INFOSYS LIMITED AND SUBSIDIARIES

Unaudited Condensed Consolidated Financial Statements under International Financial Reporting Standards (IFRS) in US Dollars for the year ended March 31, 2018

Index

Consolidated Balance Sheet

Consolidated Statements of Comprehensive Income

Consolidated Statements of Changes in Equity

Consolidated Statements of Cash Flows

1. Overview

1.1 Company Overview

1.2 Basis of preparation of financial statements

1.3 Basis of consolidation

1.4 Use of estimates

1.5 Critical accounting estimates

1.6 Recent Accounting pronouncements

2. Notes to the Condensed Consolidated Financial Statements

2.1 Cash and bank

2.2 Investments

2.3 Financial instruments

2.4 Prepayments and other assets

2.5 Other liabilities

2.6 Provisions

2.7 Property, plant and equipment

2.8 Goodwill

2.9 Business combination

2.10 Employees' Stock Option Plans (ESOP)

2.11 Income taxes

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

2.13 Related party transactions

2.14 Segment Reporting

2.15 Revenue from Operations

2.16 Break-up of expenses

2.17 Disposal group held for sale

2.18 Capital allocation policy

2.19 Share capital and share premium

Infosys Limited and Subsidiaries

Unaudited Condensed Consolidated Balance Sheet as at

(Dollars in millions except equity share data)

	Note	March 31, 2018	March 31, 2017
ASSETS			
Current assets			
Cash and cash equivalents	2.1	3,041	3,489
Current investments	2.2	982	1,538
Trade receivables		2,016	1,900
Unbilled revenue		654	562
Prepayments and other current assets	2.4	662	749
Derivative financial instruments	2.3	2	44
		7,357	**8,282**
Assets held for sale	2.17	316	-
Total current assets		**7,673**	**8,282**
Non-current assets			
Property, plant and equipment	2.7	1,863	1,807
Goodwill	2.8 & 2.17	339	563
Intangible assets		38	120
Investment in associate		-	11
Non-current investments	2.2	883	984
Deferred income tax assets		196	83
Income tax assets		931	881
Other non-current assets	2.4	332	123
Total Non-current assets		**4,582**	**4,572**
Total assets		**12,255**	**12,854**
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables		107	57
Derivative financial instruments	2.3	6	-
Current income tax liabilities		314	599
Client deposits		6	5
Unearned revenue		352	274
Employee benefit obligations		218	209
Provisions	2.6	75	63
Other current liabilities	2.5	1,036	954
		2,114	**2,161**
Liabilities directly associated with assets held for sale	2.17	50	-
Total current liabilities		**2,164**	**2,161**
Non-current liabilities			
Deferred income tax liabilities		82	32
Employee benefit obligations		7	-
Other non-current liabilities	2.5	42	24
Total liabilities		**2,295**	**2,217**
Equity			
Share capital - ₹5 ($0.16) par value 2,400,000,000 (2,400,000,000) equity shares authorized, issued and outstanding 2,173,312,301 (2,285,655,150) net of 10,801,956 (11,289,514) treasury shares, as at March 31, 2018 (March 31, 2017), respectively		190	199
Share premium		247	587
Retained earnings		11,587	12,190
Cash flow hedge reserve		-	6
Other reserves		244	-
Capital redemption reserve		9	-
Other components of equity		(2,317)	(2,345)
Total equity attributable to equity holders of the company		**9,960**	**10,637**
Non-controlling interests		-	-
Total equity		**9,960**	**10,637**
Total liabilities and equity		**12,255**	**12,854**

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

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

Nandan M. Nilekani
Chairman

Salil Parekh
Chief Executive officer and Managing Director

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

Bengaluru
April 13, 2018

D. Sundaram
Director

M. D. Ranganath
Chief Financial Officer

A. G. S. Manikantha
Company Secretary

Infosys Limited and Subsidiaries

Unaudited Condensed Consolidated Statements of Comprehensive Income

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

	Note	Year ended March 31,	
		2018	**2017**
Revenues	2.15	**10,939**	**10,208**
Cost of sales	2.16	7,001	6,446
Gross profit		**3,938**	**3,762**
Operating expenses:			
Selling and marketing expenses	2.16	552	535
Administrative expenses	2.16	727	707
Total operating expenses		1,279	1,242
Operating profit		**2,659**	**2,520**
Other income, net	2.16 & 2.17	495	459
Share in net profit/(loss) of associate, including impairment		(11)	(5)
Profit before income taxes		**3,143**	**2,974**
Income tax expense	2.11	657	834
Net profit		**2,486**	**2,140**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Re-measurements of the net defined benefit liability/asset, net		9	(7)
Cumulative impact on reversal of unrealized gain on quoted debt securities on adoption of IFRS 9	2.2	-	(5)
Equity instruments through other comprehensive income, net		1	(1)
		10	(13)
Items that will be reclassified subsequently to profit or loss:			
Fair valuation of investments, net	2.2	-	(2)
Fair value changes on derivatives designated as cash flow hedge, net		(6)	6
Foreign currency translation		18	198
		12	202
Total other comprehensive income/(loss), net of tax		**22**	**189**
Total comprehensive income		**2,508**	**2,329**
Profit attributable to:			
Owners of the company		2,486	2,140
Non-controlling interests		-	-
		2,486	**2,140**
Total comprehensive income attributable to:			
Owners of the company		2,508	2,329
Non-controlling interests		-	-
		2,508	**2,329**
Earnings per equity share			
Basic ($)		1.10	0.94
Diluted ($)		1.10	0.94
Weighted average equity shares used in computing earnings per equity share	2.12		
Basic		2,255,332,322	2,285,639,447
Diluted		2,257,573,870	2,286,396,745

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

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

Nandan M. Nilekani
Chairman

Salil Parekh
Chief Executive officer and Managing Director

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

Bengaluru
April 13, 2018

D. Sundaram
Director

M. D. Ranganath
Chief Financial Officer

A. G. S. Manikantha
Company Secretary

Infosys Limited and Subsidiaries

Unaudited Condensed Consolidated Statements of Changes in Equity

(Dollars in millions except equity share data)

	Shares[(1)]	Share capital	Share premium	Retained earnings	Other reserves [(2)]	Capital redemption reserve	Cash flow hedge reserve	Other components of equity	Total equity attributable to equity holders of the company
Balance as at April 1, 2016	**2,285,621,088**	**199**	**570**	**11,083**	**0**	**-**	**-**	**(2,528)**	**9,324**
Changes in equity for the year ended March 31, 2017									
Cumulative impact on reversal of unrealized gain on quoted debt securities on adoption of IFRS 9 [(3)]	-	-	-	-	-	-	-	(5)	(5)
Shares issued on exercise of employee stock options (refer to note 2.10)	34,062	-	-	-	-	-	-	-	-
Transfer to other reserves	-	-	-	(142)	142	-	-	-	-
Transfer from other reserves on utilization	-	-	-	142	(142)	-	-	-	-
Employee stock compensation expense (refer to note 2.10)	-	-	17	-	-	-	-	-	17
Fair value changes on derivatives designated as cash flow hedge* (Refer to note 2.3)	-	-	-	-	-	-	6	-	6
Equity instruments through other comprehensive income* (Refer to note 2.2)	-	-	-	-	-	-	-	(1)	(1)
Fair value changes on investments, net* (Refer to note 2.2)	-	-	-	-	-	-	-	(2)	(2)
Remeasurement of the net defined benefit liability/asset*	-	-	-	-	-	-	-	(7)	(7)
Dividends (including dividend distribution tax)	-	-	-	(1,033)	-	-	-	-	(1,033)
Net profit	-	-	-	2,140	-	-	-	-	2,140
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	198	198
Balance as at March 31, 2017	**2,285,655,150**	**199**	**587**	**12,190**	-	-	**6**	**(2,345)**	**10,637**
Balance as at April 1, 2017	**2,285,655,150**	**199**	**587**	**12,190**	-	-	**6**	**(2,345)**	**10,637**
Changes in equity for the year ended March 31, 2018									
Shares issued on exercise of employee stock options (refer to note 2.10)	700,629	-	1	-	-	-	-	-	1
Transfer to other reserves	-	-	-	(340)	340		-	-	-
Transfer from other reserves on utilization	-	-	-	96	(96)	-	-	-	-
Employee stock compensation expense (Refer to note 2.10)	-	-	12	-	-	-	-	-	12
Transfer on account of options not exercised	-	-	-	-	-	-	-	-	-
Amount paid upon buyback (refer note 2.18)	(113,043,478)	(9)	(346)	(1,680)	-	-	-	-	(2,035)
Transaction costs related to buyback* (refer note 2.18)	-	-	(7)	-	-	-	-	-	(7)
Amount transferred to capital redemption reserve upon Buyback (refer note 2.18)	-	-	-	(9)	-	9	-	-	-
Fair value changes on derivatives designated as cash flow hedge* (Refer to note 2.3)	-	-	-	-	-	-	(6)	-	(6)
Equity instruments through other comprehensive income* (Refer to note 2.2)	-	-	-	-	-	-	-	1	1
Fair value changes on investments, net* (Refer to note 2.2)	-	-	-	-	-	-	-	-	-
Remeasurement of the net defined benefit liability/asset*	-	-	-	-	-	-	-	9	9
Dividends (including dividend distribution tax)	-	-	-	(1,156)	-	-	-	-	(1,156)
Net profit	-	-	-	2,486	-	-	-	-	2,486
Foreign currency translation	-	-	-	-	-	-	-	18	18
Balance as at March 31, 2018	**2,173,312,301**	**190**	**247**	**11,587**	**244**	**9**	-	**(2,317)**	**9,960**

** net of tax*

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

[(1)] *excludes treasury shares of 10,801,956 as at March 31, 2018, 11,289,514 as at April 1, 2017 and 11,323,576 as at April 1, 2016, held by consolidated trust.*

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

[(3)] *Represents cumulative impact on account of adoption of IFRS 9, recorded in other comprehensive income during the year ended March 31, 2017. The adoption of IFRS 9 did not have a material impact on the financial statements.*

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

Nandan M. Nilekani
Chairman

Salil Parekh
Chief Executive officer and Managing Director

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

Bengaluru
April 13, 2018

D. Sundaram
Director

M. D. Ranganath
Chief Financial Officer

A. G. S. Manikantha
Company Secretary

Infosys Limited and Subsidiaries

Unaudited Condensed Consolidated Statements of Cash Flows

Accounting Policy

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

Amendment to IAS 7:

Effective April 1, 2017, the company adopted the amendment to IAS 7, which require the entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, suggesting inclusion of a reconciliation between the opening and closing balances in the Balance Sheet for liabilities arising from financing activities, to meet the disclosure requirement. The adoption of amendment did not have any material impact on the consolidated financial statements.

