

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS LIMITED AND SUBSIDIARIES

in ₹ crore

| Consolidated Balance Sheet as at March 31, | Note | 2014 | 2013 |
|--|------|---------------|---------------|
| EQUITY AND LIABILITIES | | | |
| SHAREHOLDERS' FUNDS | | | |
| Share capital | 2.1 | 286 | 286 |
| Reserves and surplus | 2.2 | 44,244 | 37,708 |
| | | 44,530 | 37,994 |
| Minority Interests | | - | - |
| NON-CURRENT LIABILITIES | | | |
| Deferred tax liabilities (net) | 2.3 | - | 56 |
| Other long-term liabilities | 2.4 | 405 | 182 |
| | | 405 | 238 |
| CURRENT LIABILITIES | | | |
| Trade payables | | 173 | 189 |
| Other current liabilities | 2.5 | 5,449 | 3,941 |
| Short-term provisions | 2.6 | 6,409 | 3,969 |
| | | 12,031 | 8,099 |
| | | 56,966 | 46,331 |
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Fixed assets | | | |
| Tangible assets | 2.7 | 6,056 | 4,807 |
| Intangible assets | 2.7 | 2,322 | 2,332 |
| Capital work-in-progress | | 961 | 1,140 |
| | | 9,339 | 8,279 |
| Non-current investments | 2.9 | 1,307 | 377 |
| Deferred tax assets (net) | 2.3 | 629 | 469 |
| Long-term loans and advances | 2.10 | 2,560 | 1,796 |
| Other non-current assets | 2.11 | 53 | 67 |
| | | 13,888 | 10,988 |
| CURRENT ASSETS | | | |
| Current investments | 2.9 | 3,024 | 1,739 |
| Trade receivables | 2.12 | 8,351 | 7,083 |
| Cash and cash equivalents | 2.13 | 25,950 | 21,832 |
| Short-term loans and advances | 2.14 | 5,753 | 4,689 |
| | | 43,078 | 35,343 |
| | | 56,966 | 46,331 |
| SIGNIFICANT ACCOUNTING POLICIES | | | |
| 1 | | | |

As per our report of even date attached
for B S R & Co. LLP
Chartered Accountants
Firm's Registration Number:101248W

for Infosys Limited

Akhil Bansal
Partner
Membership No. 090906

N. R. Narayana Murthy
Executive Chairman

S. Gopalakrishnan
Executive Vice-Chairman

S. D. Shibulal
Chief Executive Officer and
Managing Director

K.V.Kamath
Director

R.Seshasayee
Director

Dr. Omkar Goswami
Director

Prof. Jeffrey S. Lehman
Director

Ravi Venkatesan
Director

Kiran Mazumdar -Shaw
Director

Srinath Batni
Director

B. G. Srinivas
Director

U.B.Pravin Rao
Director

Bangalore
April 15, 2014

Rajiv Bansal
Chief Financial Officer

Parvatheesam K
Chief Risk Officer and
Company Secretary

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS LIMITED AND SUBSIDIARIES

in ₹ crore, except per share data

| Consolidated Statement of Profit and Loss for the year ended March 31, | Note | 2014 | 2013 |
|---|------|---------------|---------------|
| Income from software services and products | 2.15 | 50,133 | 40,352 |
| Other income | 2.16 | 2,664 | 2,365 |
| Total revenue | | 52,797 | 42,717 |
| Expenses | | | |
| Employee benefit expenses | 2.17 | 28,831 | 22,565 |
| Deferred consideration pertaining to acquisition | 2.28 | 228 | 85 |
| Cost of technical sub-contractors | | 1,951 | 1,459 |
| Travel expenses | 2.17 | 1,697 | 1,509 |
| Cost of software packages and others | 2.17 | 982 | 777 |
| Communication expenses | 2.17 | 440 | 361 |
| Professional charges | | 504 | 506 |
| Depreciation and amortisation expenses | 2.7 | 1,317 | 1,099 |
| Other expenses | 2.17 | 2,119 | 1,557 |
| Total expenses | | 38,069 | 29,918 |
| PROFIT BEFORE TAX | | 14,728 | 12,799 |
| Tax expense: | | | |
| Current tax | 2.18 | 4,308 | 3,518 |
| Deferred tax | 2.18 | (236) | (148) |
| PROFIT FOR THE PERIOD BEFORE MINORITY INTERESTS | | 10,656 | 9,429 |
| Less: Minority Interests | | - | - |
| PROFIT FOR THE PERIOD | | 10,656 | 9,429 |
| EARNINGS PER EQUITY SHARE | | | |
| Equity shares of par value ₹5/- each | | | |
| Basic | | 186.49 | 165.01 |
| Diluted | | 186.49 | 165.01 |
| Number of shares used in computing earnings per share | 2.26 | | |
| Basic | | 57,14,02,566 | 57,13,99,238 |
| Diluted | | 57,14,02,566 | 57,14,00,091 |

SIGNIFICANT ACCOUNTING POLICIES

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CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS LIMITED AND SUBSIDIARIES

in ₹ crore

| Consolidated Cash Flow Statement for the year ended March 31, | Note | 2014 | 2013 |
|---|------|----------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | 14,728 | 12,799 |
| Adjustments to reconcile profit before tax to cash provided by operating activities | | | |
| Depreciation and amortisation expense | | 1,317 | 1,099 |
| Deferred purchase price | | 228 | 85 |
| Interest and dividend income | | (2,380) | (2,022) |
| Loss/(Profit) on sale of tangible assets | | - | (1) |
| Reversal of contingent consideration | | (33) | - |
| Other non-cash item | | - | (57) |
| Effect of exchange differences on translation of assets and liabilities | | 54 | 21 |
| Effect of exchange differences on translation of foreign currency cash and cash equivalents | | (14) | (98) |
| Effect of exchange differences on translation of subsidiaries | | 80 | 22 |
| Changes in assets and liabilities | | | |
| Trade receivables | | (1,268) | (989) |
| Loans and advances and other assets | | (1,060) | (1,138) |
| Liabilities and provisions | | 2,047 | 945 |
| | | 13,699 | 10,666 |
| Income taxes paid | | (3,874) | (3,293) |
| NET CASH GENERATED BY OPERATING ACTIVITIES | | 9,825 | 7,373 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payment towards capital expenditure (including intangible assets) | | (2,748) | (2,095) |
| Proceeds from sale of fixed assets | | 3 | 6 |
| Payment for acquisition of business, net of cash acquired | | - | (1,157) |
| Investments in liquid mutual fund units | | (22,691) | (22,007) |
| Disposal of liquid mutual fund units | | 22,383 | 20,300 |
| Investment in certificates of deposit | | (1,280) | - |
| Disposal of certificates of deposit | | 450 | 336 |
| Investments in tax-free bonds and government bonds | | (932) | (373) |
| Redemption of government bonds | | 2 | - |
| Investment in fixed maturity plan securities | | (143) | - |
| Interest and dividend received | | 2,379 | 1,970 |
| NET CASH USED IN INVESTING ACTIVITIES | | (2,577) | (3,020) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Repayment of borrowings taken over from Lodestone | | | (89) |
| Proceeds from issuance of share capital on exercise of stock options | | - | 1 |
| Dividends paid net of intercompany dividend | | (2,686) | (2,684) |
| Dividend tax paid | | (458) | (438) |
| NET CASH USED IN FINANCING ACTIVITIES | | (3,144) | (3,210) |
| Effect of exchange differences on translation of foreign currency cash and cash equivalents | | 14 | 98 |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | 4,118 | 1,241 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | | 21,832 | 20,591 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | | 25,950 | 21,832 |

