Infosys Ltd
Form 6-K
January 31, 2014

**Form 6-K**

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**Report of Foreign Private Issuer**

**Pursuant to Rule 13a-16 or 15d-16 under the Securities Exchange Act of 1934**

**For the quarter ended December 31, 2013**

**Commission File Number 000-25383**

**Infosys Limited**

*(Exact name of Registrant as specified in its charter)*

**Not Applicable**

*(Translation of Registrant's name into English)*

**Electronics City, Hosur Road, Bangalore - 560 100, Karnataka, India. +91-80-2852-0261**

*(Address of principal executive offices)*

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F

Form 20-F þ Form 40-F £

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1) : £

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7) : £

**Currency of presentation and certain defined terms**

In this Quarterly Report, references to "U.S." or "United States" are to the United States of America, its territories and its possessions. References to "India" are to the Republic of India. References to "$" or "dollars" or "U.S. dollars" are to the legal currency of the United States and references to "" or "rupees" or "Indian rupees" are to the legal currency of India. Our financial statements are presented in U.S. dollars and are prepared in accordance with the International Financial Reporting Standards as issued by the International Accounting Standards Board, or IFRS. References to "Indian GAAP" are to Indian Generally Accepted Accounting Principles. References to a particular "fiscal" year are to our fiscal year ended March 31 of such year.

All references to "we", "us", "our", "Infosys" or the "company" shall mean Infosys Limited, and, unless specifically indicated otherwise or the context indicates otherwise, our consolidated subsidiaries. "Infosys" is a registered trademark of Infosys Limited in the United States and India. All other trademarks or trade names used in this Quarterly Report are the property of their respective owners.

Except as otherwise stated in this Quarterly Report, all translations from Indian rupees to U.S. dollars effected are based on the fixing rate in the City of Mumbai on December 31, 2013 for cable transfers in Indian rupees as published by the Foreign Exchange Dealers' Association of India, or FEDAI, which was 61.81 per $1.00. No representation is made that the Indian rupee amounts have been, could have been or could be converted into U.S. dollars at such a rate or any other rate. Any discrepancies in any table between totals and sums of the amounts listed are due to rounding.

**TABLE OF CONTENTS**

**Part I – Financial Information**

**Item I. Financial Statements**

**Infosys Limited and subsidiaries**

**Unaudited Consolidated Balance Sheets as of**

*(Dollars in millions except share data)*

| | Note | December 31, 2013 | March 31, 2013 |
|---|---|---|---|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 2.1 | $3,712 | $4,021 |
| Available-for-sale financial assets | 2.2 | 418 | 320 |
| Investment in certificates of deposit | | 106 | – |
| Trade receivables | | 1,447 | 1,305 |
| Unbilled revenue | | 423 | 449 |
| Derivative financial instruments | 2.7 | – | 19 |
| Prepayments and other current assets | 2.4 | 428 | 391 |
| Total current assets | | 6,534 | 6,505 |
| Non-current assets | | | |
| Property, plant and equipment | 2.5 | 1,202 | 1,191 |
| Goodwill | 2.6 | 354 | 364 |
| Intangible assets | 2.6 | 60 | 68 |
| Available-for-sale financial assets | 2.2 | 203 | 72 |
| Deferred income tax assets | 2.16 | 98 | 94 |
| Income tax assets | 2.16 | 241 | 201 |
| Other non-current assets | 2.4 | 41 | 44 |
| Total non-current assets | | 2,199 | 2,034 |
| Total assets | | $8,733 | $8,539 |
| LIABILITIES AND EQUITY | | | |
| Current liabilities | | | |
| Derivative financial instruments | 2.7 | $16 | – |
| Trade payables | | 29 | 35 |
| Current income tax liabilities | 2.16 | 318 | 245 |
| Client deposits | | 7 | 6 |
| Unearned revenue | | 142 | 152 |
| Employee benefit obligations | | 148 | 113 |
| Provisions | 2.8 | 49 | 39 |