(Dollars in millions)

Particulars	Note	Year ended March 31, 2018	2017
Operating activities:			
Net Profit		2,486	2,140
Adjustments to reconcile net profit to net cash provided by operating activities :			
Depreciation and amortization	2.16	289	254
Interest and dividend income		(129)	(51)
Income tax expense	2.11	657	834
Effect of exchange rate changes on assets and liabilities		3	6
Impairment loss on financial assets		5	20
Impairment loss on assets held for sale	2.17	18	-
Share in net profit/(loss) of associate, including impairment		11	5
Stock compensation expense		13	17
Other adjustments		(20)	7
Changes in working capital			
Trade receivables and unbilled revenue		(237)	(260)
Prepayments and other assets		(58)	(70)
Trade payables		51	(3)
Client deposits		1	1
Unearned revenue		104	66
Other liabilities and provisions		122	(24)
Cash generated from operations		**3,316**	**2,942**
Income taxes paid		(1,059)	(843)
Net cash provided by operating activities		**2,257**	**2,099**
Investing activities:			
Expenditure on property, plant and equipment, net of sale proceeds		(310)	(411)
Loans to employees		4	4
Deposits placed with corporation		(20)	(25)
Interest and dividend received		67	32
Payment for acquisition of business, net of cash acquired	2.9	(4)	-
Payment of contingent consideration pertaining to acquisition of business		(5)	(5)
Investment/(redemption) in equity and preference securities		(4)	(10)
Investment in others		(4)	(4)
Proceeds from sale of equity and preference securities		5	-
Investment in quoted debt securities		(16)	(638)
Redemption of quoted debt securities		18	1
Investment in certificate of deposits		(1,032)	(1,167)
Redemption of certificate of deposits		1,503	-
Investment in commercial papers		(45)	-
Investment in liquid mutual fund units and fixed maturity plan securities		(9,628)	(8,083)
Redemption of liquid mutual fund units and fixed maturity plan securities		9,953	7,759
Net cash used in investing activities		**482**	**(2,547)**
Financing activities:			
Payment of dividend (including dividend distribution tax)		(1,156)	(1,032)
Shares issued on exercise of employee stock options		1	-
Buy back of shares including transaction costs		(2,042)	-
Net cash used in financing activities		**(3,197)**	**(1,032)**
Effect of exchange rate changes on cash and cash equivalents		18	34
Net increase / (decrease) in cash and cash equivalents		(458)	(1,480)
Cash and cash equivalents at the beginning of the period	2.1	3,489	4,935
Cash and cash equivalents at the end of the period	2.1	**3,049**	**3,489**
Supplementary information:			
Restricted cash balance	2.1	82	88

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

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

Nandan M. Nilekani
Chairman

Salil Parekh
Chief Executive officer
and Managing Director

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

Bengaluru
April 13, 2018

D. Sundaram
Director

M. D. Ranganath
Chief Financial Officer

A. G. S. Manikantha
Company Secretary

Notes to the Unaudited Condensed Consolidated Financial Statements

1. Overview

1.1 Company overview

Infosys Limited ('the Company' or Infosys) is a leading provider of consulting, technology, outsourcing and next-generation services and software. Along with its subsidiaries, Infosys provides Business IT services (comprising application development and maintenance, independent validation, infrastructure management, engineering services comprising product engineering and life cycle solutions and business process management); Consulting and systems integration services (comprising consulting, enterprise solutions, systems integration and advanced technologies); Products, business platforms and solutions to accelerate intellectual property-led innovation. Its new offerings span areas like digital, big data and analytics, cloud, data and mainframe modernization, cyber security, IoT engineering Services and API & micro services.

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

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

The company has proposed to voluntarily delist its ADS from the Euronext Paris and Euronext London exchanges due to low average daily trading volume of its ADS on these exchanges. The proposed delisting is subject to approval from the said stock exchanges.

The Group's unaudited condensed consolidated financial statements are authorized for issue by the company's Board of Directors on April 13, 2018.

1.2 Basis of preparation of financial statements

These condensed consolidated financial statements have been prepared in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB), under the historical cost convention on the accrual basis except for certain financial instruments which have been measured at fair values. Accordingly, these condensed consolidated financial statements do not include all the information required for a complete set of financial statements. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in the company's Annual Report on Form 20-F for the year ended March 31, 2017. Accounting policies have been applied consistently to all periods presented in these unaudited condensed consolidated financial statements.

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

1.3 Basis of consolidation

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

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

Associates are entities over which the group has significant influence but not control. Investments in associates are accounted for using the equity method of accounting. The investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the acquisition date. The group's investment in associates includes goodwill identified on acquisition.

1.4 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 1.5. Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the condensed consolidated financial statements.

1.5 Critical accounting estimates

a. Revenue recognition

The group uses the percentage-of-completion method in accounting for its fixed-price contracts. Use of the percentage-of-completion method requires the group to estimate the efforts or costs expended to date as a proportion of the total efforts or costs to be expended. Efforts or costs expended have been used to measure progress towards completion as there is a direct relationship between input and productivity. 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 2.11).

c. Business combinations and intangible assets

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

d. Property, plant and equipment

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

e. Impairment of Goodwill

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

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

f. Non-current assets and disposal groups held for sale

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

1.6 Recent accounting pronouncements

1.6.1 Standards issued but not yet effective

IFRS 15 Revenue from Contract with Customers: In May 2014, the International Accounting Standards Board (IASB) issued IFRS 15, Revenue from Contract with Customers. The core principle of the new standard is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Further the new standard requires enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The standard permits two possible methods of transition:

• Full retrospective approach - Under this approach the standard will be applied retrospectively to each prior reporting period presented in accordance with IAS 8- Accounting Policies, Changes in Accounting Estimates and Errors

• Cumulative catch-up approach - Retrospectively with cumulative effect of initially applying the standard recognized at the date of initial application

The effective date for adoption of IFRS 15 is annual periods beginning on or after January 1, 2018, though early adoption is permitted.

The Group does not plan to early adopt IFRS 15 and will adopt it on April 1, 2018. On completion of evaluation of the effect of adoption of IFRS 15, the Group has decided to use the cumulative catch-up transition method and accordingly comparatives for the year ending or ended March 31, 2018 and March 31, 2017 will not be retrospectively adjusted. The effect on adoption of IFRS 15 is expected to be insignificant.

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

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

IFRIC 22, Foreign currency transactions and Advance consideration: On December 8, 2016, the IFRS interpretations committee of the International Accounting Standards Board (IASB) issued IFRS interpretation, IFRIC 22, Foreign currency transactions and Advance consideration which clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency. The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. The effective date for adoption of IFRIC 22 is annual reporting periods beginning on or after January 1, 2018, though early adoption is permitted.

The Group has elected to adopt IFRIC 22 prospectively on April 1, 2018. The effect on adoption of IFRIC 22 on the consolidated financial statements is insignificant.

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

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

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

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

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

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

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

2. Notes to the Condensed Consolidated Financial Statements

2.1 Cash and cash equivalents

Cash and cash equivalents consist of the following:

(Dollars in millions)

	As at	
	March 31, 2018	**March 31, 2017**
Cash and bank deposits	2,021	2,296
Deposits with financial institutions	1,020	1,193
	3,041	**3,489**
Cash and cash equivalents included under assets classifed as held for sale *(Refer note no 2.17)*	8	-
	3,049	**3,489**

Cash and cash equivalents as at March 31, 2018 and March 31, 2017 include restricted cash and bank balances of $82 million and $88 million, respectively. The restrictions are primarily on account of cash and bank balances held by irrevocable trusts controlled by the company, bank balances held as margin money deposits against guarantees and balances held in unpaid dividend bank accounts.