SIGNIFICANT ACCOUNTING POLICIES

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April 15, 2014

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Chief Financial Officer

Parvatheesam K
Chief Risk Officer and
Company Secretary

Significant accounting policies and notes on accounts

Company overview

Infosys Limited ('Infosys' or 'the Company') along with its majority-owned and controlled subsidiary, Infosys BPO Limited and its controlled subsidiaries ('Infosys BPO') and wholly-owned and controlled subsidiaries, Infosys Technologies (Australia) Pty. Limited ('Infosys Australia'), Infosys Technologies (China) Co. Limited ('Infosys China'), Infosys Consulting India Limited ('Infosys Consulting India'), Infosys Technologies S. de R. L. de C. V. ('Infosys Mexico'), Infosys Technologies (Sweden) AB. ('Infosys Sweden'), Infosys Tecnologia DO Brasil LTDA. ('Infosys Brasil'), Infosys Public Services, Inc, USA ('Infosys Public Services'), Infosys Americas Inc., ('Infosys Americas'), Edgeverve Systems Limited (Edgeverve), Infosys Technologies (Shanghai) Company Limited ('Infosys Shanghai') and Lodestone Holding AG and its controlled subsidiaries ('Infosys Lodestone') is a leading global services corporation. The group of companies ('the Group') provides business consulting, technology, engineering and outsourcing services to help clients build tomorrow's enterprise. In addition, the Group offers software products and platforms.

1 Significant accounting policies

1.1 Basis of preparation of financial statements

These financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis except for certain financial instruments which are measured at fair values. GAAP comprises mandatory accounting standards as prescribed by the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 2013 (to the extent notified) and the Companies Act, 1956 (to the extent applicable) and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

The financial statements are prepared in accordance with the principles and procedures required for the preparation and presentation of consolidated financial statements as laid down under the Accounting Standard (AS) 21, "Consolidated Financial Statements". The financial statements of Infosys - the parent company, Infosys BPO and its wholly owned subsidiaries, Infosys China, Infosys Australia, Infosys Mexico, Infosys Consulting India, Infosys Sweden, Infosys Brasil, Infosys Public Services, Infosys Americas, Edgeverve, Infosys Shanghai, Infosys Lodestone and its controlled subsidiaries and controlled trusts have been combined on a line-by-line basis by adding together book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances and transactions and resulting unrealised gain/loss. The consolidated financial statements are prepared by applying uniform accounting policies in use at the Group. Minority interests have been excluded. Minority interests represent that part of the net profit or loss and net assets of subsidiaries that are not, directly or indirectly, owned or controlled by the company.

1.2 Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates include computation of percentage of completion which requires the Group to estimate the efforts or costs expended to date as a proportion of the total efforts or costs to be expended, provisions for doubtful debts, future obligations under employee retirement benefit plans, income taxes, post-sales customer support and the useful lives of fixed assets and intangible assets.

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

1.3 Revenue recognition

Revenue is primarily derived from software development and related services and from the licensing of software products. Arrangements with customers for software development and 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 and fixed-timeframe contracts, where there is no uncertainty as to measurement or collectability of consideration, is recognized based upon the percentage of completion method. When there is uncertainty as to measurement or ultimate collectability revenue recognition is postponed until such uncertainty is resolved. Cost and earnings in excess of billings are classified as unbilled revenue while billings in excess of cost and earnings is classified as unearned revenue. Provision for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the current estimates.

Annual Technical Services revenue and revenue from fixed-price maintenance contracts are recognized ratably over the period in which services are rendered. Revenue from the sale of user licenses for software applications is recognized on transfer of the title in the user license, except in case of multiple element contracts, which require significant implementation services, where revenue for the entire arrangement is recognized over the implementation period based upon the percentage-of-completion method. Revenue from client training, support and other services arising due to the sale of software products is recognized as the related services are performed.

The Group accounts for volume discounts and pricing incentives to customers as a reduction of revenue based on the ratable allocation of the discount / incentive amount to each of the underlying revenue transactions that result 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 Group 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 Group recognizes changes in the estimated amount of obligations for discounts using a cumulative catchup approach. 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 value-added taxes in its consolidated statement of profit and loss.

Profit on sale of investments is recorded on transfer of title from the Group and is determined as the difference between the sale price and carrying value of the investment. Lease rentals are recognized ratably on a straight line basis over the lease term. Interest is recognized using the time-proportion method, based on rates implicit in the transaction. Dividend income is recognized when the Group's right to receive dividend is established.

1.4 Provisions and contingent liabilities

A provision is recognized if, as a result of a past event, the Group has a present legal obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by the best estimate of the outflow of economic benefits required to settle the obligation at the reporting date. Where no reliable estimate can be made, a disclosure is made as contingent liability. A disclosure for a contingent liability is also made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

1.5 Post-sales client support and warranties

The Group provides its clients with a fixed-period warranty for corrections of errors and telephone support on all its fixed-price, fixed-timeframe contracts. Costs associated with such support services are accrued at the time when related revenues are recorded and included in cost of sales. The Group estimates such costs based on historical experience and the estimates are reviewed annually for any material changes in assumptions.

1.6 Onerous contracts

Provisions for onerous contracts are recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting the future obligations under the contract. The provision is measured at lower of the expected cost of terminating the contract and the expected net cost of fulfilling the contract.

1.7 Tangible assets, including goodwill, intangible assets and capital work-in-progress

Fixed assets are stated at cost, less accumulated depreciation and impairment, if any. Direct costs are capitalized until fixed assets are ready for use. Capital work-in-progress comprises of the cost of fixed assets that are not yet ready for their intended use at the reporting date. Intangible assets are recorded at the consideration paid for acquisition of such assets and are carried at cost less accumulated amortisation and impairment. Goodwill comprises the excess of purchase consideration over the fair value of the net assets of the acquired enterprise. Goodwill arising on consolidation or acquisition is not amortized but is tested for impairment.

1.8 Depreciation and amortisation

Depreciation on fixed assets is provided on the straight-line method over the useful lives of assets estimated by the Management. Depreciation for assets purchased / sold during a period is proportionately charged. Individual low cost assets (acquired for ₹5,000/- or less) are depreciated over a period of one year from the date of acquisition. Intangible assets are amortized over their respective individual estimated useful lives on a straight-line basis, commencing from the date the asset is available to the Group for its use. Leasehold improvements are written off over the lower of the remaining primary period of lease or the life of the asset. The Management estimates the useful lives for the other fixed assets as follows :

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

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

1.9 Impairment

The Management periodically assesses using, external and internal sources, whether there is an indication that an asset may be impaired. An impairment loss is recognized wherever the carrying value of an asset exceeds its recoverable amount. The recoverable amount is higher of the asset's net selling price and value in use, which means the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. An impairment loss for an asset other than goodwill is reversed if, and only if, the reversal can be related objectively to an event occurring after the impairment loss was recognized. The carrying amount of an asset other than goodwill 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 amortisation or depreciation) had no impairment loss been recognized for the asset in prior years.