| | | | |
|---|---|---|---|
| Other current liabilities | 2.9 | 733 | 568 |
| Total current liabilities | | 1,442 | 1,158 |
| Non-current liabilities | | | |
| Deferred income tax liabilities | 2.16 | 11 | 23 |
| Other non-current liabilities | 2.9 | 49 | 27 |
| Total liabilities | | 1,502 | 1,208 |
| Equity | | | |
| Share capital 5 ($0.16) par value 600,000,000 equity shares authorized, issued and outstanding 571,402,566 each, net of 2,833,600 treasury shares each as of December 31, 2013 and March 31, 2013 | | 64 | 64 |
| Share premium | | 704 | 704 |
| Retained earnings | | 8,405 | 7,666 |
| Other components of equity | | (1,942) | (1,103) |
| Total equity attributable to equity holders of the company | | 7,231 | 7,331 |
| Non-controlling interests | | – | – |
| Total equity | | 7,231 | 7,331 |
| Total liabilities and equity | | $8,733 | $8,539 |
| Commitments and contingent liabilities | 2.5, 2.8, 2.16 and 2.20 | | |

**Infosys Limited and subsidiaries**

**Unaudited Consolidated Statements of Comprehensive Income**

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

| | Note | Three months ended December 31, | | Nine months ended December 31, | |
|---|---|---|---|---|---|
| | | 2013 | 2012 | 2013 | 2012 |
| Revenues | | $2,100 | $1,911 | $6,157 | $5,460 |
| Cost of sales | | 1,341 | 1,203 | 3,974 | 3,376 |
| Gross profit | | 759 | 708 | 2,183 | 2,084 |
| Operating expenses: | | | | | |
| Selling and marketing expenses | | 104 | 99 | 327 | 277 |
| Administrative expenses* | | 129 | 118 | 411 | 355 |
| Total operating expenses | | 233 | 217 | 738 | 632 |
| Operating profit | | 526 | 491 | 1,445 | 1,452 |
| Other income, net | 2.13 | 117 | 92 | 301 | 308 |
| Profit before income taxes | | 643 | 583 | 1,746 | 1,760 |
| Income tax expense | 2.16 | 180 | 149 | 482 | 479 |
| Net profit | | $463 | $434 | $1,264 | $1,281 |
| Other comprehensive income | | | | | |
| Items that will not be reclassified to profit or loss: | | | | | |
| Remeasurements of the net defined benefit liability / asset (refer to Note 2.11.1) | | 4 | – | 10 | – |

| | | | | | |
|---|---|---|---|---|---|
| Items that may be reclassified subsequently to profit or loss: | | | | | |
| Fair value changes on available-for-sale financial asset, net of tax effect (refer to Notes 2.2 and 2.16) | | (10) | – | (14) | – |
| Exchange differences on translation of foreign operations | | 91 | (250) | (844) | (478) |
| Total other comprehensive income | | $85 | ($250) | ($848) | ($478) |
| Total comprehensive income | | $548 | $184 | $416 | $803 |
| Profit attributable to: | | | | | |
| Owners of the company | | $463 | $434 | $1,264 | $1,281 |
| Non-controlling interests | | – | – | – | – |
| | | $463 | $434 | $1,264 | $1,281 |
| Total comprehensive income attributable to: | | | | | |
| Owners of the company | | $548 | $184 | $416 | $803 |
| Non-controlling interests | | – | – | – | – |
| | | $548 | $184 | $416 | $803 |
| Earnings per equity share | | | | | |
| Basic ($) | | 0.81 | 0.76 | 2.21 | 2.24 |
| Diluted ($) | | 0.81 | 0.76 | 2.21 | 2.24 |
| Weighted average equity shares used in computing earnings per equity share | 2.17 | | | | |
| Basic | | 571,402,566 | 571,400,086 | 571,402,566 | 571,398,129 |
| Diluted | | 571,402,566 | 571,400,417 | 571,402,566 | 571,399,018 |

(*) Administrative expenses for the nine months ended December 31, 2013 include a charge of $35 million towards visa related matters. Refer to Note 2.20.