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

The table below provides details of cash and cash equivalents :

(Dollars in millions)

	As at	
	March 31, 2018	**March 31, 2017**
Current accounts		
ANZ Bank, Taiwan	1	-
Banamex Bank, Mexico (U.S. Dollar account)	2	1
Bank Leumi, Israel	-	2
Bank of America, Mexico	4	8
Bank of America, USA	180	159
Bank Zachodni WBK S.A, Poland	3	1
Barclays Bank, UK	6	-
BNP Paribas Bank, Norway	14	3
China Merchants Bank, China	1	1
Citibank N.A., Australia	34	3
Citibank N.A., Brazil	2	5
Citibank N.A., China	18	10
Citibank N.A., China (U.S. Dollar account)	1	2
Citibank N.A., Costa Rica	-	1
Citibank N.A., Dubai	1	-
Citibank N.A., EEFC (U.S. Dollar account)	1	-
Citibank N.A., Hungary	1	-
Citibank N.A., Japan	3	2
Citibank N.A., New Zealand	2	2
Citibank N.A., Portugal	1	-
Citibank N.A., Singapore	1	-
Citibank N.A., South Africa	5	2
Citibank N.A., USA	1	12
Commerzbank, Germany	-	3
Deutsche Bank, Belgium	4	2
Deutsche Bank, Czech Republic	2	1
Deutsche Bank, Czech Republic (Euro account)	1	1
Deutsche Bank, Czech Republic (U.S. Dollar account)	-	5
Deutsche Bank, EEFC (Australian Dollar account)	-	6
Deutsche Bank, EEFC (Euro account)	5	4
Deutsche Bank, EEFC (U.S. Dollar account)	5	12
Deutsche Bank, EEFC (United Kingdom Pound Sterling account)	1	2
Deutsche Bank, France	3	1
Deutsche Bank, Germany	16	8
Deutsche Bank, India	7	2
Deutsche Bank, Malaysia	1	1
Deutsche Bank, Netherlands	2	-
Deutsche Bank, Philippines	4	1
Deutsche Bank, Philippines (U.S. Dollar account)	1	1
Deutsche Bank, Poland	3	2
Deutsche Bank, Poland (Euro account)	1	1
Deutsche Bank, Russia	1	-
Deutsche Bank, Russia (U.S. Dollar account)	1	-
Deutsche Bank, Singapore	3	1
Deutsche Bank, Switzerland	5	1
Deutsche Bank, United Kingdom	12	4
Deutsche Bank, USA	-	2
HSBC Bank, United Kingdom	1	-
ICICI Bank, EEFC (U.S. Dollar account)	6	1
ICICI Bank, EEFC (United Kingdom Pound Sterling account)	2	-
ICICI Bank, India	8	8
ICICI Bank - Unpaid dividend account	3	2
Nordbanken, Sweden	8	5
Punjab National Bank, India	2	1
Raiffeisen Bank, Czech Republic	1	1
Raiffeisen Bank, Romania	-	1
Royal Bank of Canada, Canada	26	13

State Bank of India, India	-	1
Silicon Valley Bank, USA	-	1
Silicon Valley Bank (Euro account)	-	3
Splitska Banka D.D., Société Générale Group, Croatia	1	-
Union Bank of Switzerland AG (Euro account)	-	1
Wells Fargo Bank N.A., USA	-	5
	418	**318**
Deposit accounts		
Axis Bank	-	181
Bank BGZ BNP Paribas S.A.	22	28
Barclays Bank	31	127
Canara Bank	36	40
Citibank	35	26
Deutsche Bank, AG	4	-
Deutsche Bank, Poland	32	11
HDFC Bank	383	72
HSBC Bank	-	77
ICICI Bank	568	751
IDBI Bank	38	270
IDFC Bank	230	31
IndusInd Bank	154	29
Kotak Mahindra Bank	-	83
South Indian Bank	69	69
Standard Chartered Bank	-	77
Syndicate Bank	-	8
Yes Bank	1	98
	1,603	**1,978**
Deposits with financial institutions		
HDFC Limited	836	1,085
LIC Housing Finance Limited	184	108
	1,020	**1,193**
Total	**3,041**	**3,489**

2.2 Investments

The carrying value of investments are as follows:

(Dollars in millions)

	As at	
	March 31, 2018	**March 31, 2017**
(i) Current		
Amortized cost		
Quoted debt securities:		
Cost	-	2
Fair value through profit and loss		
Liquid Mutual funds		
Fair value	12	278
Fixed maturity plan securities		
Fair Value	-	23
Fair Value through Other comprehensive income		
Quoted debt securities		
Fair value	117	16
Commercial Paper		
Fair value	45	
Certificate of deposits		
Fair value	808	1,219
Unquoted equity and preference securities		
Fair value	-	-
	982	**1,538**
(ii) Non-current		
Amortized cost		
Quoted debt securities		
Cost	291	293
Fair value through Other comprehensive income		
Quoted debt securities		
Fair value	493	597
Unquoted equity and preference securities		
Fair value	21	25

Fair value through profit and loss		
Unquoted convertible promissory note		
Fair value	2	1
Fixed maturity plan securities		
Fair Value	66	63
Others		
Fair value	10	5
	883	**984**
Total investments	**1,865**	**2,522**
Investment carried at amortized cost	291	295
Investments carried at fair value through other comprehensive income	1,484	1,857
Investments carried at fair value through profit and loss	90	370

Details of amounts recorded in Other comprehensive income:

	Year ended					
	March 31, 2018			March 31, 2017		
	Gross	Tax	Net	Gross	Tax	Net
Net Gain/(loss) on						
Quoted debt securities	(2)	-	(2)	(1)	-	(1)
Certificate of deposits	3	(1)	2	(1)	-	(1)
Unquoted equity and preference securities	1	-	1	(1)	-	(1)

Method of fair valuation:

Class of investment	Method	Fair value	
		As at March 31, 2018	As at March 31, 2017
Mutual funds	Quoted price	12	278
Fixed maturity plan securities	Market observable inputs	66	86
Quoted debt securities- carried at amortized cost	Quoted price and market observable inputs	330	334
Quoted debt securities- carried at FVOCI	Quoted price and market observable inputs	610	613
Commercial Paper	Market observable inputs	45	-
Certificate of deposits	Market observable inputs	808	1,219
Unquoted equity and preference securities	Discounted cash flows method, Market multiples method, Option pricing model, etc.	21	25
Unquoted convertible promissory note	Discounted cash flows method, Market multiples method, Option pricing model, etc.	2	1
Others	Discounted cash flows method, Market multiples method, Option pricing model, etc.	10	5
		1,904	**2,561**

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

Note- Effective April 1, 2016, the group early adopted IFRS9 – Financial Instruments, with April 1, 2015 as the date of initial application. The impact of the adoption did not have a material impact on the financial statements. Hence, the company did not restate the prior period figures and the cumulative impact of ₹35 crore / $5 million was recorded in other comprehensive income for the year ended March 31, 2017.

2.3 Financial instruments

Accounting Policy

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

As per IFRS 9, the group has classified its financial assets into the following categories based on the business model for managing those assets and the contractual cash flow characteristics:
- Financial assets carried at amortized cost
- Financial assets fair valued through other comprehensive income
- Financial assets fair valued through profit and loss

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

2.3.1 Initial recognition

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

2.3.2 Subsequent measurement

a. Non-derivative financial instruments

(i) Financial assets carried at amortized cost

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

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

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

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

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

(iv) Financial liabilities

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

b. Derivative financial instruments

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

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

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

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

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

(ii) Cash flow hedge

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

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

c. Share capital and treasury shares

(i) Ordinary Shares

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

(ii) Treasury Shares

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

2.3.3 Derecognition of financial instruments

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

2.3.4 Fair value of financial instruments

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

For financial assets and liabilities maturing within one year from the Balance Sheet date and which are not carried at fair value, the carrying amounts approximate fair value due to the short maturity of these instruments.

2.3.5 Impairment

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

Financial instruments by category

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

(Dollars in millions)

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

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

[2] *Excludes interest accrued on quoted debt securities carried at amortized cost*

The carrying value and fair value of financial instruments by categories as at March 31, 2017 were as follows:

(Dollars in millions)

	Amortized cost	Financial assets/ liabilities at fair value through profit or loss		Financial assets/liabilities at fair value through OCI		Total carrying value	Total fair value
		Designated upon initial recognition	Mandatory	Equity instruments designated upon initial recognition	Mandatory		
Assets:							
Cash and cash equivalents (Refer to Note 2.1)	3,489	-	-	-	-	3,489	3,489
Investments (Refer to Note 2.2)							
Liquid mutual funds	-	-	278	-	-	278	278
Fixed maturity plan securities	-	-	86	-	-	86	86
Quoted debt securities	295	-	-	-	613	908	947 [1]
Certificate of deposits	-	-	-	-	1,219	1,219	1,219
Unquoted equity and preference securities	-	-	-	25	-	25	25
Unquoted investment others	-	-	5	-	-	5	5
Unquoted convertible promissory note	-	-	1	-	-	1	1
Trade receivables	1,900	-	-	-	-	1,900	1,900
Unbilled revenue	562	-	-	-	-	562	562
Prepayments and other assets (Refer to Note 2.4)	410	-	-	-	-	410	397 [2]
Derivative financial instruments	-	-	36	-	8	44	44
Total	**6,656**	**-**	**406**	**25**	**1,840**	**8,927**	**8,953**
Liabilities:							
Trade payables	57	-	-	-	-	57	57
Derivative financial instruments	-	-	-	-	-	-	-
Other liabilities including contingent consideration (Refer to note 2.5)	768	-	13	-	-	781	781
Total	**825**	**-**	**13**	**-**	**-**	**838**	**838**

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

[2] *Excludes interest accrued on quoted debt securities carried at amortized cost*

Fair value hierarchy

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

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

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

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

(Dollars in millions)

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

** includes $3 million pertaining to Brilliant Basics discounted at 10%.*

During the year ended March 31, 2018, quoted debt securities of $276 million were transferred from Level 2 to Level 1 of fair value hierarchy, since these were valued based on Quoted price and $130 million were transferred from Level 1 to Level 2 of fair value hierarchy, since these were valued based on market observable inputs.