1.10 Retirement benefits to employees

a Gratuity

In accordance with the Payment of Gratuity Act, 1972, Infosys provides for gratuity, a defined benefit retirement plan (the Gratuity Plan) covering eligible employees of the Company and Infosys BPO. 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 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 BPO, contributions are made to the Infosys BPO's Employees' Gratuity Fund Trust. Trustees administer contributions made to the Trust and contributions are invested in specific investments as permitted by the law. The Group recognizes the net obligation of the gratuity plan in the Balance Sheet as an asset or liability, respectively in accordance with Accounting Standard (AS) 15, 'Employee Benefits'. The Group's overall expected long-term rate-of-return on assets has been determined based on consideration of available market information, current provisions of Indian law specifying the instruments in which investments can be made, and historical returns. The discount rate is based on the Government securities yield. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the consolidated statement of profit and loss in the period in which they arise.

b Superannuation

Certain employees of Infosys are also participants in a defined contribution plan. The company has no further obligations to the Plan beyond its monthly contributions. Certain employees of Infosys BPO are also eligible for superannuation benefit. Infosys BPO has no further obligations to the superannuation plan beyond its monthly contribution which are periodically contributed to a trust fund, the corpus of which is invested with the Life Insurance Corporation of India.

c Provident fund

Eligible employees receive benefits from a provident fund, which is a defined benefit plan. Both the 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 part 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 Infosys BPO, eligible employees receive benefits from a provident fund, which is a defined contribution plan. Both the employee and Infosys BPO 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. Infosys BPO has no further obligations under the provident fund plan beyond its monthly contributions.

d Compensated absences

The employees of the Group are entitled to compensated absences which are both accumulating and non-accumulating in nature. The expected cost of accumulating compensated absences is determined by actuarial valuation based on the additional amount expected to be paid 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.

1.11 Research and development

Research costs are expensed as incurred. Software product development costs are expensed as incurred unless technical and commercial feasibility of the project is demonstrated, future economic benefits are probable, the Group has an intention and ability to complete and use or sell the software and the costs can be measured reliably.

1.12 Foreign currency transactions

Foreign-currency denominated monetary assets and liabilities are translated at exchange rates in effect at the Balance Sheet date. The gains or losses resulting from such translations are included in the Statement of profit and loss. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction.

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

The translation of financial statements of the foreign subsidiaries from the local currency to the reporting currency of the Company is performed for Balance Sheet accounts using the exchange rate in effect at the Balance Sheet date and for revenue, expense and cash-flow items using a monthly average exchange rate for the respective periods and the resulting difference is presented as foreign currency translation reserve included in "Reserves and Surplus". When a subsidiary is disposed off, in part or in full, the relevant amount is transferred to profit or loss.

1.13 Forward and options contracts in foreign currencies

The Group uses foreign exchange forward and options contracts to hedge its exposure to movements in foreign exchange rates. The use of these foreign exchange forward and options contracts reduce the risk or cost to the Group and the Group does not use those for trading or speculation purposes.

Effective April 1, 2008, the Group adopted AS 30, 'Financial Instruments: Recognition and Measurement', to the extent that the adoption did not conflict with existing accounting standards and other authoritative pronouncements of the Company Law and other regulatory requirements.

Forward and options contracts are fair valued at each reporting date. The resultant gain or loss from these transactions are recognized in the consolidated statement of profit and loss. The Group records the gain or loss on effective hedges, if any, in the foreign currency fluctuation reserve until the transactions are complete. On completion, the gain or loss is transferred to the consolidated statement of profit and loss of that period. To designate a forward or options contract as an effective hedge, the Management objectively evaluates and evidences with appropriate supporting documents at the inception of each contract whether the contract is effective in achieving offsetting cash flows attributable to the hedged risk. In the absence of a designation as effective hedge, a gain or loss is recognized in the consolidated statement of profit and loss. Currently hedges undertaken by the Group are all ineffective in nature and the resultant gain or loss consequent to fair valuation is recognized in the consolidated statement of profit and loss at each reporting date.

1.14 Income taxes

Income taxes are accrued in the same period that the related revenue and expenses arise. A provision is made for income tax annually, based on the tax liability computed, after considering tax allowances and exemptions. Provisions are recorded when it is estimated that a liability due to disallowances or other matters is probable. Minimum alternate tax (MAT) paid in accordance with the tax laws, which gives rise to future economic benefits in the form of tax credit against future income tax liability, is recognized as an asset in the Consolidated Balance Sheet if there is convincing evidence that the Group will pay normal tax after the tax holiday period and the resultant asset can be measured reliably. The Group offsets, on a year on year basis, the current tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

The differences that result between the profit considered for income taxes and the profit as per the financial statements are identified, and thereafter a deferred tax asset or deferred tax liability is recorded for timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount of timing difference. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on enacted or substantively enacted regulations. Deferred tax assets in situation where unabsorbed depreciation and carry forward business loss exists, are recognized only if there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax asset can be realised. Deferred tax assets, other than in situation of unabsorbed depreciation and carry forward business loss, are recognized only if there is reasonable certainty that they will be realised. Deferred tax assets are reviewed for the appropriateness of their respective carrying values at each reporting date. Deferred tax assets and deferred tax liabilities have been offset wherever the Group has a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority. Tax benefits of deductions earned on exercise of employee share options in excess of compensation charged to consolidated statement of profit and loss are credited to the share premium account.

1.15 Earnings per share

Basic earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares outstanding during the period. Diluted earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares. The diluted potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value which is the average market value of the outstanding 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 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 consolidated financial statements by the Board of Directors.

1.16 Investments

Trade investments are the investments made to enhance the Group's business interests. Investments are either classified as current or long-term based on Management's intention at the time of purchase. Current investments are carried at the lower of cost and fair value of each investment individually. Cost for overseas investments comprises the Indian Rupee value of the consideration paid for the investment translated at the exchange rate prevalent at the date of investment. Long term investments are carried at cost less provisions recorded to recognize any decline, other than temporary, in the carrying value of each investment.

1.17 Cash and cash equivalents

Cash and cash equivalents comprise cash and cash on deposit with banks and corporations. The Group considers all highly liquid investments with a remaining maturity at the date of purchase of three months or less and that are readily convertible to known amounts of cash to be cash equivalents.

1.18 Cash flow statement

Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Group are segregated.

1.19 Leases

Lease under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets acquired are capitalized at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower. Lease payments under operating leases are recognised as an expense on a straight line basis in the consolidated statement of profit and loss over the lease term.

1.20 Government grants

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

2 NOTES ON ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2014

Amounts in the financial statements are presented in ₹ crore, except for per share data and as otherwise stated. All exact amounts are stated with the suffix “/-”. One crore equals 10 million.

The previous period figures have been regrouped/reclassified, wherever necessary to conform to the current period presentation.

2.1 SHARE CAPITAL

| Particulars | in ₹ crore, except as otherwise stated | |
|---|--|------------|
| | As at March 31, | |
| | 2014 | 2013 |
| Authorized | | |
| Equity shares, ₹5/- par value | | |
| 60,00,00,000 (60,00,00,000) equity shares | 300 | 300 |
| Issued, Subscribed and Paid-Up | | |
| Equity shares, ₹5/- par value ⁽¹⁾ | 287 | 287 |
| 57,42,36,166 (57,42,36,166) equity shares fully paid-up | | |
| Less: 28,33,600 (28,33,600) equity shares held by controlled trusts | 1 | 1 |
| | 286 | 286 |

Forfeited shares amounted to ₹1,500/- (₹1,500/-)

⁽¹⁾ Refer to note 2.26 for details of basic and diluted shares

The Company has only one class of shares referred to as equity shares having a par value of ₹5/-. Each holder of equity shares is entitled to one vote per share.

