044**	**958**	**3,493**
Accumulated depreciation as at April 1, 2017	**-**	**(226)**	**(176)**	**(715)**	**(553)**	**(1,670)**
Depreciation for the year	-	(55)	(31)	(128)	(93)	(307)
Disposals	-	-	11	31	16	58
Translation exchange difference	-	1	(1)	(4)	-	(4)
Accumulated depreciation as at March 31, 2018	**-**	**(280)**	**(197)**	**(816)**	**(630)**	**(1,923)**
Net carrying amount as at March 31, 2018	**54**	**812**	**148**	**228**	**328**	**1,570**
Capital work-in-progress						214
Total						**1,784**

Net carrying amount of property, plant and equipment under finance lease arrangements were as follows:

	As at June 30, 2018	As at March 31, 2018
	(In millions of USD)	
Leasehold improvements	5	5
Computer equipment	1	1
Total	**6**	**6**

10. Intangible assets

Intangible assets consist of the following:

	Acquired contract rights	Rights under licensing agreement and software licences	Customer-related intangibles	Total
		(In millions of USD)		
Cost as at April 1, 2018	**56**	**13**	**15**	**84**
Additions	-	2	-	2
Translation exchange difference	(3)	(1)	(1)	(5)
Cost as at June 30, 2018	**53**	**14**	**14**	**81**
Accumulated amortisation as at April 1, 2018	**(56)**	**(11)**	**(15)**	**(82)**
Translation exchange difference	3	1	1	5
Accumulated amortisation as at June 30, 2018	**(53)**	**(10)**	**(14)**	**(77)**
Net carrying amount as at June 30, 2018	**-**	**4**	**-**	**4**

	Acquired contract rights	Rights under licensing agreement and software licences	Customer-related intangibles	Total
	(In millions of USD)			
Cost as at April 1, 2017	**52**	**13**	**14**	**79**
Translation exchange difference	4	-	1	5
Cost as at March 31, 2018	**56**	**13**	**15**	**84**
Accumulated amortisation as at April 1, 2017	**(49)**	**(10)**	**(13)**	**(72)**
Amortisation for the year	(4)	(1)	-	(5)
Translation exchange difference	(3)	-	(2)	(5)
Accumulated amortisation as at March 31, 2018	**(56)**	**(11)**	**(15)**	**(82)**
Net carrying amount as at March 31, 2018	**-**	**2**	**-**	**2**

11. Other financial liabilities

Other financial liabilities consist of the following:

(a) Other financial liabilities – Current

	As at June 30, 2018	As at March 31, 2018
	(In millions of USD)	
Capital creditors	37	40
Fair value of foreign exchange derivative liabilities	19	14
Liabilities towards customer contracts	116	119
Accrued payroll	352	406
Unclaimed dividends	5	4
Others	20	17
Total	**549**	**600**

(b) Other financial liabilities – Non-current

	As at June 30, 2018	As at March 31, 2018
	(In millions of USD)	
Capital creditors	2	3
Others	71	74
Total	**73**	**77**

Others includes advance taxes paid of $33 million and $35 million as at June 30, 2018 and March 31, 2018, respectively, by the seller of TCS e-Serve Limited (merged with the Company) which on refund by tax authorities, is payable to the seller.

12. Other liabilities

Other liabilities consist of the following:

(a) Other liabilities – Current

	As at June 30, 2018	As at March 31, 2018
	(In millions of USD)	
Advances received from customers	78	122
Indirect tax payable and other statutory liabilities	373	305
Operating lease liabilities	14	15
Others	8	8
Total	**473**	**450**

(b) Other liabilities – Non-current

	As at June 30, 2018	As at March 31, 2018
	(In millions of USD)	
Operating lease liabilities	58	60
Total	**58**	**60**

13. Share capital

	As at June 30, 2018	As at March 31, 2018
	(In millions of USD)	
(a) Authorised		
Equity shares of ₹1 each	86	86
(4,600,500,000 shares and 4,600,500,000 shares)		
Preference shares of ₹1 each	20	20
(1,050,250,000 shares and 1,050,250,000 shares)		
	106	**106**
(b) Issued, Subscribed and Fully paid up		
Opening balance of equity shares of ₹1 each	43	44
(1,914,287,591 shares and 1,970,427,941 shares)		
Equity shares of ₹1 each extinguished on buy-back	-	(1)
(NIL and 56,140,350 shares)		
Issue of bonus shares of ₹1 each	28	-
(1,914,287,591 shares and NIL)		
Total	**71**	**43**

The Company allotted 1,914,287,591 equity shares as fully paid up bonus shares by capitalisation of profits transferred from retained earnings amounting to $28 million pursuant to an ordinary resolution passed after taking the consent of shareholders through postal ballot.