The following table presents fair value hierarchy of assets and liabilities as at March 31, 2017:

(Dollars in millions)

	As at March 31, 2017	Fair value measurement at end of the reporting period / year using		
		Level 1	Level 2	Level 3
Assets				
Investments in liquid mutual fund units (Refer to Note 2.2)	278	278	-	-
Investments in fixed maturity plan securities (Refer to Note 2.2)	86	-	86	
Investments in quoted debt securities (Refer to Note 2.2)	947	565	382	-
Investments in certificate of deposit (Refer to Note 2.2)	1,219	-	1,219	-
Investments in equity and preference securities (Refer to Note 2.2)	25	-	-	25
Investments in unquoted investments others (Refer to Note 2.2)	5	-	-	5
Investments in unquoted convertible promissory note (Refer to Note 2.2)	1	-	-	1
Derivative financial instruments- gain on outstanding foreign exchange forward and option contracts	44	-	44	-
Liabilities				
Derivative financial instruments- loss on outstanding foreign exchange forward and option contracts	-	-	-	-
Liability towards contingent consideration (Refer to Note 2.5)*	13	-	-	13

**Discounted $14 million at 14.2%.*

A one percentage point change in the unobservable inputs used in fair valuation of the contingent consideration does not have a significant impact in its value.
The movement in contingent consideration as at March 31, 2018 from March 31, 2017 is mainly on account of settlement of $7 million pertaining to Kallidus acquisiton and addition of $3 million in relation to acquisition of Brilliant Basics Holdings Limited.(Refer to note no. 2.9)

The movement in level 3 investments from March 31, 2017 to March 31, 2018 is on account of purchase of additional investments, disposals during the year and change in fair value.

Income from financial assets is as follows:

(Dollars in millions)

	Year ended March 31,	
	2018	2017
Interest income on financial assets carried at amortized cost	260	352
Interest income on financial assets fair valued through other comprehensive income	106	28
Dividend income on investments carried at fair value through profit or loss	1	4
Gain / (loss) on investments carried at fair value through profit or loss	39	18
	406	**402**

Financial risk management

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

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

The following table analyses foreign currency risk from financial instruments as at March 31, 2018:

(Dollars in millions)

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

The following table analyses foreign currency risk from financial instruments as at March 31, 2017:

(Dollars in millions)

	U.S. dollars	Euro	United Kingdom Pound Sterling	Australian dollars	Other currencies	Total
Cash and cash equivalents	206	20	6	28	108	368
Trade receivables	1,287	192	119	87	108	1,793
Unbilled revenue	376	68	50	19	47	560
Other assets	65	15	7	6	15	108
Trade payables	(18)	(5)	(2)	(1)	(24)	(50)
Accrued expenses	(147)	(33)	(22)	(6)	(23)	(231)
Employee benefit obligation	(86)	(13)	(3)	(23)	(19)	(144)
Other liabilities	(96)	(17)	(7)	(3)	(43)	(166)
Net assets / (liabilities)	**1,587**	**227**	**148**	**107**	**169**	**2,238**

Sensitivity analysis between Indian Rupees and US Dollar

	As at	
	March 31, 2018	March 31, 2017
Impact on the Group's incremental operating margins	0.50%	0.50%

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

Derivative financial instruments

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

(In millions)

Particulars	As at	
	March 31, 2018	March 31, 2017
Derivatives designated as cash flow hedges		
Forward contracts		
In Australian dollars	-	130
In Euro	-	95
In United Kingdom Pound Sterling	-	40
Options contracts		
In Australian dollars	60	-
In Euro	100	40
In United Kingdom Pound Sterling	20	-
Other derivatives		
Forward contracts		
In Australian dollars	5	35
In Canadian dollars	20	-
In Euro	91	114
In Japanese Yen	550	-
In New Zealand dollars	16	-
In Norwegian Krone	40	-
In Singapore dollars	5	5
In South African Rand	25	-
In Swedish Krona	50	50
In Swiss Franc	21	10
In U.S. Dollars	623	526
In United Kingdom Pound Sterling	51	75
Options contracts		
In Australian dollars	20	-
In Canadian dollars	-	13
In Euro	45	25
In Swiss Franc	5	-
In U.S. Dollars	320	195
In United Kingdom Pound Sterling	25	30

The group recognized a net gain of less than $1 million for the year ended March 31, 2018 and $89 million March 31, 2017 on derivative financial instruments, which are included in other income.

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

	(Dollars in millions)	
	As at	
	March 31, 2018	**March 31, 2017**
Not later than one month	434	355
Later than one month and not later than three months	701	666
Later than three months and not later than one year	378	329
	1,513	**1,350**

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

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

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

The following table provides the reconciliation of cash flow hedge reserve for the year ended March 31, 2018:

	(Dollars in millions)	
	Year ended March 31 2018	**Year ended March 31, 2017**
Balance at the beginning of the period	6	-
Gain / (Loss) recognized in other comprehensive income during the period	(7)	18
Amount reclassified to profit and loss during the period	(1)	(10)
Tax impact on above	2	(2)
Balance at the end of the period	**-**	**6**

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

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

	(Dollars in millions)			
	As at			
	March 31, 2018		**March 31, 2017**	
	Derivative financial asset	**Derivative financial liability**	**Derivative financial asset**	**Derivative financial liability**
Gross amount of recognized financial asset/liability	3	(7)	44	-
Amount set off	(1)	1	-	-
Net amount presented in balance sheet	**2**	**(6)**	**44**	**-**

Credit risk

Credit risk refers to the risk of default on its obligation by the counterparty resulting in a financial loss. The maximum exposure to the credit risk at the reporting date is primarily from trade receivables amounting to $2,016 million and $1,900 million as at March 31, 2018 and March 31, 2017, respectively and unbilled revenue amounting to $654 million and $562 million as at March 31, 2018 and March 31, 2017, respectively. Trade receivables and unbilled revenue are typically unsecured and are derived from revenue earned from customers primarily located in the United States. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Group grants credit terms in the normal course of business. On account of adoption of IFRS 9, the Group uses expected credit loss model to assess the impairment loss or gain. The group uses a provision matrix to compute the expected credit loss allowance for trade receivables and unbilled revenues. The provision matrix takes into account available external and internal credit risk factors such as credit default swap quotes, credit ratings from international credit rating agencies and the Group's historical experience for customers.

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

	(In %)	
	Year ended March 31,	
	2018	**2017**
Revenue from top customer	3.4	3.4
Revenue from top ten customers	19.3	21.0

Credit risk exposure

The allowance for lifetime expected credit loss on customer balances for the year ended March 31, 2018 and March 31, 2017 was $5 million and $20 million.

Movement in credit loss allowance	*(Dollars in millions)*	
	Year ended March 31,	
	2018	**2017**
Balance at the beginning	63	44
Translation differences	2	(1)
Impairment loss recognized/(reversed)	5	20
Write offs	(1)	-
Balance at the end	**69**	**63**

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

Credit exposure	*(Dollars in millions except otherwise stated)*	
	As at	
	March 31, 2018	**March 31, 2017**
Trade receivables	2,016	1,900
Unbilled revenues	654	562
Days Sales Outstanding- DSO (days)	67	68

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

Liquidity risk

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

As at March 31, 2018, the Group had a working capital of $5,243 million including cash and cash equivalents of $3,041 million and current investments of $982 million. As at March 31, 2017, the Group had a working capital of $6,121 million including cash and cash equivalents of $3,489 million and current investments of $1,538 million.

As at March 31, 2018 and March 31, 2017, the outstanding employee benefit obligations were $225 million and $209 million, respectively, which have been substantially funded. Accordingly, no liquidity risk is perceived.

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

(Dollars in millions)

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

The table below provides details regarding the contractual maturities of significant financial liabilities as at March 31, 2017 :

(Dollars in millions)

Particulars	Less than 1 year	1-2 years	2-4 years	4-7 years	Total
Trade payables	57	-	-	-	57
Other liabilities (excluding liability towards acquisition - Refer to Note 2.5)	763	5	-	-	768
Liability towards acquisitions on an undiscounted basis (Refer to Note 2.5)	7	7	-	-	14

2.4 Prepayments and other assets

Prepayments and other assets consist of the following:

(Dollars in millions)

	As at	
	March 31, 2018	March 31, 2017
Current		
Rental deposits	2	1
Security deposits	1	2
Loans to employees	37	42
Prepaid expenses [(1)]	72	68
Interest accrued and not due	117	89
Withholding taxes and others[(1)]	158	291
Advance payments to vendors for supply of goods [(1)]	18	20
Deposit with corporations	236	218
Deferred contract cost[(1)]	7	12
Other assets	14	6
	662	**749**
Non-current		
Loans to employees	6	5
Security deposits	8	13
Deposit with corporations	9	7
Prepaid gratuity [(1)]	7	12
Prepaid expenses [(1)]	17	15
Deferred contract cost [(1)]	40	44
Withholding taxes and others[(1)]	219	-
Rental Deposits	26	27
	332	**123**
	994	**872**
Financial assets in prepayments and other assets	**456**	**410**

[(1)] *Non financial assets*

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

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

2.5 Other liabilities

Other liabilities comprise the following:

(Dollars in millions)

	As at	
	March 31, 2018	**March 31, 2017**
Current		
Accrued compensation to employees	385	290
Accrued expenses	376	399
Withholding taxes and others [1]	190	189
Retainage	20	34
Liabilities of controlled trusts	21	22
Liability towards contingent consideration (Refer to note 2.9)	6	7
Deferred rent [1]	4	-
Others	34	13
	1,036	**954**
Non-Current		
Liability towards contingent consideration (Refer to note 2.9)	2	6
Accrued compensation to employees	-	5
Accrued gratuity[1]	4	
Deferred income - government grant on land use rights [1]	7	6
Deferred income [1]	5	7
Deferred rent [1]	24	-
	42	**24**
	1,078	**978**
Financial liabilities included in other liabilities	844	776
Financial liability towards contingent consideration on an undiscounted basis (Refer to Note 2.9)	8	14

[1] *Non financial liabilities*

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

2.6 Provisions

Provisions comprise the following:

(Dollars in millions)

	As at	
	March 31, 2018	**March 31, 2017**
Provision for post sales client support and other provisions	75	63
	75	**63**

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

(Dollars in millions)

	Year ended March 31, 2018
Balance at the beginning	63
Translation differences	-
Provision recognized/(reversed)	22
Provision utilized	(10)
Balance at the end	**75**

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

As at March 31, 2018 and March 31, 2017, claims against the company, not acknowledged as debts, (excluding demands from income tax authorities- Refer to Note 2.11) amounted to ₹260 crore ($40 million) and ₹301 crore ($46 million), respectively.