The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

During the year ended March 31, 2013, the amount of per share dividend recognized as distributions to equity shareholders was ₹42. The dividend for the year ended March 31, 2013 includes ₹27 per share of final dividend. The total dividend appropriation amounted to ₹2,815 crore including corporate dividend tax of ₹403 crore.

The Board of Directors, in their meeting on October 11, 2013, declared an interim dividend of ₹20 per equity share. Further the Board of Directors, in their meeting on April 15, 2014, proposed a final dividend of ₹43 per equity share. The proposal is subject to the approval of shareholders at the Annual General Meeting to be held on June 14, 2014. The total dividend appropriation for the year ended March 31, 2014 amounted to ₹4,233 crore including corporate dividend tax of ₹615 crore.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive any of the remaining assets of the company, after distribution of all preferential amounts. However, no such preferential amounts exist currently. The distribution will be in proportion to the number of equity shares held by the shareholders.

The details of shareholder holding more than 5% shares as at March 31, 2014 and March 31, 2013 are set out below :

| Name of the shareholder | As at March 31, 2014 | | As at March 31, 2013 | |
|--|----------------------|--------|----------------------|--------|
| | No. of shares | % held | No. of shares | % held |
| Life Insurance Corporation of India ⁽¹⁾ | 1,86,56,581 | 3.25% | 3,42,33,932 | 5.96% |
| Deutsche Bank Trust Company Americas (Depository of ADR's - legal ownership) | 9,24,70,660 | 16.10% | 7,08,83,217 | 12.34% |

⁽¹⁾ includes all schemes under their management

The reconciliation of the number of shares outstanding and the amount of share capital as at March 31, 2014 and March 31, 2013 is set out below:

| Particulars | As at March 31, 2014 | | As at March 31, 2013 | |
|--|----------------------|------------|----------------------|------------|
| | Number of shares | Amount | Number of shares | Amount |
| Number of shares at the beginning of the period | 57,14,02,566 | 286 | 57,13,96,401 | 286 |
| Add: Shares issued on exercise of employee stock options | - | - | 6,165 | - |
| Number of shares at the end of the period | 57,14,02,566 | 286 | 57,14,02,566 | 286 |

Stock option plans

The Company had two Stock Option Plans.

1998 Stock Option Plan ('the 1998 Plan')

The 1998 Plan was approved by the Board of Directors in December 1997 and by the shareholders in January 1998, and is for issue of 1,17,60,000 ADSs representing 1,17,60,000 equity shares. All options under the 1998 Plan are exercisable for ADSs representing equity shares. The 1998 Plan is administered by a compensation committee (now known as the management development and compensation committee), all of whom are independent members of the Board of Directors and through the Infosys Limited Employees' Welfare Trust (the Trust). All options had been granted at 100% of fair market value. The 1998 Plan lapsed on January 6, 2008, and consequently no further shares will be issued to employees under this plan.

1999 Stock Option Plan ('the 1999 Plan')

In fiscal 2000, the Company instituted the 1999 Plan. The shareholders and the Board of Directors approved the plan in September 1999, which provides for the issue of 5,28,00,000 equity shares to the employees. The 1999 Plan is administered by a compensation committee (now known as the management development and compensation committee), all of whom are independent members of the Board of Directors and through the Trust. Options were issued to employees at an exercise price that is not less than the fair market value. The 1999 Plan lapsed on September 11, 2009, and consequently no further shares will be issued to employees under this plan.

There were no share options outstanding and exercisable as of March 31, 2014 and March 31, 2013.

There was no activity in the 1998 Plan and 1999 Plan during the year ended March 31, 2014 and the activity in the 1999 Plan during the year ended March 31, 2013 is set out below:

| Particulars | Year ended March 31, 2013 |
|--|------------------------------|
| The 1999 Plan : | |
| Options outstanding, beginning of the period | 11,683 |
| Less: Exercised | 6,165 |
| Forfeited | 5,518 |
| Options outstanding, end of the period | - |
| Options exercisable, end of the period | - |

The weighted average share price of options exercised under the 1999 Plan during the year ended March 31, 2013 was ₹2,374/-

2.2 RESERVES AND SURPLUS

| Particulars | As at March 31, | |
|---|-----------------|---------------|
| | 2014 | 2013 |
| Capital reserve - Opening balance | 54 | 54 |
| Add: Transferred from Surplus | - | - |
| | 54 | 54 |
| Foreign currency translation reserve - Opening balance | 276 | 244 |
| Add: Foreign currency translation during the year | 100 | 32 |
| Foreign currency translation reserve - Closing balance | 376 | 276 |
| Securities premium account - Opening balance | 3,070 | 3,069 |
| Add: Receipts on exercise of employee stock options | - | 1 |
| Income tax benefit arising from exercise of stock options | - | - |
| | 3,070 | 3,070 |
| General reserve - Opening balance | 8,267 | 7,356 |
| Add: Transferred from Surplus | 1,021 | 911 |
| | 9,288 | 8,267 |
| Other reserve - Opening balance* | - | - |
| Add: Transferred from Surplus | 3 | - |
| | 3 | - |
| Surplus- Opening Balance | 26,041 | 20,323 |
| Add: Intercompany dividend | 13 | 15 |
| Add: Net profit after tax transferred from Statement of Profit and Loss | 10,656 | 9,429 |
| Amount available for appropriation | 36,710 | 29,767 |
| Appropriations: | | |
| Interim dividend | 1,149 | 862 |
| Final dividend | 2,469 | 1,550 |
| Total dividend | 3,618 | 2,412 |
| Dividend tax | 615 | 403 |
| Amount transferred to other reserve | 3 | - |
| Amount transferred to general reserve | 1,021 | 911 |
| Surplus- Closing Balance | 31,453 | 26,041 |
| | 44,244 | 37,708 |

**Under the Swiss Code of Obligation, few of Lodestone subsidiaries are required to appropriate 5% of the annual profit to legal reserve until this equals 20% of the paid up share capital. To the extent it does not exceed one-half of the share capital, the general reserve may be used only to cover losses or for measures designed to sustain the company through difficult times, to prevent unemployment or to mitigate its consequences.*

2.3 DEFERRED TAXES

| Particulars | <i>in ₹ crore</i> | |
|--|-------------------|------------|
| | As at March 31, | |
| | 2014 | 2013 |
| Deferred tax assets | | |
| Fixed assets | 392 | 358 |
| Trade receivables | 47 | 19 |
| Unavailed leave | 268 | 146 |
| Computer software | 50 | 46 |
| Accrued compensation to employees | 43 | 30 |
| Accumulated losses | 4 | 36 |
| Post sales client support | 98 | 67 |
| Others | 35 | 29 |
| | 937 | 731 |
| Deferred tax liabilities | | |
| Branch profit tax | 303 | 315 |
| Intangible assets | - | 3 |
| Others | 5 | - |
| | 308 | 318 |
| Deferred tax assets after set off | 629 | 469 |
| Deferred tax liabilities after set off | - | 56 |

Deferred tax assets and deferred tax liabilities have been offset wherever the Group has a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority.

As at March 31, 2014 and March 31, 2013, the Company has provided for branch profit tax of ₹303 crore and ₹315 crore, respectively, for its overseas branches, as the Company estimates that these branch profits would be distributed in the foreseeable future. The change in provision for branch profit tax includes ₹35 crore movement on account of exchange rate during the year ended March 31, 2014.

