

TATA CONSULTANCY SERVICES LIMITED
Unaudited Condensed Consolidated Interim Statement of Financial Position

	As at Note	December 31, 2021	As at March 31, 2021		
		(In million of USD)			
ASSETS					
Current assets					
Cash and cash equivalents	9(a)	808	934		
Bank deposits		940	308		
Investments	9(b)	6,122	3,973		
Trade receivables					
Billed	9(c)	4,596	4,098		
Unbilled		882	897		
Other financial assets	9(d)	1,250	1,781		
Income tax assets (net)		1	3		
Other assets	11(d)	1,291	1,532		
Total current assets		15,890	13,526		
Non-current assets					
Bank deposits		87	98		
Investments	9(b)	32	29		
Trade receivables					
Billed	9(c)	9	8		
Unbilled		13	37		
Other financial assets	9(d)	234	120		
Income tax assets (net)		285	251		
Deferred tax assets (net)		389	532		
Property, plant and equipment	11(a)	1,613	1,653		
Right-of-use assets	10	1,056	1,040		
Goodwill	11(b)	525	538		
Other intangible assets	11(c)	156	65		
Other assets	11(d)	246	206		
Total non-current assets		4,645	4,577		
TOTAL ASSETS		20,535	18,103		
LIABILITIES AND EQUITY					
Liabilities					
Current liabilities					
Trade payables		985	1,071		
Lease liabilities		192	176		
Other financial liabilities	9(e)	934	838		
Unearned and deferred revenue		489	497		
Employee benefit obligations	16	529	476		
Provisions	11(f)	187	189		
Income tax liabilities (net)		970	850		
Other liabilities	11(e)	537	554		
Total current liabilities		4,823	4,651		
Non-current liabilities					
Lease liabilities		884	886		
Other financial liabilities	9(e)	77	38		
Unearned and deferred revenue		164	163		
Employee benefit obligations	16	101	102		
Deferred tax liabilities (net)		102	104		
Total non-current liabilities		1,328	1,293		
TOTAL LIABILITIES		6,151	5,944		
Equity					
Share capital	9(i)	69	69		
Retained earnings		17,063	15,144		
Other equity		(2,843)	(3,148)		
Equity attributable to shareholders of the Company		14,289	12,065		
Non-controlling interests		95	94		
TOTAL EQUITY		14,384	12,159		
TOTAL LIABILITIES AND EQUITY		20,535	18,103		

See accompanying notes to unaudited condensed consolidated interim financial statements

TATA CONSULTANCY SERVICES LIMITED
Unaudited Condensed Interim Statement of Profit or Loss and Other Comprehensive Income

	Note	Three month period ended December 31, 2021	Three month period ended December 31, 2020	Nine month period ended December 31, 2021	Nine month period ended December 31, 2020
		(In million of USD, except shares and per share data)			
Revenue	12	6,524	5,702	19,011	16,185
Cost of revenue		3,915	3,329	11,358	9,599
Gross profit		2,609	2,373	7,653	6,586
Operating expenses					
Selling, general and administrative expenses	19	-	-	-	165
Provision towards legal claim		976	856	2,828	2,453
Others		976	856	2,828	2,618
Total selling, general and administrative expenses		1,633	1,517	4,825	3,968
Operating profit					
Other income					
Finance and other income	14(a)	86	85	259	256
Finance costs	14(b)	(34)	(25)	(73)	(67)
Other gains (net)	14(c)	75	8	150	40
Other income (net)		127	68	336	229
Profit before taxes		1,760	1,585	5,161	4,197
Income tax expense	15	452	402	1,324	1,068
Profit for the period		1,308	1,183	3,837	3,129
Other comprehensive income (OCI)					
Items that will not be reclassified subsequently to profit or loss					
Remeasurement of defined employee benefit plans		5	(20)	2	(14)
Items that will be reclassified subsequently to profit or loss					
Net change in fair value of investments other than equity shares carried at fair value through OCI		(21)	29	(21)	60
Net change in intrinsic value of derivatives designated as cash flow hedges		9	(11)	18	(5)
Net change in time value of derivatives designated as cash flow hedges		(2)	(11)	(6)	(5)
Exchange differences on translation of foreign operations and translation to presentation currency		(6)	183	(142)	493
Total other comprehensive income / (losses), net of tax		(15)	170	(149)	529
Total comprehensive income for the period		1,293	1,353	3,688	3,658
Profit for the period attributable to:					
Shareholders of the Company		1,303	1,180	3,825	3,117
Non-controlling interests		5	3	12	12
Other comprehensive income for the period attributable to:		1,308	1,183	3,837	3,129
Shareholders of the Company		(13)	168	(146)	525
Non-controlling interests		(2)	2	(3)	4
Total comprehensive income for the period attributable to:		(15)	170	(149)	529
Shareholders of the Company		1,290	1,348	3,679	3,642
Non-controlling interests		3	5	9	16
Earnings per share		1,293	1,353	3,688	3,658
Weighted average number of equity shares		3,699,051,373	3,752,384,706	3,699,051,373	3,752,384,706
Basic and diluted earnings per share in USD	17	0.35	0.31	1.03	0.83

See accompanying notes to unaudited condensed consolidated interim financial statements

TATA CONSULTANCY SERVICES LIMITED
Unaudited Condensed Consolidated Interim Statement of Changes in Equity

	Number of shares	Share capital	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	
(In million of USD, except share data)											
Balance as at April 1, 2020	3,752,384,706	70	15,034	247	(4,000)	(5)	(16)	103	11,433	85	11,518
Profit for the period			3,117	-	-	-	-		3,117	12	3,129
Other comprehensive income / (losses)			(14)	-	489	(5)	(5)	60	525	4	529
Total comprehensive income / (losses)	-	-	3,103	-	489	(5)	(5)	60	3,642	16	3,658
Dividend			(1,153)	-	-	-	-		(1,153)	(8)	(1,161)
Tax on liability towards buy-back of equity shares ¹			(506)	-	-	-	-		(506)	-	(506)
Liability towards buy-back of equity shares ¹			(2,172)	-	-	-	-		(2,172)	-	(2,172)
Transfer to Special Economic Zone re-investment reserve			(512)	512	-	-	-		-	-	-
Transfer from Special Economic Zone re-investment reserve			411	(411)	-	-	-		-	-	-
Balance as at December 31, 2020	3,752,384,706	70	14,205	348	(3,511)	(10)	(21)	163	11,244	93	11,337
Balance as at April 1, 2021	3,699,051,373	69	15,144	372	(3,613)	(3)	(10)	106	12,065	94	12,159
Profit for the period			3,825	-	-	-	-		3,825	12	3,837
Other comprehensive income / (losses)			2	-	(139)	18	(6)	(21)	(146)	(3)	(149)
Total comprehensive income / (losses)	-	-	3,827	-	(139)	18	(6)	(21)	3,679	9	3,688
Dividend			(1,455)	-	-	-	-		(1,455)	(8)	(1,463)
Transfer to Special Economic Zone re-investment reserve			(955)	955	-	-	-		-	-	-
Transfer from Special Economic Zone re-investment reserve			502	(502)	-	-	-		-	-	-
Balance as at December 31, 2021	3,699,051,373	69	17,063	825	(3,752)	15	(16)	85	14,289	95	14,384

See accompanying notes to unaudited condensed consolidated interim financial statements

¹Refer note 9(i).

Gain of \$2 million and loss of \$14 million on remeasurement of defined employee benefit plans (net of tax) is recognised as a part of retained earnings for nine month periods ended December 31, 2021 and 2020, respectively.

Retained earnings include statutory reserve of \$48 million and \$59 million as at December 31, 2021 and 2020, respectively.

Total equity (primarily retained earnings) includes \$183 million and \$176 million as at December 31, 2021 and 2020, respectively, pertaining to trusts and TCS Foundation held for specified purposes.