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

2.7 Property, plant and equipment

Accounting Policy

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

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

Depreciation methods, useful lives and residual values are reviewed periodically, including at each financial year end. *(Refer to note 2.7)*

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

(ii) Impairment

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

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

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

(Dollars in millions)

	Land	Buildings	Plant and machinery	Computer equipment	Furniture and fixtures	Vehicles	Total
Gross carrying value as at April 1, 2017	**272**	**1,123**	**466**	**700**	**261**	**5**	**2,827**
Additions	21	122	56	73	29	1	302
Deletions	-	-	(3)	(17)	(3)	(1)	(24)
Reclassified as held for sale (Refer note 2.17)	-	-	-	(6)	(4)	-	(10)
Translation difference	(1)	2	(1)	(1)	2	-	1
Gross carrying value as at March 31, 2018	**292**	**1,247**	**518**	**749**	**285**	**5**	**3,096**
Accumulated depreciation as at April 1, 2017	**(4)**	**(376)**	**(301)**	**(471)**	**(168)**	**(3)**	**(1,323)**
Depreciation	(1)	(43)	(62)	(107)	(40)	(1)	(254)
Accumulated depreciation on deletions	-	-	2	17	3	1	23
Reclassified as held for sale (Refer note 2.17)	-	-	-	4	3	-	7
Translation difference	-	2	2	-	(1)	-	3
Accumulated depreciation as at March 31, 2018	**(5)**	**(417)**	**(359)**	**(557)**	**(203)**	**(3)**	**(1,544)**
Capital work-in progress as at March 31, 2018							**311**
Carrying value as at March 31, 2018	**287**	**830**	**159**	**192**	**82**	**2**	**1,863**
Capital work-in progress as at April 1, 2017							**303**
Carrying value as at April 1, 2017	**268**	**747**	**165**	**229**	**93**	**2**	**1,807**

Following are the changes in the carrying value of property, plant and equipment for the year ended March 31, 2017:

(Dollars in millions)

	Land	Buildings	Plant and machinery	Computer equipment	Furniture and fixtures	Vehicles	Total
Gross carrying value as at April 1, 2016	**244**	**955**	**392**	**615**	**218**	**4**	**2,428**
Additions	22	147	73	120	57	1	420
Deletions	-	-	(8)	(47)	(17)	(1)	(73)
Translation difference	6	21	9	12	3	1	52
Gross carrying value as at March 31, 2017	**272**	**1,123**	**466**	**700**	**261**	**5**	**2,827**
Accumulated depreciation as at April 1, 2016	**(3)**	**(332)**	**(243)**	**(395)**	**(149)**	**(3)**	**(1,125)**
Depreciation	(1)	(35)	(57)	(101)	(31)	(1)	(226)
Accumulated depreciation on deletions	-	-	5	34	14	1	54
Translation difference	-	(9)	(6)	(9)	(2)	-	(26)
Accumulated depreciation as at March 31, 2017	**(4)**	**(376)**	**(301)**	**(471)**	**(168)**	**(3)**	**(1,323)**
Capital work-in progress as at March 31, 2017							**303**
Carrying value as at March 31, 2017	**268**	**747**	**165**	**229**	**93**	**2**	**1,807**
Capital work-in progress as at April 1, 2016							**286**
Carrying value as at April 1, 2016	**241**	**623**	**149**	**220**	**69**	**1**	**1,589**

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

Carrying value of land includes $98 million and $99 million as at March 31, 2018 and March 31, 2017, respectively, towards amounts paid under certain lease-cum-sale agreements to acquire land, including agreements where the company has an option to purchase or renew the properties on expiry of the lease period.

The contractual commitments for capital expenditure were $223 million and $177 million as at March 31, 2018 and March 31, 2017, respectively.

2.8 Goodwill

Accounting Policy

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

Impairment

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

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

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

(Dollars in millions)

	As at	
	March 31, 2018	**March 31, 2017**
Carrying value at the beginning	563	568
Goodwill on Brilliant Basics acquisition *(Refer to note 2.9)*	5	-
Goodwill reclassified as assets held for sale *(Refer note no 2.17)*	(247)	-
Translation differences	18	(5)
Carrying value at the end	**339**	**563**

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

The following table presents the allocation of goodwill to operating segments as at March 31, 2018 and March 31, 2017:

(Dollars in millions)

Segment	As at	
	March 31, 2018	**March 31, 2017**
Financial services	73	127
Manufacturing	39	63
Retail, Consumer packaged goods and Logistics	48	86
Life Sciences, Healthcare and Insurance	68	98
Energy & utilities, Communication and Services	72	118
	300	492
Operating segments without significant goodwill	39	71
Total	**339**	**563**

The entire goodwill relating to Infosys BPM's (formerly Infosys BPO) acquisition of McCamish has been allocated to the group of CGU’s which is represented by the Life Sciences, Healthcare and Insurance segment.

The goodwill relating to Infosys BPM, Infosys Lodestone, Portland, Panaya and Kallidus d.b.a Skava acquistions has been allocated to the groups of CGUs which are represented by a majority of the entity’s operating segment as at March 31, 2017.

The goodwill relating to Infosys BPM, Infosys Lodestone, Portland and Brilliant Basics acquistions has been allocated to the groups of CGUs which are represented by a majority of the entity’s operating segment as at March 31, 2018.

The entire goodwill relating to Noah acquisition has been allocated to the group of CGU's which is represented by the Energy & utilities, Communication and Services segment.

The recoverable amount of a CGU is the higher of its fair value less cost to sell and its value-in-use. The fair value of a CGU is determined based on the market capitalization. The value-in-use is determined based on specific calculations. These calculations use pre-tax cash flow projections over a period of five years. An average of the range of each assumption used is mentioned below. As at March 31, 2018 and March 31, 2017, the estimated recoverable amount of the CGU exceeded its carrying amount. The key assumptions used for the calculations are as follows:

In %

	As at	
	March 31, 2018	**March 31, 2017**
Long term growth rate	8-10	8-10
Operating margins	17-20	17-20
Discount rate	13.5	14.4

The Management believes that any reasonable possible changes in the key assumptions would not cause the carrying amount to exceed the recoverable amount of the cash generating unit.

2.9 Business combination

Accounting Policy

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

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

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

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

Noah Consulting LLC

On November 16, 2015, Infosys acquired 100% membership interest in Noah Consulting, LLC (Noah), a leading provider of advanced information management consulting services for the oil and gas industry. The business acquisition was conducted by entering into a share purchase agreement for cash consideration of $33 million, contingent consideration of upto $5 million and an additional consideration of upto $32 million, referred to as retention bonus payable to the employees of Noah at each anniversary year following the acquisition date for the next three years, subject to their continuous employment with the group at each anniversary. The retention bonus is treated as a post-acquisition employee remuneration expense as per IFRS 3. During the year ended March 31, 2016 the entire contingent consideration was reversed in the consolidated statement of comprehensive income.

Business transfer

On July 14, 2017, the Board of Directors of Infosys authorized the Company to execute a Business Transfer Agreement and related documents with Noah Consulting LLC, a wholly owned subsidiary, to transfer the business of Noah Consulting LLC to Infosys Limited, subject to securing the requisite regulatory approvals for a consideration based on an independent valuation. Subsequently on October 17, 2017 , the company entered into a business transfer agreement to transfer the business for a consideration of $41 million (approximately ₹266 crore) and the transfer was with effect from October 25, 2017. The transaction was between a holding company and a wholly owned subsidiary and therefore was accounted for at carrying values and did not have any impact on the consolidated financial statements. Subsequently in November 2017, Noah Consulting LLC has been liquidated.

Kallidus Inc. (d.b.a Skava)

On June 2, 2015, Infosys acquired 100% of the voting interests in Kallidus Inc., US (Kallidus), a leading provider of digital experience solutions, including mobile commerce and in-store shopping experiences to large retail clients and 100% of the voting interests of Skava Systems Private Limited, an affiliate of Kallidus. The business acquisition was conducted by entering into a share purchase agreement for cash consideration of $91 million and a contingent consideration of up to $20 million.

The balance contingent consideration as at March 31, 2018 and March 31, 2017 is $5 million and $14 million on an undiscounted basis.

Brilliant Basics Holdings Limited.

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

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

The fair value of contingent consideration is determined by discounting the estimated amount payable to the sellers of Brilliant Basics on achievement of certain financial targets. The key inputs used in determination of the fair value of contingent consideration are the discount rate of 10% and the probabilities of achievement of the financial targets.

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

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

(Dollars in millions)

Component	Acquiree's carrying amount	Fair value adjustments	Purchase price allocated
Net assets(*)	–	–	–
Intangible assets - customer relationships	–	2	2
Deferred tax liabilities on intangible assets	–	–	–
	-	**2**	**2**
Goodwill			5
Total purchase price			**7**

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

The goodwill is not tax deductible.

The gross amount of trade receivables acquired and its fair value is less than $1 million and the amounts have been largely collected.

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

(Dollars in millions)

Component	Consideration settled
Cash paid	4
Fair value of contingent consideration	3
Total purchase price	**7**

The transaction costs of less than $1 million related to the acquisition have been included under administrative expenses in the statement of comprehensive income.

Proposed acquisition

On April 13, 2018, the Company entered into a definitive agreement to acquire WongDoody Holding Company Inc., a US-based creative and consumer insights agency for a total consideration of up to $75 million including contingent consideration and retention payouts, subject to regulatory approvals and fulfillment of closing conditions.