2.4 OTHER LONG-TERM LIABILITIES

| Particulars | <i>in ₹ crore</i> | |
|--|-------------------|------------|
| | As at March 31, | |
| | 2014 | 2013 |
| Others | | |
| Gratuity obligation - unamortized amount relating to plan amendment (refer to note 2.23) | 7 | 11 |
| Payable for acquisition of business | 330 | 105 |
| Deferred income - government grant on land use rights* | 45 | 28 |
| Accrued salaries and benefits | | |
| Bonus and incentives | 23 | 38 |
| | 405 | 182 |

* During the year ended March 31, 2014, Infosys Shanghai received a grant of approximately ₹15 crore from Government of China towards construction of campus which is yet to be completed.

2.5 OTHER CURRENT LIABILITIES

| Particulars | <i>in ₹ crore</i> | |
|---|-------------------|--------------|
| | As at March 31, | |
| | 2014 | 2013 |
| Accrued salaries and benefits | | |
| Salaries and benefits | 573 | 148 |
| Bonus and incentives | 1,021 | 575 |
| Other liabilities | | |
| Provision for expenses | 1,846 | 1,283 |
| Retention monies | 82 | 79 |
| Withholding and other taxes payable | 912 | 695 |
| Gratuity obligation - unamortized amount relating to plan amendment, current (refer to note 2.23) | 4 | 4 |
| Payable for acquisition of business | - | 9 |
| Advances received from clients | 40 | 36 |
| Payable by controlled trusts | 151 | 148 |
| Unearned revenue | 660 | 823 |
| Deferred income - government grant on land use rights | 1 | 1 |
| Accrued gratuity (refer to note 2.23) | - | 2 |
| Unpaid dividends | 3 | 3 |
| Premiums held in trust ⁽¹⁾ | 135 | 117 |
| Other payables | 21 | 18 |
| | 5,449 | 3,941 |

⁽¹⁾ Represent premiums collected from policyholders and payable to insurance providers by a service provider maintaining the amounts in fiduciary capacity.

2.6 SHORT-TERM PROVISIONS

| Particulars | <i>in ₹ crore</i> | |
|---|-------------------|--------------|
| | As at March 31, | |
| | 2014 | 2013 |
| Provision for employee benefits | | |
| Unavailed leave | 954 | 614 |
| Others | | |
| Proposed dividend | 2,469 | 1,550 |
| Provision for | | |
| Tax on dividend | 420 | 263 |
| Income taxes (net of advance tax and TDS) | 2,187 | 1,329 |
| Post-sales client support and warranties and other provisions | 379 | 213 |
| Provision for visa related matters (Refer note 2.29) | - | - |
| | 6,409 | 3,969 |

Provision for post-sales client support and warranties and other provisions

The movement in the provision for post-sales client support and warranties and other provisions is as follows :

| Particulars | <i>in ₹ crore</i> | |
|---------------------------------------|----------------------|------------|
| | Year ended March 31, | |
| | 2014 | 2013 |
| Balance at the beginning | 213 | 133 |
| Provision recognized/(reversal) | 142 | 80 |
| Provision utilized | (1) | - |
| Exchange difference during the period | 25 | - |
| Balance at the end | 379 | 213 |

Provision for post-sales client support and warranties and other provisions are expected to be utilized over a period of 6 months to 1 year.

Provision towards visa related matters amounting to ₹219 crore (including legal costs) was created and paid during the year ended March 31, 2014.

2.7 FIXED ASSETS
in ₹ crore, except as otherwise stated

| Particulars | Original cost | | | | | Depreciation and amortization | | | | | Net book value | |
|---|---------------------|--|--|-----------------------------|----------------------|-------------------------------|--------------|---|-----------------------------|----------------------|----------------------|----------------------|
| | As at April 1, 2013 | Additions / acquisitions during the year | Deductions/ Retirement during the year | Foreign exchange difference | As at March 31, 2014 | As at April 1, 2013 | For the year | Deductions/ Adjustments during the year | Foreign exchange difference | As at March 31, 2014 | As at March 31, 2014 | As at March 31, 2013 |
| Tangible assets : | | | | | | | | | | | | |
| Land : Free-hold | 493 | 290 | 1 | - | 782 | - | - | - | - | - | 782 | 493 |
| Leasehold | 359 | 1 | - | - | 360 | - | - | - | - | - | 360 | 359 |
| Buildings ⁽¹⁾ | 4,199 | 827 | - | - | 5,026 | 1,497 | 297 | - | - | 1,794 | 3,232 | 2,702 |
| Plant and equipment ^{(2) (3)} | 829 | 319 | 1 | 3 | 1,150 | 565 | 138 | 1 | 1 | 703 | 447 | 264 |
| Office equipment ^{(2) (3)} | 425 | 126 | 2 | 2 | 551 | 271 | 75 | 1 | - | 345 | 206 | 154 |
| Computer equipment ^{(2) (3)} | 1,887 | 759 | 27 | 40 | 2,659 | 1,306 | 657 | 27 | 29 | 1,965 | 694 | 581 |
| Furniture and fixtures ^{(2) (3)} | 618 | 184 | 1 | 4 | 805 | 417 | 111 | 1 | 3 | 530 | 275 | 201 |
| Leasehold improvements ⁽³⁾ | 181 | 16 | 1 | 16 | 212 | 140 | 18 | 1 | 12 | 169 | 43 | 41 |
| Vehicles ⁽³⁾ | 26 | 11 | 4 | 2 | 35 | 14 | 5 | 3 | 2 | 18 | 17 | 12 |
| | 9,017 | 2,533 | 37 | 67 | 11,580 | 4,210 | 1,301 | 34 | 47 | 5,524 | 6,056 | 4,807 |
| Intangible assets : | | | | | | | | | | | | |
| Goodwill | 2,244 | - | - | - | 2,244 | - | - | - | - | - | 2,244 | 2,244 |
| Intellectual property rights & others | 58 | - | - | - | 58 | 30 | 15 | - | - | 45 | 13 | 28 |
| Land use rights | 62 | - | - | 6 | 68 | 2 | 1 | - | - | 3 | 65 | 60 |
| | 2,364 | - | - | 6 | 2,370 | 32 | 16 | - | - | 48 | 2,322 | 2,332 |
| Total | 11,381 | 2,533 | 37 | 73 | 13,950 | 4,242 | 1,317 | 34 | 47 | 5,572 | 8,378 | 7,139 |
| Previous year | 9,194 | 2,709 | 546 | 24 | 11,381 | 3,639 | 1,099 | 510 | 14 | 4,242 | 7,139 | |

Notes: ⁽¹⁾ Buildings include ₹ 250/- being the value of 5 shares of ₹ 50/- each in Mittal Towers Premises Co-operative Society Limited.

⁽²⁾ During the years ended March 31, 2014 and March 31, 2013, certain assets which were old and not in use having gross book value of ₹ 8 crore and ₹ 525 crore respectively, (net book value nil) were retired.

⁽³⁾ Includes certain assets having gross book value of ₹ 58 crore, accumulated depreciation of ₹ 30 crore and net book value of ₹ 28 crore taken over on acquisition of Lodestone which was effective October 22, 2012.

Profit / (loss) on disposal of fixed assets during the year ended March 31, 2014 and March 31, 2013 is less than ₹1 crore and ₹1 crore respectively.