TATA CONSULTANCY SERVICES LIMITED
Unaudited Condensed Interim Statement of Cash Flows

	Nine month period ended <u>December 31, 2021</u>	Nine month period ended <u>December 31, 2020</u>
	(In million of USD)	
Cash flows from operating activities		
Profit for the period	3,837	3,129
Adjustments to reconcile profit or loss to net cash provided by operating activities		
Depreciation and amortisation expense	456	402
Bad debts and advances written off, allowance for doubtful trade receivables and advances (net)	16	21
Provision towards legal claim (Refer note 19)	-	165
Income tax expense	1,324	1,068
Net gain on lease modification	(1)	(8)
Net loss on sub-lease	1	-
Unrealised foreign exchange (gain) / loss	5	(7)
Net gain on disposal of property, plant and equipment	(2)	(1)
Net gain on disposal / fair valuation of investments	(6)	(14)
Operating profit before working capital changes	<u>5,630</u>	<u>4,755</u>
Net change in		
Trade receivables		
Billed	(583)	297
Unbilled	22	132
Other financial assets	(29)	27
Other assets	176	(138)
Trade payables	(57)	(268)
Unearned and deferred revenue	4	40
Other financial liabilities	73	(26)
Other liabilities and provisions	51	316
Cash generated from operations	<u>5,287</u>	<u>5,135</u>
Taxes paid (net of refunds)	(1,098)	(854)
Net cash generated from operating activities	<u>4,189</u>	<u>4,281</u>

TATA CONSULTANCY SERVICES LIMITED
Unaudited Condensed Consolidated Interim Statement of Cash Flows

	Nine month period ended <u>December 31, 2021</u>	Nine month period ended <u>December 31, 2020</u>
	(In million of USD)	
Cash flows from investing activities		
Bank deposits placed	(1,464)	(586)
Inter-corporate deposits placed	(1,460)	(1,461)
Purchase of investments*	(6,542)	(6,172)
Payment for purchase of property, plant and equipment	(234)	(239)
Payment including advances for acquiring right-of-use assets	(1)	-
Payment for purchase of intangible assets	(59)	(29)
Proceeds from bank deposits	812	222
Proceeds from inter-corporate deposits	1,930	2,047
Proceeds from disposal / redemption of investments*	4,319	3,039
Proceeds from disposal of property, plant and equipment	2	4
Net cash used in investing activities	(2,697)	(3,175)
Cash flows from financing activities		
Repayment of lease liabilities	(141)	(134)
Dividend paid	(1,455)	(1,153)
Dividend paid to non-controlling interests	(8)	(8)
Transfer of funds to buy-back escrow account	-	(21)
Net cash used in financing activities	(1,604)	(1,316)
Net change in cash and cash equivalents	(112)	(210)
Cash and cash equivalents at the beginning of the period	934	1,146
Exchange difference on translation of foreign currency cash and cash equivalents	(14)	52
Cash and cash equivalents at the end of the period	808	988
Components of cash and cash equivalents		
Cash at banks and in hand	305	722
Bank deposits (original maturity less than three months)	503	266
	808	988
Supplementary cash flow information		
Interest paid	62	67
Interest received	266	291
Dividend received	-	1

See accompanying notes to unaudited condensed consolidated interim financial statements

*Purchase of investments include \$2 million and \$10 million for nine month periods ended December 31, 2021 and 2020, respectively, and proceeds from disposal / redemption of investments include \$8 million and \$9 million for nine month periods ended December 31, 2021 and 2020, respectively, held by trusts and TCS Foundation held for specified purposes.

TATA CONSULTANCY SERVICES LIMITED
Notes to unaudited condensed consolidated interim financial statements

1) Corporate information

Tata Consultancy Services Limited (“the Company”) and its subsidiaries (collectively together with employee welfare trusts referred to as “the Group”) provide IT services, consulting and business solutions and have been partnering with many of the world’s largest businesses in their transformation journeys. 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 December 31, 2021, Tata Sons Private Limited, the holding company owned 72.16% of the Company’s equity share capital.

2) Statement of compliance

The unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting. The accompanying balance sheet and related notes to accounts as of March 31, 2021 are derived from audited financial statements but these unaudited condensed consolidated interim financial statements do not include all of the financial information and footnotes required by IFRS for complete 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, wherever applicable.

3) Basis of preparation

These unaudited condensed consolidated interim financial statements have been prepared on historical cost basis except for certain financial instruments and defined benefit plans which are measured at fair value or amortised cost 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. All assets and liabilities have been classified as current and non-current as per the Group’s normal operating cycle. Based on the nature of services rendered to customers and time elapsed between deployment of resources and the realisation in cash and cash equivalents of the consideration for such services rendered, the Group has considered an operating cycle of 12 months.

Cash flows have been prepared indirect method, whereby profit or loss 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 items of income or expense associated with investing or financing cash flows. The Group classifies interest paid and interest and dividend received as cash flow from operating activities. 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 and are subject to an insignificant risk of changes in value to be cash equivalents.

The functional currency of the Company and its Indian subsidiaries is the Indian Rupee (₹). The functional currency of foreign subsidiaries is the currency of the primary economic environment in which the entity operates. 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.

The significant accounting policies used in preparation of the unaudited condensed consolidated interim financial statements have been discussed in the respective notes.

TATA CONSULTANCY SERVICES LIMITED
Notes to unaudited condensed consolidated interim financial statements

4) Basis of consolidation

The Company 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.

Entities controlled by the Company 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.

The financial statements of the Group companies are consolidated on a line-by-line basis and all inter-company transactions, balances, 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.

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 of such entities 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. When a foreign operation is disposed off in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount of exchange differences related to that foreign operation recognised in OCI is reclassified to profit or loss as part of the gain or loss on disposal.

These unaudited condensed consolidated interim financial statements are presented in US Dollars (\$) to facilitate the investors' ability to evaluate the Group's performance and financial position in comparison to similar companies domiciled in different foreign jurisdictions.

5) Use of estimates and judgements

The preparation of unaudited condensed consolidated interim financial statements in conformity with the recognition and measurement principles of International Financial Reporting Standards (IFRS) requires management to make estimates and judgements that affect the reported balances of assets and liabilities, disclosures of contingent liabilities as at the date of unaudited 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.

The Group uses the following critical accounting estimates in preparation of its unaudited condensed consolidated interim financial statements:

(a) Revenue recognition

Revenue for fixed-price contracts is recognised using percentage-of-completion method. The Group uses judgement to estimate the future cost-to-completion of the contracts which is used to determine degree of completion of the performance obligation.

TATA CONSULTANCY SERVICES LIMITED
Notes to unaudited condensed consolidated interim financial statements

(b) Useful lives of property, plant and equipment

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

(c) 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 are 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.

(d) 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.

(e) Provision for income tax and deferred tax assets

The Group uses estimates and judgements based on the relevant rulings in the areas of allocation of revenue, costs, allowances and disallowances which is exercised while determining the provision for income tax. A deferred tax asset is recognised 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 utilised. Accordingly, the Group exercises its judgement to reassess the carrying amount of deferred tax assets at the end of each reporting period.

(f) Provisions and contingent liabilities

The Group estimates the provisions that have present obligations as a result of past events and it is probable that outflow of resources will be required to settle the obligations. These provisions are reviewed at the end of each reporting period and are adjusted to reflect the current best estimates.

The Group uses significant judgements to assess contingent liabilities. Contingent liabilities are recognised when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount cannot be made. Contingent assets are neither recognised nor disclosed in the unaudited condensed consolidated interim financial statements.

(g) Employee benefits

The accounting of employee benefit plans in the nature of defined benefit requires the Group to use assumptions. These assumptions have been explained under employee benefits note.

(h) Leases

The Group evaluates if an arrangement qualifies to be a lease as per the requirements of IFRS 16. Identification of a lease requires significant judgement. The Group uses significant judgement in assessing the lease term (including anticipated renewals) and the applicable discount rate.

TATA CONSULTANCY SERVICES LIMITED
Notes to unaudited condensed consolidated interim financial statements

The Group determines the lease term as the non-cancellable period of a lease, together with both periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option. In assessing whether the Group is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, it considers all relevant facts and circumstances that create an economic incentive for the Group to exercise the option to extend the lease, or not to exercise the option to terminate the lease. The Group revises the lease term if there is a change in the non-cancellable period of a lease.

The discount rate is generally based on the incremental borrowing rate specific to the lease being evaluated or for a portfolio of leases with similar characteristics.