The Board of Directors at its meeting held on June 15, 2018 have approved a proposal to buy-back upto 76,190,476 equity shares of the Company for an aggregate amount not exceeding $2,336 million (₹16,000 crores) being 1.99% of the total paid up equity share capital at $30.66 (₹2,100) per equity share subject to approval from shareholders.

In the previous year, the Company bought back 56,140,350 equity shares for an aggregate amount of $2,484 million (₹16,000 crores) being 2.85% of the total paid up equity share capital at $44.25 (₹2,850) per equity share. The equity shares bought back were extinguished on June 7, 2017.

14. Expenses by nature

	Three month period ended June 30, 2018	Three month period ended June 30, 2017
	(In millions of USD)	
Employee cost	2,735	2,511
Fees to external consultants	374	328
Facility expenses	153	150
Depreciation and amortisation expense	73	77
Cost of equipment and software licences	90	113
Travel expenses	121	117
Communication expenses	42	42
Bad debts and advances written off, allowance for doubtful trade receivables and advances (net)	7	5
Other expenses	192	175
Total	**3,787**	**3,518**

15. Finance and other income

	Three month period ended June 30, 2018	Three month period ended June 30, 2017
	(In millions of USD)	
Dividend received	-	1
Interest income on bank balances and bank deposits	7	3
Interest on financial assets carried at fair value through OCI	70	69
Interest on financial assets carried at amortised cost	19	7
Rental revenue	-	1
Others	21	10
Total	**117**	**91**

16. Other gains (net)

	Three month period ended June 30, 2018	Three month period ended June 30, 2017
	(In millions of USD)	
Net gain on disposal of property, plant and equipment	3	-
Net gain on investments carried at fair value through profit or loss	23	42
Net foreign exchange gains	36	12
Others	2	4
Total	**64**	**58**

17. Income taxes

The income tax expense consists of the following:

	Three month period ended June 30, 2018	Three month period ended June 30, 2017
	(In millions of USD)	
Current tax expense	253	322
Deferred tax expense / (benefit)	104	(28)
Total	**357**	**294**

18. Financial instruments

The significant accounting policies, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2(l) to the condensed consolidated interim financial statements.

(a) Financial assets and liabilities

The carrying value of financial instruments by categories as at June 30, 2018 is as follows:

	Fair value through profit or loss	Fair value through other comprehensive income	Derivative instruments in hedging relationship	Derivative instruments not in hedging relationship	Amortised cost	Total carrying value
			(In millions of USD)			
Financial assets						
Cash and cash equivalents	-	-	-	-	674	674
Bank deposits	-	-	-	-	251	251
Trade receivables	-	-	-	-	4,000	4,000
Investments	930	3,683	-	-	98	4,711
Unbilled receivables	-	-	-	-	676	676
Earmarked balances with banks	-	-	-	-	34	34
Other financial assets	-	-	15	23	1,595	1,633
Total	**930**	**3,683**	**15**	**23**	**7,328**	**11,979**
Financial liabilities						
Trade payables	-	-	-	-	812	812
Borrowings	-	-	-	-	9	9
Other financial liabilities	30	-	-	19	573	622
Total	**30**	**-**	**-**	**19**	**1,394**	**1,443**

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

	Fair value through profit or loss	Fair value through other comprehensive income	Derivative instruments in hedging relationship	Derivative instruments not in hedging relationship	Amortised cost	Total carrying value
			(In millions of USD)			
Financial assets						
Cash and cash equivalents	-	-	-	-	751	751
Bank deposits	-	-	-	-	316	316
Trade receivables	-	-	-	-	3,849	3,849
Investments	1,506	4,002	-	-	28	5,536
Unbilled revenue	-	-	-	-	1,063	1,063
Earmarked balances with banks	-	-	-	-	34	34
Other financial assets	-	-	5	9	1,023	1,037
Total	**1,506**	**4,002**	**5**	**9**	**7,064**	**12,586**
Financial liabilities						
Trade payables	-	-	-	-	783	783
Borrowings	-	-	-	-	38	38
Other financial liabilities	31	-	4	10	632	677
Total	**31**	**-**	**4**	**10**	**1,453**	**1,498**