*The accompanying notes form an integral part of the unaudited consolidated interim financial statements*

**Infosys Limited and subsidiaries**

**Unaudited Consolidated Statements of Changes in Equity**

*(Dollars in millions except share data)*

| | **Shares**(*) | Share capital | Share premium | Retained earnings | Other components of equity | Total equity attributable to equity holders of the company |
|---|---|---|---|---|---|---|
| Balance as of April 1, 2012 | 571,396,401 | $64 | $703 | $6,509 | ($700) | $6,576 |
| Changes in equity for the nine months ended December 31, 2012 | | | | | | |
| Shares issued on exercise of employee stock options | 6,165 | – | 1 | – | – | 1 |
| Dividends (including corporate dividend tax) | – | – | – | (567) | – | (567) |
| Net profit | – | – | – | 1,281 | – | 1,281 |
| | – | – | – | – | (478) | (478) |

| | | | | | | |
|---|---|---|---|---|---|---|
| Exchange differences on translation of foreign operations | | | | | | |
| Balance as of December 31, 2012 | 571,402,566 | $64 | $704 | $7,223 | ($1,178) | $6,813 |
| Balance as of April 1, 2013 | 571,402,566 | $64 | $704 | $7,666 | ($1,103) | $7,331 |
| Changes in equity for the nine months ended December 31, 2013 | | | | | | |
| Remeasurement of the net defined benefit liability / (asset) (Refer to Note 2.11.1) | – | – | – | – | 10 | 10 |
| Change in accounting policy - Adoption of Revised IAS 19(Refer to Note 2.11.1) | – | – | – | (6) | 9 | 3 |
| Dividends (including corporate dividend tax) | – | – | – | (519) | – | (519) |
| Fair value changes on available-for-sale financial assets, net of tax effect (Refer to Notes 2.2 and 2.16) | – | – | – | – | (14) | (14) |
| Net profit | – | – | – | 1,264 | – | 1,264 |
| Exchange differences on translation of foreign operations | – | – | – | – | (844) | (844) |
| Balance as of December 31, 2013 | 571,402,566 | $64 | $704 | $8,405 | ($1,942) | $7,231 |

**excludes treasury shares of 2,833,600 held by consolidated trust*

*The accompanying notes form an integral part of the unaudited consolidated interim financial statements*

**Infosys Limited and subsidiaries**

**Unaudited Consolidated Statements of Cash Flows**

*(Dollars in millions)*

| | Note | Nine months ended | |
|---|---|---|---|
| | | December 31, 2013 | December 31, 2012 |
| Operating activities: | | | |
| Net profit | | $1,264 | $1,281 |
| Adjustments to reconcile net profit to net cash provided by operating activities: | | | |
| Depreciation and amortization | 2.5 and 2.6 | 168 | 150 |
| Income on available-for-sale financial assets and certificates of deposit | | (31) | (35) |
| Income tax expense | 2.16 | 482 | 479 |
| Other non cash item | | (1) | (3) |
| Effect of exchange rate changes on assets and liabilities | | 10 | 5 |
| Deferred purchase price | 2.3 | 22 | 4 |
| Changes in working capital | | | |