(i) Impact of COVID-19 (pandemic)

The Group has taken into account all the possible impacts of COVID-19 in preparation of these unaudited condensed consolidated interim financial statements, including but not limited to its assessment of, liquidity and going concern assumption, recoverable values of its financial and non-financial assets, impact on revenue recognition owing to changes in cost budgets of fixed price contracts, impact on leases and impact on effectiveness of its hedges. The Group has carried out this assessment based on available internal and external sources of information upto the date of approval of these unaudited condensed consolidated interim financial statements and believes that the impact of COVID-19 is not material to these unaudited condensed consolidated interim financial statements and expects to recover the carrying amount of its assets. The impact of COVID-19 on the unaudited condensed consolidated interim financial statements may differ from that estimated as at the date of approval of these unaudited condensed consolidated interim financial statements owing to the nature and duration of COVID-19.

6) Nature and purpose of reserves

(a) Retained earnings

This reserve represents undistributed accumulated earnings of the Group as on the date of statement of financial position.

(b) Special Economic Zone re-investment reserve

The Special Economic Zone (SEZ) re-investment reserve is created out of the profit of eligible SEZ units in terms of the provisions of section 10AA(1)(ii) of the Income-tax Act, 1961 of India. The reserve will be utilised by the Group for acquiring new assets for the purpose of its business as per the terms of section 10AA(2) of Income-tax Act, 1961 of India.

(c) Foreign currency translation reserve

The exchange differences arising from the translation of financial statements of foreign operations with functional currency other than presentation currency is recognised in other comprehensive income, net of taxes and is presented within equity in the foreign currency translation reserve.

(d) Cash flow hedging reserve

The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of designated portion of hedging instruments entered into for cash flow hedges. Such gains or losses will be reclassified to profit or loss in the period in which the underlying hedged transaction occurs.

(e) Investment revaluation reserve

This reserve represents the cumulative gains and losses arising on the revaluation of equity and debt instruments on the date of statement of financial position measured at fair value through other comprehensive income. The reserves accumulated will be reclassified to retained earnings and profit or loss respectively, when such instruments are disposed.

TATA CONSULTANCY SERVICES LIMITED
Notes to unaudited condensed consolidated interim financial statements

7) Recent accounting standards

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

Amendments to IAS 16	Property, plant and equipment: Proceeds before intended use ¹
Amendments to IAS 37	Onerous Contracts - Costs of Fulfilling a Contract ¹
Amendments to IFRS 3	Business Combinations - Reference to Conceptual Framework ¹
Annual Improvements to IFRS Standards 2018-2020	IFRS 9 and IFRS 16 ¹
Amendments to IAS 1	Classification of Liabilities ²
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to IAS 8	Definition of Accounting Estimates ²
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²

¹Effective for annual periods beginning on or after January 1, 2022.

²Effective for annual periods beginning on or after January 1, 2023.

IAS 16 – Proceeds before intended use

In May 2020, IASB amended IAS 16, which prohibit an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, an entity will recognise such sales proceeds and related cost in profit or loss. The Group does not expect the amendments to have any impact in its recognition of its property, plant and equipment in its financial statements.

IAS 37 – Onerous Contracts - Costs of Fulfilling a Contract

In May 2020, IASB issued Onerous Contracts - Cost of Fulfilling a Contract, 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. The amendment is essentially a clarification and the Group does not expect the amendment to have any significant impact in its financial statements.

IFRS 3 – Reference to Conceptual Framework

In May 2020, IASB published Reference to Conceptual Framework, that update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework; add to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and add to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination. These changes do not significantly change the requirements of IFRS 3. The Group does not expect the amendment to have any significant impact in its financial statements.

IFRS 9 – Annual Improvements to IFRS Standards - 2018-2020

In May 2020, IASB amended IFRS 9 as part of its Annual Improvements to IFRS Standards 2018-2020. The amendment clarifies which fees an entity includes when it applies the '10 percent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. The Group does not expect the amendment to have any significant impact in its financial statements.

IFRS 16 – Annual Improvements to IFRS Standards - 2018-2020

In May 2020, IASB issued an amendment to Illustrative Example 13 accompanying IFRS 16, as part of its Annual Improvements to IFRS Standards - 2018-2020, which removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example. The amendment is only as regards the Illustrated

TATA CONSULTANCY SERVICES LIMITED
Notes to unaudited condensed consolidated interim financial statements

Example, therefore, no effective date is stated. The Group does not expect the amendment to have any significant impact in its financial statements.

IAS 1 – Classification of Liabilities

In January 2020, IASB issued the final amendments in Classification of Liabilities as Current or Non-Current, which affect only the presentation of liabilities in the statement of financial position. They clarify that classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months. The classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. They make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The Group does not expect the amendments to have any significant impact on its presentation of liabilities in its statement of financial position.

IAS 1 – Disclosure of Accounting Policies

In February 2021, IASB issued 'Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)' which is intended to help entities in deciding which accounting policies to disclose in their financial statements. The amendments to IAS 1 require entities to disclose their material accounting policies rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures. The Group does not expect this amendment to have any significant impact in its financial statements.

IAS 8 – Definition of Accounting Estimates

In February 2021, IASB issued 'Definition of Accounting Estimates (Amendments to IAS 8)' to help entities to distinguish between accounting policies and accounting estimates. The definition of a change in accounting estimates has been replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The Group does not expect this amendment to have any significant impact in its financial statements.

IAS 12 – Income Taxes

In May 2021, IASB issued 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)', which clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations. The amendments narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The Group will evaluate the impact, if any, in its financial statements.

8) 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.

TATA CONSULTANCY SERVICES LIMITED
Notes to unaudited condensed consolidated interim financial statements

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 is recorded in shareholders' equity.

9) Financial assets, financial liabilities and equity 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.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired.

Cash and cash equivalents

The Group 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 assets 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 issued by the Group are recognised at the proceeds received net of direct issue cost.

TATA CONSULTANCY SERVICES LIMITED
Notes to unaudited condensed consolidated interim financial statements

Derivative accounting

• **Instruments in hedging relationship**

The Group 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.

The Group uses hedging instruments that are governed by the policies of the Company and its subsidiaries which are approved by their respective Board of Directors. The policies 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 intrinsic value and time value of an option is recognised in the 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. Any gain or loss is recognised immediately in profit or loss when the hedge becomes ineffective.

• **Instruments not in hedging relationship**

The Group enters into contracts that are effective as hedges from an economic perspective, but they do not qualify for hedge accounting. The change in the fair value of such instrument is recognised in profit or loss.

Impairment of 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 allowance rates used in the provision matrix. For all other financial assets, expected credit losses are measured at an amount equal to the 12-months 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.

TATA CONSULTANCY SERVICES LIMITED
Notes to unaudited condensed consolidated interim financial statements

(a) Cash and cash equivalents

Cash and cash equivalents consist of the following:

	As at December 31, 2021	As at March 31, 2021
	(In million of USD)	
Cash at banks and in hand	305	718
Bank deposits (original maturity less than three months)	503	216
Total	808	934
 Held within India	 120	 58
Held outside India	688	876
Total	808	934

(b) Investments

Investments consist of the following:

Investments – Current

	As at December 31, 2021	As at March 31, 2021
	(In million of USD)	
Investments carried at fair value through profit or loss		
Mutual fund units	1,585	668
	1,585	668
 Investments carried at fair value through OCI		
Government bonds and securities	3,553	3,226
Corporate bonds	508	61
	4,061	3,287
 Investments carried at amortised cost		
Certificate of deposits	124	-
Commercial papers	339	18
Treasury bills	13	-
	476	18
 Total	 6,122	 3,973

Investment – Current includes \$16 million and \$23 million as at December 31, 2021 and March 31, 2021, respectively, pertaining to trusts and TCS Foundation held for specified purposes.

Government bonds and securities includes bonds pledged with bank for credit facility amounting to \$222 million and \$225 million as at December 31, 2021 and March 31, 2021, respectively.

TATA CONSULTANCY SERVICES LIMITED
Notes to unaudited condensed consolidated interim financial statements

Investments – Non-current

	As at December 31, 2021	As at March 31, 2021
	(In million of USD)	
Investments designated at fair value through OCI		
Equity shares	5	5
	<u>5</u>	<u>5</u>
Investments carried at amortised cost		
Government bonds and securities	26	23
Corporate bonds	1	1
	<u>27</u>	<u>24</u>
Total	32	29

Investment – Non-current includes \$26 million and \$23 million as at December 31, 2021 and March 31, 2021, respectively, pertaining to trusts held for specified purposes.