Carrying amounts of cash and cash equivalents, trade receivables, unbilled receivables (previous year: unbilled revenue) and trade payables as at June 30, 2018 and March 31, 2018 approximate the fair value. Difference between carrying amounts and fair values of bank deposits, earmarked balances with banks, other financial assets, other financial liabilities and borrowings subsequently measured at amortised cost is not significant in each of the periods presented. Fair value of investments carried at amortised cost is $99 million and $30 million as at June 30, 2018 and March 31, 2018 respectively.

Fair value hierarchy

The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable and consists of the following three levels:

- Level 1 — Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 — Inputs are other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 — Inputs are not based on observable market data (unobservable inputs). Fair values are determined in whole or in part using a valuation model based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

The financial instruments included in Level 2 of fair value hierarchy have been valued using quotes available for similar assets and liabilities in the active market. The investments included in Level 3 of fair value hierarchy have been valued using the cost approach to arrive at their fair value. The cost of unquoted investments approximate the fair value because there is a wide range of possible fair value measurements and the cost represents estimate of fair value within that range.

The following table summarises financial assets and liabilities measured at fair value on a recurring basis and financial assets that are not measured at fair value on a recurring basis (but fair value disclosures are required):

As at June 30, 2018	Level 1	Level 2	Level 3	Total
		(In millions of USD)		
Financial assets				
Mutual fund units	930	-	-	930
Equity shares	-	-	9	9
Government bonds and securities	3,591	-	-	3,591
Certificate of deposits	72	-	-	72
Corporate bonds	110	-	-	110
Derivative financial assets	-	38	-	38
Total	**4,703**	**38**	**9**	**4,750**
Financial liabilities				
Other financial liabilities	-	-	30	30
Derivative financial liabilities	-	19	-	19
Total	**-**	**19**	**30**	**49**

As at March 31, 2018	Level 1	Level 2	Level 3	Total
		(In millions of USD)		
Financial assets				
Mutual fund units	1,497	9	-	1,506
Equity shares	-	-	9	9
Government bonds and securities	3,905	-	-	3,905
Corporate bonds	118	-	-	118
Derivative financial assets	-	14	-	14
Total	**5,520**	**23**	**9**	**5,552**
Financial liabilities				
Other financial liabilities	-	-	31	31
Derivative financial liabilities	-	14	-	14
Total	**-**	**14**	**31**	**45**

(b) Derivative financial instruments and hedging activity

TCS Limited's revenue is denominated in foreign currency predominantly US Dollar, Great Britain Pound and Euro. In addition to these currencies, TCS Limited also does business in Australian Dollar, Canadian Dollar, Swiss Franc, Japanese Yen, Norwegian Krone, Swedish Krona, South African Rand, Singapore Dollar, Saudi Arabian Riyal, Danish Krone and Brazilian Real. Given the nature of the business, a large portion of the costs are denominated in Indian Rupee. This exposes TCS Limited to currency fluctuations.

The Board of Directors have constituted a Risk Management Committee (RMC) to frame, implement and monitor the risk management plan of the Group which inter-alia covers risks arising out of exposure to foreign currency fluctuations. Under the guidance and framework provided by the RMC, the Group uses various derivative instruments such as foreign exchange forward, currency options and futures contracts in which the counter party is generally a bank.

The following are outstanding currency options contracts, which have been designated as cash flow hedges:

	As at June 30, 2018		
Foreign currency	**No. of contracts**	**Notional amount of contracts (In millions)**	**Fair value (In millions of USD)**
US Dollar	28	1,630	3
Great Britain Pound	37	370	7
Euro	34	315	3
Australian Dollar	17	215	1
Canadian Dollar	16	130	1

	As at March 31, 2018		
Foreign currency	**No. of contracts**	**Notional amount of contracts (In millions)**	**Fair value (In millions of USD)**
US Dollar	24	1466	3
Great Britain Pound	34	263	(4)
Euro	26	216	-
Australian Dollar	21	150	2
Canadian Dollar	-	-	-