| | | | |
|---|---|---|---|
| Trade receivables | | (307) | (158) |
| Prepayments and other assets | | (10) | (37) |
| Unbilled revenue | | (30) | (49) |
| Trade payables | | 9 | 2 |
| Client deposits | | 2 | 9 |
| Unearned revenue | | 9 | 44 |
| Other liabilities and provisions | | 298 | 92 |
| Cash generated from operations | | 1,885 | 1,784 |
| Income taxes paid | 2.16 | (475) | (465) |
| Net cash provided by operating activities | | 1,410 | 1,319 |
| Investing activities: | | | |
| Expenditure on property, plant and equipment net of sale proceeds, including changes in retention money and capital creditors | 2.5 and 2.9 | (322) | (267) |
| Payment on acquisition of intangible assets | | – | (2) |
| Payment for acquisition of business, net of cash acquired | | – | (206) |
| Loans to employees | | (1) | (12) |
| Deposits placed with corporation | | (26) | (9) |
| Income on available-for-sale financial assets and certificates of deposit | | 27 | 31 |
| Investment in quoted debt securities | | (155) | (12) |
| Investment in certificates of deposit | | (181) | – |
| Redemption of certificates of deposit | | 74 | 67 |
| Investment in liquid mutual fund units | | (2,788) | (3,168) |
| Redemption of liquid mutual fund units | | 2,654 | 1,831 |
| Investment in fixed maturity plan securities | | (5) | – |
| Net cash used in investing activities | | (723) | (1,747) |
| Financing activities: | | | |
| Proceeds from issuance of common stock on exercise of employee stock options | | – | 1 |
| Repayment of borrowings | | – | (16) |
| Payment of dividend | | (439) | (488) |
| Payment of corporate dividend tax | | (80) | (79) |
| Net cash used in financing activities | | (519) | (582) |
| Effect of exchange rate changes on cash and cash equivalents | | (477) | (297) |
| Net increase / (decrease) in cash and cash equivalents | | 168 | (1,010) |
| Cash and cash equivalents at the beginning | 2.1 | 4,021 | 4,047 |
| Cash and cash equivalents at the end | 2.1 | $3,712 | $2,740 |
| Supplementary information: | | | |
| Restricted cash balance | 2.1 | $52 | $54 |

*The accompanying notes form an integral part of the unaudited consolidated interim financial statements*

**Notes to the Unaudited Consolidated Interim Financial Statements**

## 1. Company Overview and Significant Accounting Policies

### 1.1 Company overview

Infosys Limited (Infosys or the company) along with its controlled trusts, Infosys Limited Employees‘ Welfare Trust and Infosys Science Foundation, majority owned and controlled subsidiary, Infosys BPO Limited (Infosys BPO) and its wholly owned and controlled subsidiaries, and wholly owned and controlled subsidiaries, Infosys Technologies (Australia) Pty. Limited (Infosys Australia), Infosys Technologies (China) Co. Limited (Infosys China), Infosys Technologies S. DE R.L. de C.V. (Infosys Mexico), Infosys Technologies (Sweden) AB (Infosys Sweden), Infosys Consulting India Limited (Infosys Consulting India), Infosys Tecnologia do Brasil Ltda (Infosys Brasil), Infosys Public Services, Inc., (Infosys Public Services), Infosys Americas Inc., (Infosys Americas), Infosys Technologies (Shanghai) Company Limited (Infosys Shanghai) and Lodestone Holding AG and its controlled subsidiaries (Infosys Lodestone) is a leading global technology services company. The Infosys group of companies (the Group) provides business consulting, technology, engineering and outsourcing services. In addition, the Group offers software products for the banking industry.

The company is a public limited company incorporated and domiciled in India and has its registered office at Bangalore, Karnataka, India. The company has its primary listings on the Bombay Stock Exchange and National Stock Exchange in India. The company’s American Depositary Shares representing equity shares are also listed on the New York Stock Exchange (NYSE) following the company’s voluntary delisting from the NASDAQ Global Select Market on December 11, 2012. The company listed on NYSE Euronext London and NYSE Euronext Paris on February 20, 2013.

The company’s unaudited consolidated interim financial statements were authorized for issue by the company’s Board of Directors on January 31, 2014.

**1.2 Basis of preparation of financial statements**

These consolidated interim financial statements have been prepared in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS), under the historical cost convention on the accrual basis except for certain financial instruments and prepaid gratuity benefits which have been measured at fair values. These consolidated interim financial statements should be read in conjunction with the consolidated financial statements and related notes included in the company’s Annual Report on Form 20-F for the fiscal year ended March 31, 2013. Accounting policies have been applied consistently to all periods presented in these unaudited consolidated interim financial statements.

**1.3 Changes in accounting policies**

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with effect from April 1, 2013.