(c) Trade receivables - Billed

Trade receivables - Billed consist of the following:

Trade receivables - Billed – Current

	As at December 31, 2021	As at March 31, 2021
	(In million of USD)	
Trade receivables - Billed	4,673	4,174
Less: Allowance for doubtful trade receivables - Billed	(77)	(76)
Total	4,596	4,098

Trade receivables - Billed – Non-current

	As at December 31, 2021	As at March 31, 2021
	(In million of USD)	
Trade receivables - Billed	121	107
Less: Allowance for doubtful trade receivables - Billed	(112)	(99)
Total	9	8

TATA CONSULTANCY SERVICES LIMITED
Notes to unaudited condensed consolidated interim financial statements

(d) Other financial assets

Other financial assets consist of the following:

Other financial assets – Current

	As at December 31, 2021	As at March 31, 2021
	(In million of USD)	
Interest receivable	79	84
Employee loans and advances	41	33
Fair value of foreign exchange derivative assets	96	67
Inter-corporate deposits	955	1,530
Security deposits	21	23
Earmarked balances with banks	29	28
Others	29	16
Total	1,250	1,781

Other financial assets – Non-current

	As at December 31, 2021	As at March 31, 2021
	(In million of USD)	
Interest receivable	3	-
Employee loans and advances	2	-
Inter-corporate deposits	89	4
Security deposits	114	114
Earmarked balances with banks	25	-
Others	1	2
Total	234	120

Earmarked balances with banks primarily relate to 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 \$132 million and \$130 million as at December 31, 2021 and March 31, 2021, respectively, pertaining to trusts and TCS Foundation held for specified purposes.

Interest receivable includes \$6 million and \$5 million as at December 31, 2021 and March 31, 2021, respectively, pertaining to trusts and TCS Foundation held for specified purposes.

TATA CONSULTANCY SERVICES LIMITED
Notes to unaudited condensed consolidated interim financial statements

(e) Other financial liabilities

Other financial liabilities consist of the following:

Other financial liabilities – Current

	As at December 31, 2021	As at March 31, 2021
	(In million of USD)	
Capital creditors	98	54
Fair value of foreign exchange derivative liabilities	10	13
Liabilities towards customer contracts	129	125
Accrued payroll	672	611
Unclaimed dividends	7	7
Others	18	28
Total	934	838

Other financial liabilities – Non-current

	As at December 31, 2021	As at March 31, 2021
	(In million of USD)	
Capital creditors	45	-
Others	32	38
Total	77	38

Others include advance taxes paid of \$30 million and \$31 million as at December 31, 2021 and March 31, 2021, respectively, by the seller of TCS e-Serve Limited (merged with the Company) which, on refund by tax authorities, is payable to the seller.

(f) Financial instruments by category

The carrying value of financial instruments by categories as at December 31, 2021 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 million of USD)					
Financial assets						
Cash and cash equivalents	-	-	-	-	808	808
Bank deposits	-	-	-	-	1,027	1,027
Investments	1,585	4,066	-	-	503	6,154
Trade receivables						
Billed	-	-	-	-	4,605	4,605
Unbilled	-	-	-	-	895	895
Earmarked balances with banks	-	-	-	-	54	54
Other financial assets	-	-	40	56	1,334	1,430
Total	1,585	4,066	40	56	9,226	14,973
Financial liabilities						
Trade payables	-	-	-	-	985	985
Lease liabilities	-	-	-	-	1,076	1,076
Other financial liabilities	-	-	-	10	1,001	1,011
Total	-	-	-	10	3,062	3,072

TATA CONSULTANCY SERVICES LIMITED
Notes to unaudited condensed consolidated interim financial statements

The carrying value of financial instruments by categories as at March 31, 2021 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 million of USD)					
Financial assets						
Cash and cash equivalents	-	-	-	-	934	934
Bank deposits	-	-	-	-	406	406
Investments	668	3,292	-	-	42	4,002
Trade receivables						
Billed	-	-	-	-	4,106	4,106
Unbilled	-	-	-	-	934	934
Earmarked balances with banks	-	-	-	-	28	28
Other financial assets	-	-	22	45	1,806	1,873
Total	668	3,292	22	45	8,256	12,283
Financial liabilities						
Trade payables	-	-	-	-	1,071	1,071
Lease liabilities	-	-	-	-	1,062	1,062
Other financial liabilities	-	-	-	13	863	876
Total	-	-	-	13	2,996	3,009

Carrying amounts of cash and cash equivalents, trade receivables and trade payables as at December 31, 2021 and March 31, 2021, approximate the fair value due to their nature. Carrying amounts of bank deposits, earmarked balances with banks, other financial assets and other financial liabilities which are subsequently measured at amortised cost also approximate the fair value due to their nature in each of the periods presented. Fair value measurement of lease liabilities is not required. Fair value of investments carried at amortised cost is \$504 million and \$46 million as at December 31, 2021 and March 31, 2021, respectively.

(g) 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 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 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 cost of unquoted investments included in Level 3 of fair value hierarchy approximate their fair value because there is a wide range of possible fair value measurements and the cost represents estimate of fair value within that range.

TATA CONSULTANCY SERVICES LIMITED
Notes to unaudited condensed consolidated interim financial statements

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 December 31, 2021	Level 1	Level 2	Level 3	Total
	(In million of USD)			
Financial assets				
Mutual fund units	1,585	-	-	1,585
Equity shares	-	-	5	5
Government bonds and securities	3,580	-	-	3,580
Certificate of deposits	124	-	-	124
Corporate bonds	509	-	-	509
Commercial papers	339	-	-	339
Treasury bills	13	-	-	13
Fair value of foreign exchange derivative assets	-	96	-	96
Total	6,150	96	5	6,251
Financial liabilities				
Fair value of foreign exchange derivative liabilities	-	10	-	10
Total	-	10	-	10

As at March 31, 2021	Level 1	Level 2	Level 3	Total
	(In million of USD)			
Financial assets				
Mutual fund units	660	-	8	668
Equity shares	-	-	5	5
Government bonds and securities	3,253	-	-	3,253
Corporate bonds	62	-	-	62
Commercial papers	18	-	-	18
Fair value of foreign exchange derivative assets	-	67	-	67
Total	3,993	67	13	4,073
Financial liabilities				
Fair value of foreign exchange derivative liabilities	-	13	-	13
Total	-	13	-	13

(h) Derivative financial instruments and hedging activity

The Group's revenue is denominated in various foreign currencies. Given the nature of the business, a large portion of the costs are denominated in Indian Rupee. This exposes the Group to currency fluctuations.

The Board of Directors has 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.

TATA CONSULTANCY SERVICES LIMITED
Notes to unaudited condensed consolidated interim financial statements

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

Foreign currency	As at December 31, 2021			As at March 31, 2021		
	No. of contracts	Notional amount of contracts (In million)	Fair value (In million of USD)	No. of contracts	Notional amount of contracts (In million)	Fair value (In million of USD)
US Dollar	66	1,675	16	63	1,615	7
Great Britain Pound	58	340	8	64	330	2
Euro	61	368	10	60	346	11
Australian Dollar	40	212	4	38	206	2
Canadian Dollar	22	129	2	23	114	-

The movement in cash flow hedging reserve for derivatives designated as cash flow hedges is as follows:

	Nine month period ended December 31, 2021		Year ended March 31, 2021	
	Intrinsic value	Time value	Intrinsic value	Time value
	(In million of USD)			
Balance at the beginning of the period	(3)	(10)	(5)	(16)
(Gain) / Loss transferred to profit or loss on occurrence of forecasted hedge transactions	(59)	52	(47)	71
Deferred tax on (gain) / loss transferred to profit or loss on occurrence of forecasted hedge transactions	12	(14)	11	(17)
Change in the fair value of effective portion of cash flow hedges	82	(58)	49	(63)
Deferred tax on change in the fair value of effective portion of cash flow hedges	(17)	14	(11)	15
Balance at the end of the period	15	(16)	(3)	(10)

The Group has entered into derivative instruments not in hedging relationship by way of foreign exchange forward, currency options and futures contracts. As at December 31, 2021 and March 31, 2021, the notional amount of outstanding contracts aggregated to \$5,299 million and \$5,124 million, respectively and the respective fair value of these contracts have a net gain of \$46 million and \$32 million.

Exchange gain of \$58 million and loss of \$13 million on foreign exchange forward, currency options and futures contracts that do not qualify for hedge accounting have been recognised in profit or loss for three month periods ended December 31, 2021 and 2020, respectively.