The following are outstanding foreign exchange forward contracts, which have been designated as cash flow hedges:

	As at June 30, 2018		
Foreign currency	**No. of contracts**	**Notional amount of contracts (In millions)**	**Fair value (In millions of USD)**
Euro	1	5	-

	As at March 31, 2018		
Foreign currency	**No. of contracts**	**Notional amount of contracts (In millions)**	**Fair value (In millions of USD)**
Euro	-	-	-

The movement in accumulated other comprehensive income for three month period June 30, 2018 and year ended March 31, 2018 for derivatives designated as cash flow hedges is as follows:

	Three month period ended June 30, 2018		Year ended March 31, 2018	
	Intrinsic value	Time value	Intrinsic value	Time value
	(In millions of USD)			
Balance at the beginning of the period	**(11)**	**(16)**	**6**	**(8)**
(Gain) / Loss transferred to profit or loss on occurrence of forecasted hedge transactions	-	13	(20)	53
Deferred tax on (gain) / loss transferred to profit or loss on occurrence of forecasted hedge transactions	-	2	2	(6)
Change in the fair value of effective portion of cash flow hedges	5	(11)	1	(62)
Deferred tax on fair value of effective portion of cash flow hedges	(1)	(2)	-	7
Balance at the end of the period	**(7)**	**(14)**	**(11)**	**(16)**

In addition to the above cash flow hedges, TCS Limited has outstanding foreign exchange forward, currency options and futures contracts with notional amounts aggregating $3,656 million and $3,445 million, whose fair value showed a net gain of $4 million and net loss of $1 million as at June 30, 2018 and March 31, 2018, respectively. Although these contracts are effective as hedges from an economic perspective, they do not qualify for hedge accounting.

Exchange loss of $12 million and $11 million on foreign exchange forward contracts and currency options and futures contracts have been recognised in profit or loss for three month periods ended June 30, 2018 and 2017, respectively.

Net foreign exchange gains include loss of $13 million and gain of $4 million transferred from cash flow hedging reserve for the three month periods ended June 30, 2018 and 2017, respectively.

19. Segment information

Operating segments are defined as components of an enterprise for which discrete financial information is available that is evaluated regularly by the chief operating decision maker, in deciding how to allocate resources and assessing performance. TCS Limited's chief operating decision maker is the Chief Executive Officer and Managing Director.

The Group has identified business segments ('industry vertical') as reportable segments. The business segments comprise: 1) Banking, Financial Services and Insurance, 2) Manufacturing, 3) Retail and Consumer Business, 4) Communication, Media and Technology and 5) Others such as Energy, Resources and Utilities, Life Science and Healthcare, s-Governance and Products.

Revenue and expenses directly attributable to segments are reported under each reportable segment. Expenses which are not directly identifiable to each reporting segment have been allocated on the basis of associated revenue of the segment or manpower efforts. All other expenses which are not attributable or allocable to segments have been disclosed as unallocable expenses.

Assets and liabilities that are directly attributable or allocable to segments are disclosed under each reportable segment. All other assets and liabilities are disclosed as unallocable. Property, plant and equipment that are used interchangeably among segments are not allocated to reportable segments.

Summarised segment information for three month periods ended June 30, 2018 and 2017 is as follows:

	Three month period ended June 30, 2018					
	Banking, Financial Services and Insurance	Manufacturing	Retail and Consumer Business	Communication, Media and Technology	Others	Total
	(In millions of USD)					
Revenue	**1,985**	**552**	**871**	**845**	**798**	**5,051**
Segment result	**528**	**156**	**230**	**232**	**192**	**1,338**
Depreciation and amortisation expense						74
Total Unallocable expenses						**74**
Operating profit						1,264
Other income (net)						178
Profit before taxes						1,442
Income tax expense						357
Profit for the period						**1,085**
As at June 30, 2018						
Segment assets	2,155	629	983	940	1,085	5,792
Unallocable assets						10,509
Total assets						**16,301**
Segment liabilities	420	39	77	61	115	712
Unallocable liabilities						2,714
Total liabilities						**3,426**