Amendments to IFRS 7 Financial Instruments: Disclosures *

IFRS 10 Consolidated Financial Statements (2011) (Refer to Note 1.4)

IFRS 11 Joint Arrangements*

IFRS 12 Disclosure of Interests in Other Entities*

IFRS 13 Fair Value Measurement

IAS 19 Employee Benefits (2011) (Revised IAS 19) Refer to Note 1.19.1

Amendments to IAS 32- Financial Instruments: Income taxes arising from distribution to equity holders*

Amendments to IAS 34- Interim Financial Reporting: Segment information for total assets and liabilities*

Amendments to IAS 1- Presentation of Items of Other Comprehensive Income (Refer to statement of comprehensive income)

**IFRS 13 Fair Value Measurement**

On April 1, 2013, the Group adopted, IFRS 13, “Fair Value Measurement” which establishes a single source of guidance for fair value measurement under IFRS. IFRS 13 provides a revised definition of fair value and guidance on how it should be applied where its use is already required or permitted by other standards within IFRS and introduces more comprehensive disclosure requirements on fair value measurement. There was no impact on the consolidated financial statements due to the adoption of the measurement requirements of IFRS 13. The Group has provided the disclosures as required by IFRS 13 in the note “Financial Instruments” of these consolidated financial statements.

**Amendments to IAS 1- Presentation of Items of Other Comprehensive Income (Refer to statement of comprehensive income)**

As a result of the amendments to IAS 1, the Group has modified the presentation of items of other comprehensive income in its consolidated statements of comprehensive income, to present separately items that would be reclassified to profit or loss in the future from those that would never be. Comparative information has also been re-presented accordingly.

The adoption of the amendment to IAS 1 has no impact on the recognised assets, liabilities and comprehensive income of the Group.

** The adoption of these standards does not have any impact on the unaudited consolidated interim financial statements of the group.*

**1.4 Basis of consolidation**

Infosys consolidates entities which it owns or controls. As a result of the adoption of IFRS 10, the Group has changed its accounting policy with respect to the basis for determining control.

Control exists when the parent has power over the entity, is exposed, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns by using its power over the entity. Power is demonstrated through existing rights that give the ability to direct relevant activities, those which significantly affect the entity's returns. Subsidiaries are consolidated from the date control commences until the date control ceases.

Previously, control existed when the Group had the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that were currently exercisable were also taken into account.

In accordance with the transitional provisions of IFRS 10 (2011), the Group reassessed the control conclusion at April 1, 2013 and has concluded that there is no change to the scope of the entities to be consolidated as a result of the adoption of IFRS 10.

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

**1.5 Use of estimates**

The preparation of the financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions. These estimates, judgments and assumptions affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Application of accounting policies that require critical accounting estimates involving complex and subjective judgments and the use of assumptions in these financial statements have been disclosed in Note 1.6. Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the consolidated interim financial statements.

**1.6 Critical accounting estimates**

**a. Revenue recognition**

The company uses the percentage-of-completion method in accounting for its fixed-price contracts. Use of the percentage-of-completion method requires the company to estimate the efforts or costs expended to date as a proportion of the total efforts or costs to be expended. Efforts or costs expended have been used to measure progress towards completion as there is a direct relationship between input and productivity. Provisions for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the expected contract estimates at the reporting date.

**b. Income taxes**

The company's two major tax jurisdictions are India and the U.S., though the company also files tax returns in other overseas jurisdictions. Significant judgments are involved in determining the provision for income taxes, including amount expected to be paid / recovered for uncertain tax positions. Also refer to Note 2.16.

**c. Business combinations and intangible assets**

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

**1.7 Revenue recognition**

The company derives revenues primarily from software related services and from the licensing of software products. Arrangements with customers for software related services are either on a fixed-price, fixed-timeframe or on a time-and-material basis.