2.10 Employees' Stock Option Plans (ESOP)

Accounting Policy

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

Amendment to IFRS 2:

Effective April 1, 2017, the company has early adopted amendment to IFRS 2 which provides specific guidance to measurement of cash-settled awards, modification of cash-settled awards and awards that include a net settlement feature in respect of withholding taxes. The adoption of the amendment did not have any material effect on the consolidated financial statements.

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

On March 31, 2016, pursuant to the approval by the shareholders through postal ballot, the Board has been authorized to introduce, offer, issue and allot share-based incentives to eligible employees of the Company and its subsidiaries under the 2015 Stock Incentive Compensation Plan (the 2015 Plan). The maximum number of shares under the 2015 plan shall not exceed 24,038,883 equity shares (this includes 1,12,23,576 equity shares which are held by the trust towards the 2011 Plan as at March 31, 2016). Out of this 17,038,883 equity shares will be issued as RSUs at par value and 7,000,000 equity shares will be issued as stock options at market price on the date of the grant. These instruments will generally vest over a period of 4 years and the Company expects to grant the instruments under the 2015 Plan over the period of 4 to 7 years.

Controlled trust holds 10,801,956 and 11,289,514 shares as at March 31, 2018 and March 31, 2017, respectively under the 2015 plan, out of which 1,00,000 equity shares have been earmarked for welfare activities of the employees.

Stock incentives granted to Salil Parekh (CEO & MD)

Pursuant to the approval of the shareholders through a postal ballot on February 20 , 2018, Salil Parekh (CEO & MD) is eligible to receive under the 2015 Plan :
a) an annual grant of RSUs of fair value ₹3.25 crore (approximately $0.5 million) which will vest over time in 3 equal annual installments upon completion of each year of service from the respective grant date
b) a one-time grant of RSUs of fair value ₹9.75 crore (approximately $1.5 million) which will vest over time in 2 equal annual installments upon completion of each year of service from the grant date and
c) annual grant of performance based RSUs of fair value ₹13 crore (approximately $2 million) which will vest after completion of three years the first of which concludes on March 31, 2021, subject to achievement of performance targets set by the Board or its committee.

The Board based on the recommendations of the Nomination and Remuneration committee approved on February 27, 2018, the annual time based grant for FY18 of 28,256 RSUs and the one-time time based grant of 84,768 RSUs. The grants were made effective February 27, 2018. Though the annual time based grants for the remaining employment term have not been granted as of March 31, 2018 , in accordance with IFRS 2, Share based payments the company has recorded employment stock compensation expense.

Stock incentives granted to Dr. Vishal Sikka

Consequent to Dr. Vishal Sikka's resignation from the Company on August 24, 2017, the unvested stock incentives (time-based and performance based awards) granted to him were forfeited.

Stock incentives granted to COO:

The Nomination and Remuneration Committee ('Committee') in its meeting held on October 14, 2016 recommended a grant of 27,250 RSUs and 43,000 ESOPs to U. B. Pravin Rao, under the 2015 Plan and the same was approved by the shareholders through postal ballot on March 31, 2017. These RSUs and ESOPs have been granted effective May 2, 2017. These RSUs and stock options would vest over a period of 4 years and shall be exercisable within the period as approved by the Committee. The exercise price of the RSUs will be equal to the par value of the shares and the exercise price of the stock options would be the market price as on the date of grant, as approved by the shareholders.

Stock incentives granted to KMPs (other than CEO & MD, Dr. Vishal Sikka and COO)

On November 1, 2016, 247,250 RSUs and 502,550 stock options were granted under the 2015 plan, to key management personnel, other than Dr. Vishal Sikka and COO, based on fiscal 2016 performance. On August 1, 2017 58,150 RSUs and 44,450 ESOPs were granted to the General Counsel. These RSUs and stock options will vest within a period of 4 years and shall be exercisable within the period as approved by the Committee. The exercise price of the RSUs will be equal to the par value of the shares and the exercise price of the stock options would be the market price as on the date of grant. On February 27, 2018, based on the recommendation and approval of the Nomination and Remuneration Committee the company granted 214,950 RSUs to the KMP other than CEO and COO. These instruments will vest over a period of 4 years and are subject to continued service.

During the year ended March 31, 2018, three of the KMPs have resigned (Refer to note 2.13 Related party transactions for further details) and hence the RSUs and stock options granted to them were forfeited.

Stock incentive granted to other employees:

During fiscal 2017, the company granted 2,506,740 RSUs and 7,03,300 ESOPs and 112,210 incentive units (cash settled) to certain eligible employees at mid and senior levels under the 2015 plan. Further, on May 2, 2017, the company granted 37,090 RSUs (includes equity shares and equity shares represented by ADS) at par value, 73,600 employee stock options (ESOPs) (including equity shares and equity shares represented by ADS) to be exercised at market price at the time of grant, to certain employees at the senior management level. On August 1, 2017, 7,450 incentive units (cash settled) were granted to employees at the senior management level. These instruments will vest over a period of 4 years and are subject to continued service. On February 27, 2018 15,59,920 RSUs and 42,590 incentive units (cash settled) were granted to eligible employees. These instruments will vest over a period of 4 years and are subject to continued service.

As at March 31, 2018 and March 31, 2017, 111,757 and 106,845 incentive units were outstanding (net of forfeitures).

Break-up of employee stock compensation expense

(Dollars in millions)

	Year ended March 31,	
	2018	**2017**
Granted to:		
KMP[2]	(2)	5
Employees other than KMP	15	12
Total [1]	13	17
[1] *Cash settled stock compensation expense included in the above*	1	-

[2] *Included a reversal of stock compensation cost of $5 million towards forfeiture of stock incentives granted to Dr. Vishal Sikka upon his resignation.*

The carrying value of liability towards cash settled share based payments was $1 million and less than $1 million as at March 31, 2018 and March 31, 2017, respectively.

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

Particulars	**Year ended March 31, 2018**	
	Shares arising out of options	**Weighted average exercise price ($)**
2015 Plan: RSU		
Outstanding at the beginning	2,961,373	0.07
Granted	2,280,608	0.08
Exercised	648,217	0.07
Forfeited and expired	843,355	0.07
Outstanding at the end	**3,750,409**	**0.07**
Exercisable at the end	24,205	0.07
2015 Plan: Employee Stock Options (ESOPs)		
Outstanding at the beginning	1,197,650	15.26
Granted	491,575	14.62
Exercised	52,412	15.26
Forfeited and expired	669,900	14.84
Outstanding at the end	**966,913**	**15.23**
Exercisable at the end	196,912	15.26

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

Particulars	**Year ended March 31, 2017**	
	Shares arising out of options	**Weighted average exercise price ($)**
2015 Plan: RSU		
Outstanding at the beginning	221,505	-
Granted	2,874,690	0.07
Forfeited and expired	100,760	0.07
Exercised	34,062	-
Outstanding at the end	**2,961,373**	**0.07**
Exercisable at the end	-	-
2015 Plan: Employee Stock Options (ESOPs)		
Outstanding at the beginning	-	-
Granted	1,205,850	15.26
Forfeited and expired	8,200	15.26
Exercised	-	-
Outstanding at the end	**1,197,650**	**15.26**
Exercisable at the end	-	-

During the year ended March 31, 2018, the weighted average share price of options exercised under the 2015 Plan on the date of exercise was $15.48.

During the year ended March 31, 2017, the weighted average share price of options exercised under the 2015 Plan on the date of exercise was $16.10.

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

	Options outstanding		
Range of exercise prices per share ($)	**No. of shares arising out of options**	**Weighted average remaining contractual life**	**Weighted average exercise price ($)**
2015 Plan:			
0 - 0.08 (RSU)	3,750,409	1.89	0.07
13 - 17 (ESOP)	966,913	6.60	15.23
	4,717,322	**2.57**	**3.18**

The following table summarizes information about equity settled RSUs and ESOPs outstanding as at March 31, 2017:

	Options outstanding		
Range of exercise prices per share ($)	**No. of shares arising out of options**	**Weighted average remaining contractual life**	**Weighted average exercise price ($)**
2015 Plan:			
0 - 0.07 (RSU)	2,961,373	1.88	0.07
14 - 16 (ESOP)	1,197,650	7.09	15.83
	4,159,023	**3.38**	**4.61**

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

Particulars	For options granted in			
	Fiscal 2018-Equity Shares-RSU	Fiscal 2018-Equity shares ESOP	Fiscal 2018-ADS-RSU	Fiscal 2018-ADS- ESOP
Weighted average share price (₹) / ($- ADS)	1,144	923	16.61	14.65
Exercise price (₹)/ ($- ADS)	5.00	919	0.08	14.67
Expected volatility (%)	20-25	25-28	21-26	25-31
Expected life of the option (years)	1 - 4	3 - 7	1 - 4	3 - 7
Expected dividends (%)	2.78	2.78	2.74	2.74
Risk-free interest rate (%)	6 - 7	6 - 7	1 - 2	1 - 2
Weighted average fair value as on grant date (₹) / ($- ADS)	1,066	254	15.47	2.93

Particulars	For options granted in			
	Fiscal 2017-Equity Shares-RSU	Fiscal 2017-Equity shares ESOP	Fiscal 2017-ADS-RSU	Fiscal 2017-ADS- ESOP
Weighted average share price (₹) / ($- ADS)	1,067	989	15.77	15.26
Exercise price (₹)/ ($- ADS)	5.00	998	0.07	15.26
Expected volatility (%)	24-29	27-29	26-29	27-31
Expected life of the option (years)	1- 4	3 - 7	1- 4	3 - 7
Expected dividends (%)	2.37	2.37	2. 29	2. 29
Risk-free interest rate (%)	6- 7	6- 7	1 - 2	1 - 2
Weighted average fair value as on grant date (₹) / ($- ADS)	1,002	285	14.84	3.46

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

2.11 Income taxes

Accounting policy

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

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

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

(Dollars in millions)

	Year ended March 31,	
	2018	**2017**
Current taxes		
Domestic taxes	721	616
Foreign taxes	(12)	226
	709	**842**
Deferred taxes		
Domestic taxes	(80)	(1)
Foreign taxes	28	(7)
	(52)	**(8)**
Income tax expense	**657**	**834**

Advance Pricing Agreement ("APA")

During the three months ended December 31, 2017 the Company has concluded an Advance Pricing Agreement ("APA") with the US Internal Revenue Service ("IRS") for the US branch covering the years ending March 2011 to March 2021. Under the APA, the Company and the IRS have agreed on the methodology to allocate revenues and compute the taxable income of the Company's US Branch operations.