Exchange gain of \$112 million and \$37 million on foreign exchange forward, currency options and futures contracts that do not qualify for hedge accounting have been recognised in profit or loss for nine month periods ended December 31, 2021 and 2020, respectively.

Net foreign exchange gain / (loss) include gain of \$3 million and loss of \$5 million transferred from cash flow hedging reserve for three month periods ended December 31, 2021 and 2020, respectively.

Net foreign exchange gain / (loss) include gain of \$7 million and loss of \$24 million transferred from cash flow hedging reserve for nine month periods ended December 31, 2021 and 2020, respectively.

TATA CONSULTANCY SERVICES LIMITED
Notes to unaudited condensed consolidated interim financial statements

(i) Equity instruments

The authorised, issued, subscribed and fully paid up share capital consist of the following:

	As at December 31, 2021	As at March 31, 2021
	(In million of USD)	
Authorised		
Equity shares of ₹1 each (4,600,500,000 shares and 4,600,500,000 shares)	86	86
Preference shares of ₹1 each (1,050,250,000 shares and 1,050,250,000 shares)	20	20
	106	106
Issued, Subscribed and Fully paid up		
Opening balance of equity shares of ₹1 each (3,699,051,373 shares and 3,752,384,706 shares)	69	70
Equity shares of ₹1 each extinguished on buy-back (NIL shares and 53,333,333 shares)	-	(1)
Total	69	69

The Company's objective for capital management is to maximise shareholder value, safeguard business continuity and support the growth of the Company. The Company determines the capital requirement based on annual operating plans and long-term and other strategic investment plans. The funding requirements are met through equity and operating cash flows generated. The Company is not subject to any externally imposed capital requirements.

The Company bought back 53,333,333 equity shares for an aggregate amount of \$2,192 million (₹16,000 crore) being 1.42% of the total paid up equity share capital at \$41.10 (₹3,000) per equity share in the previous year. The equity shares bought back were extinguished on January 6, 2021.

10) Leases

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.

Group as a lessee

The Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract and allocates the consideration in the contract to each lease component on the basis of the relative standalone price of the lease component and the aggregate standalone price of the non-lease components.

The Group recognises right-of-use asset representing its right-to-use the underlying asset for the lease term at the lease commencement date. The cost of the right-of-use asset measured at inception shall comprise of the amount of the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date less any lease incentives received, plus any initial direct costs incurred and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset or restoring the underlying asset or site on which it is located. The right-of-use assets is subsequently measured at cost less any accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of the lease liability. The right-of-use assets is depreciated using the straight-line method from the commencement date over the shorter of lease term or useful life of right-of-use asset. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Right-of-use assets are tested for impairment whenever there is any indication that their carrying amounts may not be recoverable. Impairment loss, if any, is recognised in profit or loss.

TATA CONSULTANCY SERVICES LIMITED
Notes to unaudited condensed consolidated interim financial statements

The Group measures the lease liability at the present value of the lease payments that are not paid at the commencement date of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses incremental borrowing rate. For leases with reasonably similar characteristics, the Group, on a lease-by-lease basis, may adopt either the incremental borrowing rate specific to the lease or the incremental borrowing rate for the portfolio as a whole. The lease payments shall include fixed payments, variable lease payments, residual value guarantees, exercise price of a purchase option where the Group is reasonably certain to exercise that option and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease. The lease liability is subsequently remeasured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. The Group recognises the amount of the re-measurement of lease liability due to modification as an adjustment to the right-of-use asset and profit or loss depending upon the nature of modification. Where the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the re-measurement in profit or loss.

The Group has elected not to apply the requirements of IFRS 16 Leases to short-term leases of all assets that have a lease term of 12 months or less and leases for which the underlying asset is of low value. The lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

At the inception of the lease, the Group classifies each of its leases as either an operating lease or a finance lease. The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term. In case of a finance lease, finance income is recognised over the lease term based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease. When the Group is an intermediate lessor it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS 15 Revenue from contracts with customers to allocate the consideration in the contract.

The details of the right-of-use assets held by the Group is as follows:

	Additions for nine month period ended <u>December 31, 2021</u>	Net carrying amount as at <u>December 30, 2021</u>
	(In million of USD)	
Leasehold land	13	105
Buildings	161	913
Leasehold improvements	-	3
Computer equipment	-	12
Furniture, fixtures, office equipment and other assets	2	5
Software licences	20	18
Total	196	1,056

TATA CONSULTANCY SERVICES LIMITED
Notes to unaudited condensed consolidated interim financial statements

	Additions for the year ended March 31, 2021	Net carrying amount as at March 31, 2021
	(In million of USD)	(In million of USD)
Leasehold land	-	93
Buildings	166	921
Leasehold improvements	1	4
Computer equipment	14	14
Furniture, fixtures, office equipment and other assets	4	5
Software licences	3	3
Total	188	1,040

Depreciation on right-of-use assets is as follows:

	Three month period ended December 31, 2021	Three month period ended December 31, 2020	Nine month period ended December 31, 2021	Nine month period ended December 31, 2020
	(In million of USD)	(In million of USD)	(In million of USD)	(In million of USD)
Leasehold land	-	-	1	1
Buildings	49	49	147	145
Leasehold improvements	1	-	1	1
Computer equipment	-	-	2	2
Furniture, fixtures, office equipment and other assets	1	1	2	2
Software licences	1	-	3	-
Total	52	50	156	151

Interest on lease liabilities is \$17 million and \$17 million for three month periods ended December 31, 2021 and 2020, respectively.

Interest on lease liabilities is \$53 million and \$53 million for nine month periods ended December 31, 2021 and 2020, respectively.

11) Non-financial assets and non-financial liabilities

(a) Property, plant and equipment

Property, plant and equipment are stated at cost comprising of purchase price and any initial directly attributable cost of bringing the asset to its working condition for its intended use, less accumulated depreciation (other than freehold land) and impairment loss, if any.

Depreciation is provided for property, plant and equipment on a straight-line basis so as to expense the cost less residual value 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	Useful lives
Buildings	20 years
Leasehold improvements	Lease term
Computer equipment	4 years
Furniture, fixtures, office equipment and other assets	4-10 years

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.

TATA CONSULTANCY SERVICES LIMITED
Notes to unaudited condensed consolidated interim financial statements

Property, plant and equipment 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.

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 million of USD)					
Cost as at April 1, 2021	48	1,060	339	1,462	995	3,904
Additions	-	6	10	172	23	211
Disposals	-	-	(3)	(38)	(18)	(59)
Translation exchange difference	-	(11)	(4)	(22)	(10)	(47)
Cost as at December 31, 2021	48	1,055	342	1,574	990	4,009
Accumulated depreciation as at April 1, 2021	-	(401)	(214)	(1,030)	(747)	(2,392)
Depreciation	-	(40)	(21)	(154)	(55)	(270)
Disposals	-	-	3	38	17	58
Translation exchange difference	-	4	3	16	9	32
Accumulated depreciation as at December 31, 2021	-	(437)	(229)	(1,130)	(776)	(2,572)
Net carrying amount as at December 31, 2021	48	618	113	444	214	1,437
Capital work-in-progress*						176
Total						1,613

*\$211 million has been capitalised and transferred to property, plant and equipment during nine month period ended December 31, 2021.

	Freehold land	Buildings	Leasehold improve- ments	Computer equipment	Furniture, fixtures, office equipment and other assets	Total
	(In million of USD)					
Cost as at April 1, 2020	46	1,023	320	1,165	949	3,503
Additions	1	10	19	277	41	348
Disposals	-	(1)	(10)	(24)	(24)	(59)
Translation exchange difference	1	28	10	44	29	112
Cost as at March 31, 2021	48	1,060	339	1,462	995	3,904
Accumulated depreciation as at April 1, 2020	-	(339)	(190)	(853)	(672)	(2,054)
Depreciation	-	(53)	(27)	(169)	(77)	(326)
Disposals	-	1	9	23	23	56
Translation exchange difference	-	(10)	(6)	(31)	(21)	(68)
Accumulated depreciation as at March 31, 2021	-	(401)	(214)	(1,030)	(747)	(2,392)
Net carrying amount as at March 31, 2021	48	659	125	432	248	1,512
Capital work-in-progress*						141
Total						1,653

*\$348 million has been capitalised and transferred to property, plant and equipment during the year ended March 31, 2021.