Revenue on time-and-material contracts are recognized as the related services are performed and revenue from the end of the last billing to the balance sheet date is recognized as unbilled revenues. Revenue from fixed-price, fixed-timeframe contracts, where there is no uncertainty as to measurement or collectability of consideration, is recognized as per the percentage-of-completion method. When there is uncertainty as to measurement or ultimate collectability revenue recognition is postponed until such uncertainty is resolved. Efforts or costs expended have been used to measure progress towards completion as there is a direct relationship between input and productivity. Provisions for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the current contract estimates. Costs and earnings in excess of billings are classified as unbilled revenue while billings in excess of costs and earnings are classified as unearned revenue. Maintenance revenue is recognised ratably over the term of the underlying maintenance arrangement.

In arrangements for software development and related services and maintenance services, the company has applied the guidance in IAS 18, Revenue, by applying the revenue recognition criteria for each separately identifiable component of a single transaction. The arrangements generally meet the criteria for considering software development and related services as separately identifiable components. For allocating the consideration, the company has measured the revenue in respect of each separable component of a transaction at its fair value, in accordance with principles given in IAS 18. The price that is regularly charged for an item when sold separately is the best evidence of its fair value. In cases where the company is unable to establish objective and reliable evidence of fair value for the software development and related services, the company has used a residual method to allocate the arrangement consideration. In these cases the balance of the consideration, after allocating the fair values of undelivered components of a transaction has been allocated to the delivered components for which specific fair values do not exist.

License fee revenues are recognized when the general revenue recognition criteria given in IAS 18 are met. Arrangements to deliver software products generally have three elements: license, implementation and Annual Technical Services (ATS). The company has applied the principles given in IAS 18 to account for revenues from these multiple element arrangements. Objective and reliable evidence of fair value has been established for ATS. Objective and reliable evidence of fair value is the price charged when the element is sold separately. When other services are provided in conjunction with the licensing arrangement and objective and reliable evidence of their fair values have been established, the revenue from such contracts are allocated to each component of the contract in a manner, whereby revenue is deferred for the undelivered services and the residual amounts are recognized as revenue for delivered elements. In the absence of objective and reliable evidence of fair value for implementation, the entire arrangement fee for license and implementation is recognized using the percentage-of-completion method as the implementation is performed. Revenue from client training, support and other services arising due to the sale of software products is recognized as the services are performed. ATS revenue is recognised rateably over the period in which the services are rendered.

Advances received for services and products are reported as client deposits until all conditions for revenue recognition are met.

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

The company presents revenues net of value-added taxes in its statement of comprehensive income.

**1.8 Property, plant and equipment**

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

| | |
|---|---|
| Buildings | 15 years |
| Plant and machinery | 5 years |
| Computer equipment | 2-5 years |
| Furniture and fixtures | 5 years |
| Vehicles | 5 years |

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

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

**1.9 Business combinations**

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

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

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

**1.10 Goodwill**

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

**1.11 Intangible assets**

Intangible assets are stated at cost less accumulated amortization and impairment. Intangible assets are amortized over their respective individual estimated useful lives on a straight-line basis, from the date that they are available for use. The estimated useful life of an identifiable intangible asset is based on a number of factors including the effects of obsolescence, demand, competition, and other economic factors (such as the stability of the industry, and known technological advances), and the level of maintenance expenditures required to obtain the expected future cash flows from the asset.

Research costs are expensed as incurred. Software product development costs are expensed as incurred unless technical and commercial feasibility of the project is demonstrated, future economic benefits are probable, the company has an intention and ability to complete and use or sell the software and the costs can be measured reliably. The costs which can be capitalized include the cost of material, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use. Research and development costs and software development costs incurred under contractual arrangements with customers are accounted as cost of sales.

**1.12 Financial instruments**

Financial instruments of the Group are classified in the following categories: non-derivative financial instruments comprising of loans and receivables, available-for-sale financial assets and trade and other payables; derivative financial instruments under the category of financial assets or financial liabilities at fair value through profit or loss; share capital and treasury shares. The classification of financial instruments depends on the purpose for which those were acquired. Management determines the classification of its financial instruments at initial recognition.

**a. Non-derivative financial instruments**