During the three months ended December 31,2017, in accordance with the APA , the company has reversed income tax expense provision of $225 million which pertains to previous periods. This comprises of current tax expense of $253 million, reversal of $21 million on account of deferred tax assets pertaining to the temporary differences which are no longer required and a deferred tax liability of $7 million pertaining to Branch profit tax for the three months ended December 31, 2017 on account of conclusion of APA. In line with the APA, the Company has to pay an amount of approximately $233 million due to the difference between the taxes payable for prior periods as per the APA and the actual taxes paid for such periods. The Company has paid $ 74 million during the three months ended March 31, 2018, and the balance amount is expected to be paid over the next few quarters.

Additionally, income tax expense for the year ended March 31, 2018 and March 31, 2017 includes reversal (net of provisions) of $45 million and $23 million pertaining to prior periods on account of adjudication of certain disputed matters in favor of the company across various jurisdictions.

The "Tax Cuts and Jobs Act (H.R. 1)" was signed into law on December 22, 2017 ("US Tax Reforms"). The US tax reforms has reduced federal tax rates from 35% to 21% effective January 1, 2018 amongst other measures. During the year ended March 31, 2018, the US tax reforms has resulted in a positive impact of $24 million on account of credits pertaining to deferred tax liabilities on branch profit. The impact of US tax reforms is expected to be not significant for future periods.

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

(Dollars in millions)

	Year ended March 31,	
	2018	**2017**
Profit before income taxes	3,143	2,974
Enacted tax rates in India	34.61%	34.61%
Computed expected tax expense	1,088	1,029
Tax effect due to non-taxable income for Indian tax purposes	(321)	(295)
Overseas taxes	109	112
Tax provision (reversals)	(253)	(23)
Effect of differential overseas tax rates	8	10
Effect of exempt non operating income	(10)	(10)
Effect of unrecognized deferred tax assets	29	14
Effect of non-deductible expenses	9	4
Branch profit tax (net of credits)	(32)	-
Subsidiary dividend distribution tax	27	-
Others	3	(7)
Income tax expense	**657**	**834**

The applicable Indian statutory tax rates for each of fiscal 2018 and fiscal 2017 is 34.61%.

Infosys is subject to a 15% Branch Profit Tax (BPT) in the U.S. to the extent its U.S. branch's net profit during the year is greater than the increase in the net assets of the U.S. branch during the year, computed in accordance with the Internal Revenue Code. As of March 31, 2018, Infosys' U.S. branch net assets amounted to approximately $772 million. During the year ended March 31, 2018 an additional deferred tax liability has been created for branch profit tax amounting to $7 million on account of conclusion of APA explained above. Further, on account of US tax Reforms, the company has a credit of $24 million pertaining to Branch Profit Tax for year ended March 31, 2018. The company has also reversed $8 million of Branch profit tax during the year ended March 31, 2018 towards current taxes. As of March 31, 2018, the Company has a deferred tax liability for branch profit tax of $25 million (net of credits), as the Company estimates that these branch profits are expected to be distributed in the foreseeable future.

Entire deferred income tax, except for a credit of $24 million (on account of US Tax Reforms explained above), for the year ended March 31, 2018, relates to origination and reversal of temporary differences.

During the year ended March 31, 2018, the Company received $130 million as dividend from its majority owned subsidiary. Dividend distribution tax paid by the subsidiary on such dividend has been reduced as credit against dividend distribution tax payable by Infosys. Accordingly, the group has recorded a charge of $27 million as income tax expense during the year ended March 31, 2018.

Other income for year ended March 31, 2018, includes interest on income tax refund of $41 million .

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

As at March 31, 2018, claims against the Group not acknowledged as debts from the Income tax authorities amounted to ₹4,542 crore ($697 million). These matters are pending before various Appellate Authorities and the management including its tax advisors expect that its position will likely be upheld on ultimate resolution and will not have a material adverse effect on the Group's financial position and results of operations.

Income tax claims amounting to ₹4,670 crore ($716 million) has not been considered as claims not acknowledged as debt because the Company has received favorable decisions on similar claims and therefore based on its assessment, is of the view that any liability resulting from these claims is remote and will not sustain on ultimate resolution.

Amount paid to statutory authorities against the above tax claims amounted to ₹6,540 crore ($1,003 million).

As at March 31, 2017, claims against the Group not acknowledged as debts from the Indian Income tax authorities amounted to ₹6,378 crore ($984 million). Amount paid to statutory authorities against this amounted to ₹4,682 crore ($722 million).

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

Accounting Policy

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

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

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

	Year ended March 31,	
	2018	**2017**
Basic earnings per equity share - weighted average number of equity shares outstanding[(1)]	2,255,332,322	2,285,639,447
Effect of dilutive common equivalent shares - share options outstanding	2,241,548	757,298
Diluted earnings per equity share - weighted average number of equity shares and common equivalent shares	**2,257,573,870**	**2,286,396,745**

[(1)] *excludes treasury shares*

For the year ended March 31, 2018 and March 31, 2017, 67,238 and 112,190 number of options to purchase equity shares had an anti-dilutive effect respectively.

2.13 Related party transactions

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

Changes in Subsidiaries and Associates

During the year ended March 31, 2018, the following are the changes in the subsidiaries and associate:

- the name of Infosys BPO Ltd has been changed to Infosys BPM Ltd.
- Infosys Chile Spa was incorporated as a wholly owned subsidiary of the Infosys Ltd.
- Noah Consulting LLC, Noah Information Management Consulting Inc. and DWA Nova LLC have been liquidated.
- Infosys Middle East Fz LLC, a wholly owned subsidiary of Infosys Consulting Pte Ltd
- Effective February, 2018, Lodestone Management Consultants GmbH, became wholly owned subsidiary of Infosys Limited.
- Infosys Arabia Limited, majority owned subsidiary of Infosys Limited.

Changes in Key management personnel

The following were the changes in key management personnel:-

• Salil Parekh appointed as Chief Executive Officer and Managing Director effective January 2, 2018. The appointment is for a term of 5 years with effect from January 2, 2018 to January 1, 2023 and the remuneration is approved by shareholders through postal ballot dated February 20, 2018.
• U. B. Pravin Rao, Chief Operating officer appointed as Interim-Chief Executive Officer and Managing Director effective August 18, 2017. Subsequently he stepped down as the interim CEO and Managing Director effective January 2, 2018 and will continue as Chief Operating Officer and a whole-time director of the Company.
• Nandan M. Nilekani appointed as Non-Executive, Non-Independent Chairman effective August 24, 2017
• D. Sundaram appointed as Independent director effective July 14, 2017
• R. Seshasayee, Chairman, resigned effective August 24, 2017
• Ravi Venkatesan, resigned from his position as Co-Chairman effective August 24, 2017
• Prof. Jeffrey Lehman, Independent director resigned effective August 24, 2017
• Prof. John Etchemendy, Independent director resigned effective August 24, 2017
• Dr. Vishal Sikka, resigned as Chief Executive Officer and Managing Director effective August 18, 2017 and as Executive Vice Chairman effective August 24, 2017
• Sandeep Dadlani, President, resigned effective July 14, 2017
• Inderpreet Sawhney, Group General Counsel and Chief Compliance Officer, appointed as Executive Officer effective July 14, 2017
• Rajesh K. Murthy, President, resigned effective January 31, 2018
• Gopi Krishnan Radhakrishnan, Acting General Counsel, resigned effective June 24, 2017

Transactions with key management personnel

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

(Dollars in millions)

	Year ended March 31,	
	2018	**2017**
Salaries and other employee benefits to whole-time directors and executive officers[(1)(2)(3)(4)]	8	12
Commission and other benefits to non-executive/ independent directors	2	2
Total	**10**	**14**

[(1)] On December 2, 2017, the Board appointed Salil Parekh as the Chief Executive Officer and Managing Director of the Company with effect from January 2, 2018. The appointment is for a term of 5 years with effect from January 2, 2018 to January 1, 2023 and the remuneration is approved by shareholders through postal ballot dated February 20, 2018.

[(2)] Total employee stock compensation expense for the year ended March 31, 2018 includes a reversal of $2 million, respectively towards key managerial personnel. For the year ended March 31, 2017, an employee stock compensation expense of $5 million was recorded towards key managerial personnel. (Refer to note 2.10)

[(3)] Included a reversal of stock compensation cost of $5 million for the year ended March 31, 2018 towards forfeiture of stock incentives granted to Dr. Vishal Sikka upon his resignation. (Refer to note 2.10)

[(4)] Includes $0.87 million payable under severance agreement to David Kennedy, General counsel and Chief compliance officer during the three months ended December 31, 2016

Investment in Associate

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

2.14 Segment Reporting

IFRS 8 establishes standards for the way that public business enterprises report information about operating segments and related disclosures about products and services, geographic areas, and major customers. The group's operations predominantly relate to providing end-to-end business solutions to enable clients to enhance business performance. Based on the "management approach" as defined in IFRS 8, the Chief Operating Decision Maker (CODM) evaluates the group's performance and allocates resources based on an analysis of various performance indicators by business segments and geographic segments. Accordingly, information has been presented both along business segments and geographic segments. The accounting principles used in the preparation of the financial statements are consistently applied to record revenue and expenditure in individual segments, and are as set out in the significant accounting policies.