TATA CONSULTANCY SERVICES LIMITED
Notes to unaudited condensed consolidated interim financial statements

(b) Goodwill

Goodwill represents the cost of acquired business as established at the date of acquisition of the business in excess of the acquire'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.

CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is indication for impairment. The financial projections basis which the future cash flows have been estimated consider the increase in economic uncertainties due to COVID-19, reassessment of the discount rates, revisiting the growth rates factored while arriving at terminal value and subjecting these variables to sensitivity analysis. 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.

Goodwill consists of the following:

	As at December 31, 2021	As at March 31, 2021
	(In million of USD)	
Balance at the beginning of the period	538	510
Translation exchange difference	(13)	28
Balance at the end of the period	525	538

(c) Other intangible assets

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 consist of rights under licensing agreement and software licences and customer-related intangibles.

Following table summarises the nature of intangibles and their estimated useful lives:

Type of asset	Useful lives
Rights under licensing agreement and software licences	Lower of licence period and 2-5 years
Customer-related intangibles	3 years

Intangible assets are amortised on a straight-line basis over the period of its economic useful life.

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.

TATA CONSULTANCY SERVICES LIMITED
Notes to unaudited condensed consolidated interim financial statements

Intangible assets consist of the following:

	Rights under licensing agreement and software licences	Customer- related intangibles	Total
	(In million of USD)		
Cost as at April 1, 2021	100	18	118
Additions	125	-	125
Disposals / Derecognised	(6)	-	(6)
Cost as at December 31, 2021	219	18	237
Accumulated amortisation as at April 1, 2021	(36)	(17)	(53)
Amortisation	(29)	(1)	(30)
Disposals / Derecognised	2	-	2
Accumulated amortisation as at December 31, 2021	(63)	(18)	(81)
Net carrying amount as at December 31, 2021	156	-	156
	Rights under licensing agreement and software licences	Customer- related intangibles	Total
	(In million of USD)		
Cost as at April 1, 2020	59	17	76
Additions	48	-	48
Disposals / Derecognised	(9)	-	(9)
Translation exchange difference	2	1	3
Cost as at March 31, 2021	100	18	118
Accumulated amortisation as at April 1, 2020	(24)	(15)	(39)
Amortisation	(20)	(1)	(21)
Disposals / Derecognised	9	-	9
Translation exchange difference	(1)	(1)	(2)
Accumulated amortisation as at March 31, 2021	(36)	(17)	(53)
Net carrying amount as at March 31, 2021	64	1	65

(d) Other assets

Other assets consist of the following:

Other assets – Current

	As at December 31, 2021	As at March 31, 2021
	(In million of USD)	
Advances to suppliers	23	22
Indirect taxes recoverable	177	203
Prepaid expenses	375	634
Prepaid rent	2	4
Contract assets	548	522
Contract fulfillment costs	120	108
Others	46	39
Total	1,291	1,532

TATA CONSULTANCY SERVICES LIMITED
Notes to unaudited condensed consolidated interim financial statements

Other assets – Non-current

	As at December 31, 2021	As at March 31, 2021
	(In million of USD)	
Prepaid expenses	156	85
Contract assets	24	34
Contract fulfillment costs	20	31
Others	46	56
Total	246	206

Non-current – Others includes advance of \$37 million and \$50 million towards acquiring right-of-use of leasehold land as at December 31, 2021 and March 31, 2021, respectively.

(e) Other liabilities

Other liabilities consist of the following:

Other liabilities – Current

	As at December 31, 2021	As at March 31, 2021
	(In million of USD)	
Advances received from customers	41	42
Indirect taxes payable and other statutory liabilities	486	508
Others	10	4
Total	537	554

(f) Provisions

Provisions consist of the following:

Provisions – Current

	As at December 31, 2021	As at March 31, 2021
	(In million of USD)	
Provision towards legal claim (Refer note 19)	165	165
Provision for foreseeable loss	18	20
Other provisions	4	4
Total	187	189

12) 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.

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 costs incurred determining the degree of completion of the performance obligation. The contract costs used in computing the revenues include cost of fulfilling warranty obligations.

TATA CONSULTANCY SERVICES LIMITED
Notes to unaudited condensed consolidated interim financial statements

- 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.

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 and to ascribe the transaction price to each distinct performance obligation. 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 end of 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 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. Such costs are amortised over the contractual period or useful life of licence, whichever is less. 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.

Contract assets are recognised when there are excess of revenues 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 are billings in excess of revenues.

The billing schedules agreed with customers include periodic performance based payments and / or milestone based progress payments. Invoices are payable within contractually agreed credit period.

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.

TATA CONSULTANCY SERVICES LIMITED
Notes to unaudited condensed consolidated interim financial statements

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 nature of services, industry verticals and geography.

Revenue disaggregation by nature of services is as follows:

	Three month period ended December 31, 2021	Three month period ended December 31, 2020	Nine month period ended December 31, 2021	Nine month period ended December 31, 2020
	(In million of USD)			
Consultancy services	6,453	5,640	18,860	16,029
Sale of equipment and software licences	71	62	151	156
Total	6,524	5,702	19,011	16,185

Revenue disaggregation by industry vertical and geography has been included in segment information (Refer note 18).

13) 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.

TATA CONSULTANCY SERVICES LIMITED
Notes to unaudited condensed consolidated interim financial statements

Expenses by nature

	Three month period ended December 31, 2021	Three month period ended December 31, 2020	Nine month period ended December 31, 2021	Nine month period ended December 31, 2020
	(In million of USD)			
Employee cost	3,626	3,180	10,667	9,160
Fees to external consultants	603	438	1,697	1,254
Facility expenses	76	72	212	211
Depreciation and amortisation expense	160	139	456	402
Cost of equipment and software licences	58	54	122	136
Travel expenses	68	34	168	110
Communication expenses	68	64	200	190
Bad debts and advances written off, allowance for doubtful trade receivables and advances (net)	6	4	16	21
Provision towards legal claim (Refer note 19)	-	-	-	165
Other expenses	226	200	648	568
Total	4,891	4,185	14,186	12,217

14) Other income

(a) Finance and other income

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

	Three month period ended December 31, 2021	Three month period ended December 31, 2020	Three month period ended December 31, 2021	Three month period ended December 31, 2020
	(In million of USD)			
Interest on bank balances and bank deposits	7	6	23	14
Interest on financial assets carried at fair value through OCI	61	60	179	179
Interest on financial assets carried at amortised cost	17	18	56	62
Others	1	1	1	1
Total	86	85	259	256

(b) Finance costs

	Three month period ended December 31, 2021	Three month period ended December 31, 2020	Nine month period ended December 31, 2021	Nine month period ended December 31, 2020
	(In million of USD)			
Interest on lease liabilities	17	17	53	53
Interest on tax matters	14	7	15	12
Other interest costs	3	1	5	2
Total	34	25	73	67

TATA CONSULTANCY SERVICES LIMITED
Notes to unaudited condensed consolidated interim financial statements

(c) Other gains (net)

	Three month period ended December 31, 2021	Three month period ended December 31, 2020	Nine month period ended December 31, 2021	Nine month period ended December 31, 2020
	(In million of USD)			
Net gain on disposal of property, plant and equipment	1	-	2	1
Net gain on lease modification	-	8	1	8
Net loss on sub-lease	-	-	(1)	-
Net gain on disposal / fair valuation of investments carried at fair value through profit or loss	13	12	21	24
Net foreign exchange gain / (loss)	55	(14)	119	2
Others	6	2	8	5
Total	75	8	150	40

15) 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 the Company and its subsidiaries in India and overseas. The current tax payable by the Company 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 the Company 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 the Company'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.

TATA CONSULTANCY SERVICES LIMITED
Notes to unaudited condensed consolidated interim financial statements

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 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 Alternate Tax (MAT) paid in accordance with the tax laws in India, to the extent it would be available for set off against future current 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.