	Three month period ended June 30, 2017					
	Banking, Financial Services and Insurance	Manufacturing	Retail and Consumer Business	Communication, Media and Technology	Others	Total
	(In millions of USD)					
Revenue	**1,829**	**494**	**776**	**782**	**710**	**4,591**
Segment result	**476**	**128**	**198**	**198**	**148**	**1,148**
Depreciation and amortisation expense						75
Total Unallocable expenses						**75**
Operating profit						1,073
Other income (net)						145
Profit before taxes						1,218
Income tax expense						294
Profit for the period						**924**
As at June 30, 2017						
Segment assets	1,975	495	830	789	1,024	5,113
Unallocable assets						8,793
Total assets						**13,906**
Segment liabilities	198	21	28	33	87	367
Unallocable liabilities						2,303
Total liabilities						**2,670**

Geographical revenue is allocated based on the location of the customers.

Information regarding geographical revenue is as follows:

Geography	Three month period ended June 30, 2018	Three month period ended June 30, 2017
	(In millions of USD)	
Americas (1)	2,674	2,507
Europe (2)	1,488	1,210
India	291	321
Others	598	553
Total	**5,051**	**4,591**

i. (1) is substantially related to operations in the United States of America.
ii. (2) includes revenue from operations in the United Kingdom of $781 million and $635 million for three month periods ended June 30, 2018 and 2017, respectively.

20. Commitments and contingencies

Capital commitments

The Group has contractually committed (net of advances) $95 million and $120 million as at June 30, 2018 and March 31, 2018, respectively, for purchase of property, plant and equipment.

Contingencies

Direct tax matters

The Company and its subsidiaries have ongoing disputes with Income Tax authorities in India and in some of the jurisdictions where they operate. The disputes relate to tax treatment of certain expenses claimed as deductions, computation or eligibility of tax incentives or allowances and characterisation of fees for services received. The Company and its subsidiaries have contingent liability of $213 million and $867 million as at June 30, 2018 and March 31, 2018, respectively, in respect of tax demands which are being contested by the Company and its subsidiaries based on the management evaluation and advice of tax consultants. In respect of tax contingencies of $46 million and $49 million as at June 30, 2018 and March 31, 2018, respectively, not included above, the Company is entitled to an indemnification from the seller of TCS e-Serve Limited.

Indirect tax matters

The Company and its subsidiaries in India have ongoing disputes with Indian tax authorities mainly relating to treatment of characterisation and classification of certain items. The Company and its subsidiaries have demands amounting to $52 million and $47 million as at June 30, 2018 and March 31, 2018, respectively, from various indirect tax authorities which are being contested by the Company and its subsidiaries based on the management evaluation and advice of tax consultants.

Other claims

Claims aggregating $465 million and $461 million as at June 30, 2018 and March 31, 2018, respectively, against the Group have not been acknowledged as debts.

In October 2014, Epic Systems Corporation (referred to as Epic) filed a legal claim against the Company in the Court of Western District Madison, Wisconsin for alleged infringement of Epic's proprietary information. In April 2016, the Company received an unfavourable jury verdict awarding damages totaling $940 million to Epic. In September 2017, the Company received a Court order reducing the damages from $940 million to $420 million to Epic. The Company has received legal advice to the effect that the order and the reduced damages awarded are not supported by evidence presented during the trial and a strong appeal can be made to superior Court to fully set aside the order. Pursuant to US Court procedures, a

Letter of Credit has been made available to Epic for $440 million as financial security in order to stay execution of the judgment pending post-judgment proceedings and appeal. Accordingly, an amount of $440 million is disclosed as contingent liability which is included in the claims not acknowledged as debts.

Letter of Comfort

The Company has given letter of comfort to bank for credit facilities availed by its subsidiary Tata America International Corporation. As per the terms of letter of comfort, the Company undertakes not to divest its ownership interest directly or indirectly in the subsidiary and provide such managerial, technical and financial assistance to ensure continued successful operations of the subsidiary.

The amounts assessed as contingent liability do not include interest that could be claimed by counter parties.

21. Related party transactions

The Company paid an amount of $587 million to Tata Sons Limited, the holding company, towards final dividend as approved by the shareholders in the Annual General Meeting.

Other than above, the Group does not have any material related party transactions during the period and outstanding balances as on date.

22. Subsequent events

The Board of Directors at its meeting held on July 10, 2018 has recommended an interim dividend of $0.06 (₹4.00) per equity share.