The Company has entered into lease-cum-sale agreements to acquire certain properties. In accordance with the terms of some of these agreements, the Company has the option to purchase the properties on expiry of the lease period. The Company has already paid 99% of the value of the properties at the time of entering into the lease-cum-sale agreements with the balance payable at the time of purchase. These amounts are disclosed as 'Land - leasehold' under 'Tangible assets' in the financial statements.

2.8 LEASES

Obligations on long-term, non-cancelable operating leases

The lease rentals charged during the year and the maximum obligations on long-term, non-cancelable operating leases payable as per the rentals stated in the respective agreements are as follows:

| Particulars | <i>in ₹ crore</i> | |
|--|----------------------|------|
| | Year ended March 31, | |
| | 2014 | 2013 |
| Lease rentals recognized during the year | 319 | 249 |

| Lease obligations payable | <i>in ₹ crore</i> | |
|---|-------------------|------|
| | As at March 31, | |
| | 2014 | 2013 |
| Within one year of the balance sheet date | 251 | 212 |
| Due in a period between one year and five years | 563 | 440 |
| Due after five years | 288 | 113 |

The operating lease arrangements, are renewable on a periodic basis and for most of the leases extend upto a maximum of ten years from their respective dates of inception and relate to rented premises. Some of these lease agreements have price escalation clauses.

2.9 INVESTMENTS

| Particulars | <i>in ₹ crore, except as otherwise stated</i> | |
|---|---|--------------|
| | As at March 31, | |
| | 2014 | 2013 |
| Non-current investments | | |
| Long term investments - at cost | | |
| Others (unquoted) (refer to note 2.9.1) | | |
| Investments in equity instruments | 6 | 6 |
| Less: Provision for equity investments | 2 | 2 |
| | <u>4</u> | <u>4</u> |
| Others (quoted) | | |
| Investments in Tax Free Bonds (refer to 2.9.2) | 1,300 | 373 |
| Investment in Government Bonds (refer to 2.9. 2) | 3 | - |
| | <u>1,303</u> | <u>373</u> |
| Total Non-current investments | <u>1,307</u> | <u>377</u> |
| Current investments | | |
| Current portion of Long term investments | | |
| Quoted | | |
| Fixed Maturity Plans (refer to note 2.9.3) | 143 | - |
| | <u>143</u> | <u>-</u> |
| Current investments – at the lower of cost and fair value | | |
| Unquoted | | |
| Liquid mutual fund units (refer to note 2.9.4) | 2,051 | 1,739 |
| Certificates of deposit (refer to note 2.9.4) | 830 | - |
| | <u>2,881</u> | <u>1,739</u> |
| Total Current investments | <u>3,024</u> | <u>1,739</u> |
| Total Investments | <u>4,331</u> | <u>2,116</u> |
| Aggregate amount of quoted investments excluding interest accrued but not due of ₹48 crore included under Note 2.14 Short term Loans and advances | 1,446 | 373 |
| Market value of quoted investments | 1,391 | 387 |
| Aggregate amount of unquoted investments | 2,887 | 1,745 |
| Aggregate amount of provision made for non-current unquoted investments | 2 | 2 |

2.9.1 Details of Investments

The details of non-current other investments in equity instruments as at March 31, 2014 and March 31, 2013 are as follows:

| Particulars | As at | |
|--|----------------|----------------|
| | March 31, 2014 | March 31, 2013 |
| OnMobile Systems Inc., (formerly Onscan Inc.) USA 21,54,100 (21,54,100) common stock at USD 0.4348 each, fully paid, par value USD 0.001 each | 4 | 4 |
| Merasport Technologies Private Limited 2,420 (2,420) equity shares at ₹ 8,052/- each, fully paid, par value ₹ 10/- each | 2 | 2 |
| Global Innovation and Technology Alliance 5,000 (5,000) equity shares at ₹ 1,000/- each, fully paid, par value ₹ 1,000/- each | - | - |
| | 6 | 6 |
| Less: Provision for investment | 2 | 2 |
| | 4 | 4 |

2.9.2 Details of Investments in Tax Free Bonds & Government Security Bond

The balances held in tax free bonds as at March 31, 2014 and March 31, 2013 is as follows:

| Particulars | Face Value ₹ | As at March 31, 2014 | | As at March 31, 2013 | |
|--|--------------|----------------------|--------------|----------------------|------------|
| | | Units | Amount | Units | Amount |
| 7.34% Indian Railway Finance Corporation Limited Bonds 19FEB2028 | 1,000/- | 21,00,000 | 211 | 20,00,000 | 201 |
| 8.30% National Highways Authority of India Bonds 25JAN2027 | 1,000/- | 5,00,000 | 53 | 5,00,000 | 53 |
| 7.18% Indian Railway Finance Corporation Limited Bonds 19FEB2023 | 1,000/- | 20,00,000 | 201 | - | - |
| 8.46% India Infrastructure Finance Company Limited Bonds 30AUG2028 | 10,00,000/- | 2,000 | 200 | - | - |
| 8.46% Power Finance Corporation Limited Bonds 30AUG2028 | 10,00,000/- | 1,500 | 150 | - | - |
| 8.35% National Highways Authority of India Bonds 22NOV2023 | 10,00,000/- | 1,500 | 150 | - | - |
| 8.26% India Infrastructure Finance Company Limited Bonds 23AUG28 | 10,00,000/- | 1,000 | 100 | - | - |
| 8.10% Indian Railway Finance Corporation Limited Bonds 23FEB2027 | 1,000/- | 5,00,000 | 54 | 5,00,000 | 54 |
| 8.54% Power Finance Corporation Limited Bonds 16NOV2028 | 1,000/- | 5,00,000 | 50 | - | - |
| 8.48% India Infrastructure Finance Company Limited Bonds 05SEP2028 | 10,00,000/- | 450 | 45 | - | - |
| 7.93% Rural Electrification Corporation Limited Bonds 27MAR2022 | 1,000/- | 2,00,000 | 21 | - | - |
| 8.20% Power Finance Corporation Limited Bonds 2022 | 1,000/- | 5,00,000 | 50 | 5,00,000 | 50 |
| 8.00% Indian Railway Finance Corporation Limited Bonds 2022 | 1,000/- | 1,50,000 | 15 | 1,50,000 | 15 |
| | | 64,56,450 | 1,300 | 36,50,000 | 373 |

The balance held in Government Security Bond as at March 31, 2014 and March 31, 2013 is as follows:

| Particulars | Face Value ₹ | As at March 31, 2014 | | As at March 31, 2013 | |
|----------------------------------|--------------|----------------------|----------|----------------------|--------|
| | | Units | Amount | Units | Amount |
| Philippine Government RPGB 1 5/8 | 134 | 2,00,000 | 3 | - | - |
| | | 2,00,000 | 3 | - | - |

2.9.3 Details of Investments in Fixed Maturity Plans

The balances held in Fixed Maturity Plan as at March 31, 2014 is as follows:

| Particulars | As at March 31, 2014 | |
|---|----------------------|------------|
| | Units | Amount |
| UTI - Fixed Term Income Fund Series - XVII - XIII | 2,50,00,000 | 25 |
| HDFC Fixed Maturity Plans - Series 29 | 2,50,00,000 | 25 |
| DSP BlackRock FMP Series 146 12M - Dir - Growth | 2,50,00,000 | 25 |
| DSP Black Rock FMP Series 151 12M - Dir - Growth | 2,50,00,000 | 25 |
| ICICI Prudential FMP Series 68-368 Days Plan G Direct Plan Cumulative | 2,00,00,000 | 20 |
| ICICI Prudential FMP Series 73-368 Days Plan D Direct Plan Cumulative | 1,00,00,000 | 10 |
| Birla Sun Life Interval Income Fund-Annual Plan IX-Gr-Direct | 1,00,00,000 | 10 |
| Birla Sun Life Fixed Term Plan- Series KQ368-Gr. Direct | 30,00,000 | 3 |
| | 14,30,00,000 | 143 |

There were no balances held in Fixed Maturity Plan as at March 31, 2013.