The income tax expense consists of the following:

	Three month period ended December 31, 2021	Three month period ended December 31, 2020	Nine month period ended December 31, 2021	Nine month period ended December 31, 2020
	(In million of USD)			
Current tax expense	470	440	1,355	1,177
Deferred tax benefit	(18)	(38)	(31)	(109)
Total	452	402	1,324	1,068

Direct tax contingencies

The Company and its subsidiaries have ongoing disputes with income tax authorities in India and in some of the other jurisdictions where they operate. The disputes relate to tax treatment of certain expenses claimed as deduction, computation or eligibility of tax incentives and allowances and characterisation of fees for services received. The Company and its subsidiaries have recognised contingent liability in respect of tax demands received from direct tax authorities in India and other jurisdictions of \$224 million and \$130 million as at December 31, 2021 and March 31, 2021, respectively. These demand orders are being contested by the Company and its subsidiaries based on the management evaluation and advise of tax consultants. In respect of tax contingencies of \$43 million and \$43 million as at December 31, 2021 and March 31, 2021, respectively, not included above, the Company is entitled to an indemnification from the seller of TCS e-Serve Limited.

The Group periodically receives notices and inquiries from income tax authorities related to the Group's operations in the jurisdictions it operates in. The Group has evaluated these notices and inquiries and has concluded that any consequent income tax claims or demands by the income tax authorities will not succeed on ultimate resolution.

16) 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.

TATA CONSULTANCY SERVICES LIMITED
Notes to unaudited condensed consolidated interim financial statements

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.

The Group provides benefits such as gratuity, pension and provident fund (Company managed fund) to its employees which are treated as defined benefit plans.

Defined contribution plans

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

The Group provides benefits such as superannuation, provident fund (other than Company managed fund) and foreign defined contribution plans to its employees which are treated as defined contribution plans.

Short-term employee benefits

All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits. Benefits such as salaries, wages etc. and the expected cost of ex-gratia are recognised in the period in which the employee renders the related service. A liability is recognised for the amount expected to be paid when there is a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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 statement of financial position.

Function wise employee cost consists of the following:

	Three month period ended December 31, 2021	Three month period ended December 31, 2020	Nine month period ended December 31, 2021	Nine month period ended December 31, 2020
(In million of USD)				
Cost of revenue	2,824	2,466	8,343	7,174
Selling, general and administrative expenses	802	714	2,324	1,986
Total	3,626	3,180	10,667	9,160

Employee cost consist of the following:

	Three month period ended December 31, 2021	Three month period ended December 31, 2020	Nine month period ended December 31, 2021	Nine month period ended December 31, 2020
(In million of USD)				
Salaries, incentives and allowances	3,262	2,884	9,564	8,306
Contributions to provident and other funds	274	212	835	619
Staff welfare expenses	90	84	268	235
Total	3,626	3,180	10,667	9,160

TATA CONSULTANCY SERVICES LIMITED
Notes to unaudited condensed consolidated interim financial statements

Employee benefit obligations consist of the following:

Employee benefit obligations – Current

	As at December 31, 2021	As at March 31, 2021
	(In million of USD)	
Compensated absences	522	469
Other employee benefit obligations	7	7
Total	529	476

Employee benefit obligations – Non-current

	As at December 31, 2021	As at March 31, 2021
	(In million of USD)	
Gratuity liability	2	1
Foreign defined benefit plans	73	68
Other employee benefit obligations	26	33
Total	101	102

17) 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.

	Three month period ended December 31, 2021	Three month period ended December 31, 2020	Nine month period ended December 31, 2021	Nine month period ended December 31, 2020
Profit for the period attributable to Shareholders of the Company (in million of USD)	1,303	1,180	3,825	3,117
Weighted average number of equity shares	3,699,051,373	3,752,384,706	3,699,051,373	3,752,384,706
Basic and diluted earnings per share in USD	0.35	0.31	1.03	0.83
Face value per equity share in ₹	1	1	1	1

18) 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. The Group'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, 5) Life Sciences and Healthcare and 6) Others such as Energy, Resources and Utilities, 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.

The assets and liabilities of the Group are used interchangeably amongst segments. Allocation of such assets and liabilities is not practicable and any forced allocation would not result in any meaningful segregation. Hence assets and liabilities have not been identified to any of the reportable segments.

TATA CONSULTANCY SERVICES LIMITED
Notes to unaudited condensed consolidated interim financial statements

Summarised segment information for three and nine month periods ended December 31, 2021 and 2020 is as follows:

	Three month period ended December 31, 2021						Total	
	Banking, Financial Services and Insurance	Manufacturing	Retail and Consumer Business	Communication, Media and Technology	Life Sciences and Healthcare	Others		
	(In million of USD)							
Revenue	2,535	630	1,048	1,102	690	519	6,524	
Segment result	679	188	284	318	201	123	1,793	
Depreciation and amortisation expense							160	
Total unallocable expenses							160	
Operating profit							1,633	
Other income (net)							127	
Profit before taxes							1,760	
Income tax expense							452	
Profit for the period							1,308	
Nine month period ended December 31, 2021								
	Banking, Financial Services and Insurance	Manufacturing	Retail and Consumer Business	Communication, Media and Technology	Life Sciences and Healthcare	Others	Total	
	(In million of USD)							
Revenue	7,487	1,839	3,031	3,151	2,027	1,476	19,011	
Segment result	2,010	553	851	945	612	310	5,281	
Depreciation and amortisation expense							456	
Total unallocable expenses							456	
Operating profit							4,825	
Other income (net)							336	
Profit before taxes							5,161	
Income tax expense							1,324	
Profit for the period							3,837	
Three month period ended December 31, 2020								
	Banking, Financial Services and Insurance	Manufacturing	Retail and Consumer Business	Communication, Media and Technology	Life Sciences and Healthcare	Others	Total	
	(In million of USD)							
Revenue	2,260	547	888	947	593	467	5,702	
Segment result	652	162	266	280	181	115	1,656	
Depreciation and amortisation expense							139	
Total unallocable expenses							139	
Operating profit							1,517	
Other income (net)							68	
Profit before taxes							1,585	
Income tax expense							402	
Profit for the period							1,183	

TATA CONSULTANCY SERVICES LIMITED
Notes to unaudited condensed consolidated interim financial statements

	Nine month period ended December 31, 2020						
	Banking, Financial Services and Insurance	Manufacturing	Retail and Consumer Business	Communication, Media and Technology	Life Sciences and Healthcare	Others	Total
	(In million of USD)						
Revenue	6,458	1,577	2,527	2,691	1,671	1,261	16,185
Segment result	1,839	432	688	788	517	271	4,535
Depreciation and amortisation expense							402
Provision towards legal claim (Refer note 19)							165
Total unallocable expenses							567
Operating profit							3,968
Other income (net)							229
Profit before taxes							4,197
Income tax expense							1,068
Profit for the period							3,129

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

Information regarding geographical revenue is as follows:

	Three month period ended December 31, 2021	Three month period ended December 31, 2020	Nine month period ended December 31, 2021	Nine month period ended December 31, 2020
	(In million of USD)			
Americas				
North America	3,307	2,797	9,529	8,103
Latin America	110	95	315	268
Europe				
United Kingdom	1,017	897	3,034	2,511
Continental Europe	1,044	924	3,082	2,599
Asia Pacific	559	552	1,701	1,572
India	363	320	971	810
Middle East and Africa	124	117	379	322
Total	6,524	5,702	19,011	16,185

19) Commitments and contingencies

Capital commitments

The Group has contractually committed (net of advances) \$212 million and \$146 million as at December 31, 2021 and March 31, 2021, respectively, for purchase of property, plant and equipment.

Contingencies

- Direct tax matters

Refer note 15.

TATA CONSULTANCY SERVICES LIMITED
Notes to unaudited condensed consolidated interim financial statements

• **Indirect tax matters**

The Company and its subsidiaries have ongoing disputes with tax authorities mainly relating to treatment of characterisation and classification of certain items. The Company and its subsidiaries have demands amounting to \$82 million and \$76 million as at December 31, 2021 and March 31, 2021, 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 \$40 million and \$27 million as at December 31, 2021 and March 31, 2021, respectively, against the Group have not been acknowledged as debts.