Business segments of the Group are primarily enterprises in Financial Services (FS), enterprises in Manufacturing (MFG), enterprises in Retail, Consumer packaged goods and Logistics (RCL), enterprises in the Energy & utilities, Communication and Services (ECS), enterprises in Hi-Tech (Hi-Tech), enterprises in Life Sciences, Healthcare and Insurance (HILIFE) and all other segments. The FS reportable segments has been aggregated to include the Financial Services operating segment and the Finacle operating segment. All other segments represents the operating segments of businesses in India, Japan, China and IPS. Geographic segmentation is based on business sourced from that geographic region and delivered from both on-site and off-shore locations. North America comprises the United States of America, Canada and Mexico, Europe includes continental Europe (both the east and the west), Ireland and the United Kingdom, and the Rest of the World comprising all other places except those mentioned above and India.

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

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

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

2.14.1 Business Segments

Year ended March 31, 2018 and March 31, 2017

(Dollars in millions)

	FS	MFG	ECS	RCL	HILIFE	Hi-Tech	All other segments	Total
Revenues	**2,891**	**1,194**	**2,599**	**1,722**	**1,438**	**784**	**311**	**10,939**
	2,765	*1,119*	*2,300*	*1,673*	*1,258*	*763*	*330*	*10,208*
Identifiable operating expenses	1,470	641	1,305	828	713	416	180	5,553
	1,382	*584*	*1,107*	*802*	*623*	*396*	*210*	*5,104*
Allocated expenses	613	271	589	390	326	178	71	2,438
	607	*259*	*532*	*387*	*291*	*177*	*76*	*2,329*
Segment profit	**808**	**282**	**705**	**504**	**399**	**190**	**60**	**2,948**
	776	*276*	*661*	*484*	*344*	*190*	*44*	*2,775*
Unallocable expenses								289
								255
Operating profit								**2,659**
								2,520
Other income, net *(Refer Note 2.16 and Note 2.17)*								495
								459
Share in net profit/(loss) of associate, including impairment								(11)
								(5)
Profit before Income taxes								**3,143**
								2,974
Income tax expense								657
								834
Net profit								**2,486**
								2,140
Depreciation and amortization								289
								254
Non-cash expenses other than depreciation and amortization								29
								4

2.14.2 Geographic Segments

Year ended March 31, 2018 and March 31, 2017

(Dollars in millions)

	North America	Europe	India	Rest of the World	Total
Revenues	**6,605**	**2,596**	**346**	**1,392**	**10,939**
	6,320	*2,295*	*325*	*1,268*	*10,208*
Identifiable operating expenses	3,429	1,324	141	659	5,553
	3,222	*1,147*	*149*	*586*	*5,104*
Allocated expenses	1,494	586	66	292	2,438
	1,460	*529*	*66*	*274*	*2,329*
Segment profit	**1,682**	**686**	**139**	**441**	**2,948**
	1,638	*619*	*110*	*408*	*2,775*
Unallocable expenses					289
					255
Operating profit					**2,659**
					2,520
Other income, net (Refer Note 2.16 and Note 2.17)					495
					459
Share in associate's profit / (loss)					(11)
					(5)
Profit before Income taxes					**3,143**
					2,974
Income Tax expense					657
					834
Net profit					**2,486**
					2,140
Depreciation and amortization					289
					254
Non-cash expenses other than depreciation and amortization					29
					4

2.14.3 Significant clients

No client individually accounted for more than 10% of the revenues for the year ended March 31, 2018 and March 31, 2017, respectively.

2.15 REVENUE FROM OPERATIONS

Accounting Policy:

The company derives revenues primarily from software development and 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. Deferred contract costs are amortized over the term of the contract. Maintenance revenue is recognized 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 recognized ratably 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 ratable 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 Group presents revenues net of indirect taxes in its statement of comprehensive income.

Revenues for the year ended March 31, 2018 and March 31, 2017 is as follows:

(Dollars in millions)

Particulars	Year ended March 31,	
	2018	2017
Revenue from software services	10,619	9,895
Revenue from software products	320	313
	10,939	**10,208**

2.16 Break-up of expenses and other income

Accounting Policy

2.16.1 Gratuity

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

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

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

2.16.2 Superannuation

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

2.16.3 Provident fund

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

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

2.16.4 Compensated absences

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

2.16.5 Other income

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

2.16.6 Operating Profits

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

Cost of sales

(Dollars in millions)

	Year ended March 31,	
	2018	**2017**
Employee benefit costs	5,379	4,987
Depreciation and amortization	289	254
Travelling costs	225	246
Cost of technical sub-contractors	666	571
Cost of software packages for own use	136	118
Third party items bought for service delivery to clients	152	120
Operating lease payments	50	46
Consultancy and professional charges	8	4
Communication costs	35	39
Repairs and maintenance	46	46
Provision for post-sales client support	22	12
Others	(7)	3
Total	**7,001**	**6,446**

Sales and marketing expenses

(Dollars in millions)

	Year ended March 31,	
	2018	**2017**
Employee benefit costs	425	405
Travelling costs	48	52
Branding and marketing	47	51
Operating lease payments	12	10
Consultancy and professional charges	10	7
Communication costs	3	3
Others	7	7
Total	**552**	**535**

Administrative expenses

(Dollars in millions)

	Year ended March 31,	
	2018	**2017**
Employee benefit costs	230	220
Consultancy and professional charges	144	103
Repairs and maintenance	127	145
Power and fuel	32	34
Communication costs	38	40
Travelling costs	37	35
Rates and taxes	25	22
Operating lease payments	20	17
Insurance charges	9	8
Impairment loss recognized/(reversed) on financial assets	11	21
Commission to non-whole time directors	1	2
Contributions towards Corporate Social Responsibility	24	34
Others	29	26
Total	**727**	**707**

Other income, net

(Dollars in millions)

Particulars	Year ended March 31,	
	2018	**2017**
Interest income on financial assets carried at amortized cost	260	352
Interest income on financial assets fair valued through other comprehensive income	106	28
Dividend income on investments carried at fair value through profit or loss	1	4
Gain/(loss) on investments carried at fair value through profit or loss	39	18
Exchange gains / (losses) on forward and options contracts	-	89
Exchange gains / (losses) on translation of other assets and liabilities	36	(54)
Impairment loss on disposal group held for sale (*Refer note no 2.17)*	(18)	-
Others	71	22
	495	**459**

2.17 Disposal group held for sale

Accounting policy

Non current assets and disposal groups are classified as held for sale if their carrying amount is intended to be recovered principally through sale rather than through continuing use. The condition for classification of held for sale is met when the non current asset or the disposal group is available for immediate sale and the same is highly probable of being completed within one year from the date of classification as held for sale. Non current assets and disposal groups held for sale are measured at the lower of carrying amount and fair value less cost to sell.

In the quarter ended March 2018, on conclusion of a strategic review of the portfolio businesses, the Company initiated identification and evaluation of potential buyers for its subsidiaries, Kallidus and Skava (together referred to as "Skava") and Panaya (collectively referred to as the "disposal group"). The Company anticipates completion of the sale by March 2019 and accordingly, assets amounting to $316 million and liabilities amounting to $50 million in respect of the disposal group have been reclassified as "held for sale". On reclassification, the disposal group has been measured at the lower of carrying amount and fair value less cost to sell and consequently, an impairment loss of $18 million in respect of Panaya has been recognized in the consolidated profit and loss for the quarter and year ended March 31, 2018.
The disposal group does not constitute a separate major component of the company and therefore has not been classified as discontinued operations.

2.18 Dividends

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

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

Particulars	**Year Ended March 31, 2018**		**Year Ended March 31, 2017**	
	in ₹	**in US Dollars**	**in ₹**	**in US Dollars**
Final dividend for fiscal 2016	-	-	14.25	0.22
Interim dividend for fiscal 2017	-	-	11.00	0.17
Final dividend for fiscal 2017	14.75	0.23	-	-
2018 interim dividend for fiscal 2018	13.00	0.20	-	-

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

The Board of Directors recommended a final dividend of ₹20.50/- per equity share (approximately $0.31 per equity share) for the financial year ended March 31, 2018 and a special dividend of ₹10/- per equity share (approximately $0.15 per equity share). The payment is subject to the approval of the shareholders in the ensuing Annual General Meeting of the Company, to be held on June 23, 2018 and if approved would result in a cash outflow of approximately $1,220 million (excluding dividend paid on treasury shares), inclusive of dividend distribution tax.

The Board of Directors in their meeting on October 24, 2017 declared an interim dividend of ₹13/- per equity share (approximately $0.20 per equity share) which resulted in a net cash outflow of approximately $526 milllion, (excluding dividend paid on treasury shares) inclusive of dividend distribution tax.

Buyback

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

2.19 Share capital and share premium

The Company has only one class of shares referred to as equity shares having a par value of ₹5/- each. 10,801,956 and 11,289,514 shares were held by controlled trust, as at March 31, 2018 and March 31, 2017, respectively.

The amount received in excess of the par value has been classified as share premium. Additionally, share-based compensation recognized in net profit in the consolidated statement of comprehensive income is credited to share premium. Amounts have been utilized for bonus issue from share premium account.

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

Nandan M. Nilekani
Chairman

Salil. Parekh
Chief Executive officer
and Managing Director

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

D. Sundaram
Director

M. D. Ranganath
Chief Financial Officer

A. G. S. Manikantha
Company Secretary

Bengaluru
April 13, 2018