2.9.4 Details of Investments in liquid mutual fund units and certificates of deposit

The balances held in liquid mutual fund units as at March 31, 2014 is as follows:

in ₹ crore

| Particulars | Units | Amount |
|--|---------------------|---------------|
| SBI Premier Liquid Fund - Direct Plan - Daily Dividend Reinvestment | 19,89,646 | 200 |
| IDFC Cash Fund Daily Dividend - Direct Plan | 28,34,797 | 284 |
| Tata Liquid Fund Direct Plan - Daily Dividend | 27,93,482 | 311 |
| HDFC Liquid Fund-Direct Plan- Daily Dividend Reinvestment | 33,44,09,159 | 341 |
| Religare Invesco Liquid Fund-Direct Plan Daily Dividend | 13,251 | 1 |
| Reliance Liquidity Fund-Direct Plan Daily Dividend Reinvestment Option | 35,45,234 | 355 |
| L & T Liquid Fund Direct Plan - Daily Dividend Reinvestment | 14,82,628 | 150 |
| UTI Liquid Cash Plan - Institutional - Direct Plan - Daily Dividend Reinvestment | 11,78,546 | 120 |
| Birla Sun Life Floating Rate Fund-STP-DD-Direct-Reinvestment | 2,49,95,687 | 250 |
| Templeton India Treasury Management Account Super Institutional Plan - Direct | 2,87,986 | 29 |
| ICICI Prudential Liquid-Direct Plan-Daily Dividend | 10,43,402 | 10 |
| | 37,45,73,818 | 2,051 |

The balances held in liquid mutual fund units as at March 31, 2013 is as follows:

in ₹ crore

| Particulars | Units | Amount |
|---|---------------------|---------------|
| Tata Floater Fund Plan A -Daily Dividend - Direct Plan | 24,10,062 | 242 |
| Kotak Liquid Scheme Plan A- Daily Dividend - Direct Plan | 2,77,271 | 34 |
| Birla Sun Life Savings Fund-Daily Dividend Reinvestment - Direct Plan | 4,10,12,872 | 410 |
| ICICI Prudential Flexible Income - Daily Dividend - Direct Plan | 1,22,52,481 | 130 |
| UTI Treasury Advantage Fund - Institutional Plan - Daily Dividend - Direct Plan | 58,42,445 | 584 |
| DWS Ultra Short Term Fund -Institutional Plan-Daily Dividend - Direct Plan | 17,99,62,153 | 180 |
| Birla Sun Life Cash Plus - Daily Dividend Reinvestment - Direct Plan | 6,96,112 | 7 |
| Birla Sunlife AMC Ltd.- Liquid Plus | 2,27,946 | 2 |
| ICICI prudential liquid Plus | 46,77,205 | 47 |
| TATA Asset Management Ltd.- Liquid Plus | 1,83,682 | 21 |
| Reliance Mutual Fund- Liquid Plus | 3,34,060 | 34 |
| Kotak Mutual Fund- Liquid Plus | 1,88,131 | 23 |
| Religare Mutual Fund- Liquid Plus | 2,53,382 | 25 |
| | 24,83,17,802 | 1,739 |

The balances held in certificates of deposit as at March 31, 2014 is as follows:

| Particulars | Face value ₹ | Units | Amount |
|---------------------------|---------------------|---------------|---------------|
| Oriental Bank of Commerce | 100,000/- | 48,500 | 454 |
| IDBI Bank Limited | 100,000/- | 10,000 | 93 |
| Corporation Bank | 100,000/- | 8,000 | 75 |
| Union Bank of India | 100,000/- | 5,000 | 46 |
| Indian Overseas Bank | 100,000/- | 7,500 | 70 |
| HDFC Bank | 100,000/- | 5,000 | 46 |
| Central Bank of India | 100,000/- | 2,500 | 23 |
| Vijaya | 100,000/- | 2,500 | 23 |
| | | 89,000 | 830 |

There were no balances held in certificates of deposit as at March 31, 2013.

2.10 LONG-TERM LOANS AND ADVANCES

| Particulars | <i>in ₹ crore</i> | |
|--|-------------------|--------------|
| | As at March 31, | |
| | 2014 | 2013 |
| Unsecured, considered good | | |
| Capital advances | 871 | 520 |
| Electricity and other deposits | 60 | 33 |
| Rental deposits | 60 | 43 |
| Other loans and advances | | |
| Advance income taxes (net of provisions) | 1,522 | 1,092 |
| MAT credit entitlement | - | 14 |
| Prepaid expenses | 9 | 10 |
| Loans and advances to employees | | |
| Housing and other loans | 38 | 84 |
| | 2,560 | 1,796 |

2.11 OTHER NON-CURRENT ASSETS

| Particulars | <i>in ₹ crore</i> | |
|---|-------------------|-----------|
| | As at March 31, | |
| | 2014 | 2013 |
| Others | | |
| Advance to gratuity trust (refer to note 2.23) | 10 | 31 |
| Restricted deposits (refer to note 2.27) ⁽¹⁾ | 43 | 36 |
| | 53 | 67 |

⁽¹⁾ Balance held by controlled trusts

2.12 TRADE RECEIVABLES ⁽¹⁾

| Particulars | <i>in ₹ crore</i> | |
|---|-------------------|--------------|
| | As at March 31, | |
| | 2014 | 2013 |
| Debts outstanding for a period exceeding six months | | |
| Unsecured | | |
| Considered doubtful | 144 | 66 |
| Less: Provision for doubtful debts | 144 | 66 |
| | - | - |
| Other debts | | |
| Unsecured | | |
| Considered good | 8,351 | 7,083 |
| Considered doubtful | 70 | 29 |
| | 8,421 | 7,112 |
| Less: Provision for doubtful debts | 70 | 29 |
| | 8,351 | 7,083 |
| | 8,351 | 7,083 |

⁽¹⁾ Includes dues from companies where directors are interested

Provision for doubtful debts

Periodically, the Group evaluates all customer dues to the Group for collectability. The need for provisions is assessed based on various factors including collectability of specific dues, risk perceptions of the industry in which the customer operates, general economic factors, which could affect the customer's ability to settle. The Group normally provides for debtor dues outstanding for six months or longer from the invoice date, as at the Balance Sheet date. The Group pursues the recovery of the dues, in part or full.

2.13 CASH AND CASH EQUIVALENTS

| Particulars | <i>in ₹ crore</i> | |
|---|-------------------|---------------|
| | As at March 31, | |
| | 2014 | 2013 |
| Cash on hand | - | - |
| Balances with banks | | |
| In current and deposit accounts | 22,342 | 18,728 |
| Others | | |
| Deposits with financial institutions | 3,608 | 3,104 |
| | 25,950 | 21,832 |
| <i>Balances with banks in unpaid dividend accounts</i> | 3 | 3 |
| <i>Deposit accounts with more than 12 months maturity</i> | 182 | 181 |
| <i>Balances with banks held as margin money deposits against guarantees</i> | 200 | 189 |

Cash and cash equivalents as of March 31, 2014 and March 31, 2013 include restricted cash and bank balances of ₹318 crore and ₹305 crore, respectively. The restrictions are primarily on account of cash and bank balances held as margin money deposits against guarantees, cash and bank balances held by irrevocable trusts controlled by the company and unclaimed dividends.