In addition to above, 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 alleging unauthorised access to and download of their confidential information and use thereof in the development of the Company's product MedMantra. In April 2016, the Company received an unfavourable jury verdict awarding damages of \$940 million to Epic which was thereafter reduced by the Trial Court to \$420 million. Pursuant to reaffirmation of the District Court order in March 2019, the Company filed an appeal in the Appeals Court to fully set aside the Order. Epic also filed a cross appeal challenging the reduction by the District Court judge of \$100 million award and \$200 million in punitive damages. On August 20, 2020, the Appeals Court vacated the award of \$280 million in punitive damages considering the award to be constitutionally excessive and remanded the case back to District Court with instructions to reassess and reduce the punitive damages award to at most \$140 million, affirmed the District Court's decision vacating the jury's award of \$100 million in compensatory damages for alleged use of "other confidential information" by the Company, and affirmed the District Court's decision upholding the jury's award of \$140 million in compensatory damages for use of the comparative analysis by the Company. The Company filed a petition for re-hearing of compensatory and punitive damages at the Appeals Court on September 3, 2020. Epic also filed for re-hearing that portion of the Appeals Court's decision that invalidated award of punitive damages. In November 2020, the petitions for re-hearing filed by the Company and Epic, respectively, were denied by the Appeals Court. The proceedings for assessing punitive damages have been remanded back to the District Court. Both the Company and Epic have filed their briefs at the District Court in relation to punitive damages. The matter is under consideration by the District Court. On April 8, 2021, Epic approached the Supreme Court seeking review of the order of the Appeals Court vacating the award of \$280 million towards punitive damages and remanding back to District Court with an instruction to reassess the punitive damages, to no more than \$140 million. The Company will continue to pursue all legal options available in the matter. Considering all the facts and various legal precedence, on a conservative and prudent basis, the Company provided \$165 million towards this legal claim in its statement of profit or loss for three month period ended September 30, 2020. This was included in the operating expenses as provision towards legal claim.

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 judgement pending post-appeal proceedings and conclusion.

• **Letter of comfort**

The Company has given letter of comfort to banks for credit facilities availed by its subsidiaries. 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.

- 20) The Indian Parliament has approved the Code on Social Security, 2020 which would impact the contributions by the company towards Provident Fund and Gratuity. The Ministry of Labour and Employment had released draft rules for the Code on Social Security, 2020 on November 13, 2020, and invited suggestions from stakeholders which are under consideration by the Ministry. The Company and its Indian subsidiaries will assess the impact and its evaluation once the subject rules are notified. The Company and its Indian subsidiaries will give appropriate impact in its financial statements in the period in which, the Code becomes effective and the related rules to determine the financial impact are published.

TATA CONSULTANCY SERVICES LIMITED
Notes to unaudited condensed consolidated interim financial statements

21) List of direct and indirect subsidiaries, country of incorporation and percentage of voting power

Name of the Company	Country of incorporation	% of voting power as at December 31, 2021	% of voting power as at March 31, 2021
Subsidiaries (held directly)			
APTONline Limited	India	89.00	89.00
C-Edge Technologies Limited	India	51.00	51.00
Diligenta Limited	UK	100.00	100.00
MP Online Limited	India	89.00	89.00
Tata Consultancy Services Canada Inc.	Canada	100.00	100.00
Tata America International Corporation	USA	100.00	100.00
Tata Consultancy Services Asia Pacific Pte Ltd.	Singapore	100.00	100.00
Tata Consultancy Services Belgium	Belgium	100.00	100.00
Tata Consultancy Services Deutschland GmbH	Germany	100.00	100.00
Tata Consultancy Services Netherlands BV	Netherlands	100.00	100.00
Tata Consultancy Services Sverige AB	Sweden	100.00	100.00
TCS FNS Pty Limited	Australia	100.00	100.00
TCS Iberoamerica SA	Uruguay	100.00	100.00
Tata Consultancy Services (Africa) (PTY) Ltd.	South Africa	100.00	100.00
MahaOnline Limited	India	74.00	74.00
Tata Consultancy Services Qatar L.L.C.	Qatar	100.00	100.00
TCS e-Serve International Limited	India	100.00	100.00
TCS Foundation	India	100.00	100.00
Tata Consultancy Services UK Limited	UK	100.00	100.00
Tata Consultancy Services Ireland Limited	Ireland	100.00	100.00
Subsidiaries (held indirectly)			
TCS Financial Solutions Beijing Co., Ltd.	China	100.00	100.00
Tata Consultancy Services (China) Co., Ltd.	China	93.20	93.20
TCS Solution Center S.A.	Uruguay	100.00	100.00
Tata Consultancy Services Argentina S.A.	Argentina	100.00	100.00
Tata Consultancy Services Do Brasil Ltda	Brazil	100.00	100.00
Tata Consultancy Services De Mexico S.A., De C.V.	Mexico	100.00	100.00
Tata Consultancy Services De Espana S.A.	Spain	100.00	100.00
TCS Italia s.r.l.	Italy	100.00	100.00
Tata Consultancy Services Japan, Ltd.	Japan	66.00	66.00
Tata Consultancy Services Malaysia Sdn Bhd	Malaysia	100.00	100.00
Tata Consultancy Services Luxembourg S.A.	Capellen (G.D. de Luxembourg)	100.00	100.00
Tata Consultancy Services (Portugal) Unipessoal, Limitada	Portugal	100.00	100.00
TCS Inversiones Chile Limitada	Chile	100.00	100.00
Tata Consultancy Services Chile S.A.	Chile	100.00	100.00
TATASOLUTION CENTER S.A.	Ecuador	100.00	100.00

TATA CONSULTANCY SERVICES LIMITED
Notes to unaudited condensed consolidated interim financial statements

Name of the Company	Country of incorporation	% of voting power as at December 31, 2021	% of voting power as at March 31, 2021
TCS Financial Solutions Australia Pty Limited	Australia	100.00	100.00
PT Tata Consultancy Services Indonesia	Indonesia	100.00	100.00
Tata Consultancy Services Switzerland Ltd.	Switzerland	100.00	100.00
Tata Consultancy Services (South Africa) (PTY) Ltd.	South Africa	100.00	100.00
Tata Consultancy Services (Thailand) Limited	Thailand	100.00	100.00
Tata Consultancy Services (Philippines) Inc.	Philippines	100.00	100.00
TCS e-Serve America, Inc.	USA	-	100.00
TCS Uruguay S.A.	Uruguay	100.00	100.00
MGDC S.C.	Mexico	100.00	100.00
Tata Consultancy Services Osterreich GmbH	Austria	100.00	100.00
Tata Consultancy Services Danmark ApS	Denmark	100.00	100.00
Tata Consultancy Services France	France	100.00	100.00
Tata Consultancy Services Saudi Arabia	Saudi Arabia	100.00	76.00
TCS Business Services GmbH	Germany	100.00	100.00
TCS Technology Solutions AG	Germany	100.00	100.00
Saudi Desert Rose Holding B.V.	Netherlands	100.00	-
Tata Consultancy Services Bulgaria EOOD	Bulgaria	100.00	-
Tata Consultancy Services Guatemala, S.A.	Gautemala	100.00	-

Notes:

1. Tata Consultancy Services Qatar S.S.C. renamed as Tata Consultancy Services Qatar L.L.C.
2. W12 Studios Limited renamed as Tata Consultancy Services UK Limited.
3. Equity stake increased to 100% in Tata Consultancy Services Saudi Arabia on acquisition of Saudi Desert Rose Holding B.V. w.e.f. May 26, 2021.
4. Tata Consultancy Services Ireland Limited incorporated a wholly owned subsidiary, Tata Consultancy Services Bulgaria EOOD in Bulgaria on August 31, 2021.
5. TCS Iberoamerica SA incorporated a subsidiary, Tata Consultancy Services Guatemala, S.A. in Guatemala on September 1, 2021.
6. Postbank Systems AG renamed as TCS Technology Solutions AG.
7. TCS e-Serve America, Inc. liquidated w.e.f. December 29, 2021.

22) Related party transactions

The Company paid an amount of \$548 million to Tata Sons Private Limited, the holding company, towards final dividend for the year ended March 31, 2021, as approved by the shareholders in the Annual General Meeting. Additionally, the Company also paid an amount of \$502 million towards interim dividend for the year ending March 31, 2022, as approved by the Board of Directors at its meeting.

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

23) Subsequent events

- (a) The Board of Directors at its meeting held on January 12, 2022, has declared an interim dividend of ₹7.00 (USD equivalent \$0.09) per equity share.
- (b) The Board of Directors at its meeting held on January 12, 2022, has approved a proposal to buy-back upto 40,000,000 equity shares of the Company for an aggregate amount not exceeding ₹18,000 crore (USD equivalent \$2,426 million) being 1.08% of the total paid up equity share capital at ₹4,500 (USD equivalent \$60.65) per equity share subject to approval from shareholders.