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 details of balances as on Balance Sheet dates with banks are as follows:

| Particulars | <i>in ₹ crore</i> | |
|--|-------------------|-------|
| | As at March 31, | |
| | 2014 | 2013 |
| In current accounts | | |
| ANZ Bank, Taiwan | 1 | 2 |
| Bank of America, Mexico | 4 | 4 |
| Bank of America, USA | 713 | 904 |
| Bank Zachodni WBK S.A. | - | 3 |
| Barclays Bank, UK | 112 | 12 |
| Bonz Bank, Australia | 2 | - |
| China Merchants Bank, China | 2 | 1 |
| China Merchants Bank, China (in U.S. Dollar account) | 2 | - |
| CIC Bank, France | 5 | - |
| Citibank EEFC, India (U.S. Dollar account) | - | 111 |
| Citibank N.A., Czech Republic | 1 | 2 |
| Citibank NA, Australia | 78 | 174 |
| Citibank NA, Brazil | 36 | 14 |
| Citibank NA, China | 51 | 46 |
| Citibank NA, China (U.S. Dollar account) | - | 1 |
| Citibank NA, Costa Rica | 1 | 1 |
| Citibank NA, Czech Republic (Euro account) | - | 4 |
| Citibank NA, Czech Republic (U.S. Dollar account) | 1 | 2 |
| Citibank NA, India | 2 | 14 |
| Citibank NA, Japan | 11 | 16 |
| Citibank NA, New Zealand | 2 | - |
| Citibank NA, Singapore | 4 | - |
| Citibank NA, South Africa | 4 | 1 |
| Citibank NA, Thailand | 1 | 1 |
| Commerzbank, Germany | 7 | 8 |
| Deutsche Bank, Belgium | 12 | 10 |
| Deutsche Bank, Czech Republic | 2 | 3 |
| Deutsche Bank, Czech Republic (Euro account) | 8 | 5 |
| Deutsche Bank, Czech Republic (U.S. Dollar account) | 14 | 2 |
| Deutsche Bank, France | 5 | 5 |
| Deutsche Bank, Germany | 33 | 14 |
| Deutsche Bank, India | 8 | 11 |
| Deutsche Bank, Netherlands | 17 | 11 |
| Deutsche Bank, Philippines | 6 | 3 |
| Deutsche Bank, Philippines (U.S. Dollar account) | 29 | 1 |
| Deutsche Bank, Poland | 1 | 12 |
| Deutsche Bank, Poland (Euro account) | - | 2 |
| Deutsche Bank, Russia | 2 | 1 |
| Deutsche Bank, Russia (USD account) | 13 | 1 |
| Deutsche Bank, Singapore | 10 | 1 |
| Deutsche Bank, Spain | 3 | 2 |
| Deutsche Bank, Switzerland | 3 | 1 |
| Deutsche Bank, Switzerland (USD account) | 2 | - |
| Deutsche Bank, Transze | - | 1 |
| Deutsche Bank, United Kingdom | 74 | 70 |
| Deutsche Bank-EEFC (Australian Dollar account) | 8 | - |
| Deutsche Bank-EEFC (Euro account) | 8 | 21 |
| Deutsche Bank-EEFC (Swiss Franc account) | 1 | 2 |
| Deutsche Bank-EEFC (U.S. Dollar account) | 64 | 64 |
| Deutsche Bank-EEFC (United Kingdom Pound Sterling account) | 11 | - |
| HSBC Bank, Brazil | 3 | 2 |
| ICICI Bank, India | 36 | 50 |
| ICICI Bank-EEFC (Euro account) | 1 | 2 |
| ICICI Bank-EEFC (U.S. Dollar account) | 16 | 13 |
| ICICI Bank-EEFC (United Kingdom Pound Sterling account) | 1 | 6 |
| ING, Belgium | 3 | 2 |
| Landbouwkrediet, Belgium | - | 1 |
| Nordbanken, Sweden | 17 | 2 |
| Punjab National Bank | 4 | 3 |
| Raiffeisen Bank , Romania | 1 | - |
| RBS, Denmark | - | 1 |
| Royal Bank of Canada, Canada | 22 | 15 |
| Royal Bank Scotland, China | 38 | 52 |
| Royal Bank Scotland, China (U.S. Dollar account) | 6 | 4 |
| Shanghai Pudong Development Bank, China | 1 | 1 |
| Standard Chartered, Argentina | 1 | - |
| State Bank of India, India | 9 | - |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd., Japan | - | 1 |
| UBS AG (U.S. Dollar Account) | 1 | - |
| UBS AG, Switzerland | 5 | 1 |
| UBS AG, Switzerland (Euro Account) | 1 | - |
| Westpac, Australia | 5 | 2 |
| | 1,545 | 1,722 |

| Particulars | <i>in ₹ crore</i> | |
|---|-------------------|---------------|
| | As at March 31, | |
| | 2014 | 2013 |
| In deposit accounts | | |
| ANZ Bank | - | 6 |
| Allahabad Bank | 1,011 | 275 |
| Andhra Bank | 753 | 704 |
| Axis Bank | 1,080 | 1,060 |
| Bank of America, Mexico | - | 15 |
| Bank of Baroda | 2,205 | 1,919 |
| Bank of India | 2,541 | 1,891 |
| Canara Bank | 2,211 | 2,056 |
| Central Bank of India | 1,555 | 1,262 |
| Citibank N.A., China | 19 | 79 |
| Corporation Bank | 1,134 | 779 |
| Deutsche Bank, Poland | 125 | 55 |
| Federal Bank | - | 25 |
| ICICI Bank | 2,999 | 2,597 |
| IDBI Bank | 1,713 | 995 |
| Indusind Bank | 25 | - |
| ING Vysya Bank | 200 | 88 |
| Indian Overseas Bank | 718 | 441 |
| Jammu and Kashmir Bank | 25 | 25 |
| Kotak Mahindra Bank | 25 | 280 |
| National Australia Bank Limited , Australia | 91 | 7 |
| Nordbanken, Sweden | - | 1 |
| Oriental Bank of Commerce | 91 | 824 |
| Punjab National Bank | 80 | - |
| Ratnakar Bank | - | 5 |
| State Bank of Hyderabad | - | 700 |
| South Indian Bank | 25 | 65 |
| Syndicate Bank | 863 | - |
| Union Bank of India | 20 | 80 |
| Vijaya Bank | 855 | 380 |
| Yes Bank | 230 | 200 |
| | <u>20,594</u> | <u>16,814</u> |
| In unpaid dividend accounts | | |
| HDFC Bank - Unclaimed dividend account | 1 | 1 |
| ICICI bank - Unclaimed dividend account | 2 | 2 |
| | <u>3</u> | <u>3</u> |
| In margin money deposits against guarantees | | |
| Canara Bank | 142 | 130 |
| ICICI bank | - | 1 |
| State Bank of India | 58 | 58 |
| | <u>200</u> | <u>189</u> |
| Deposits with financial institutions | | |
| HDFC Limited | 3,608 | 3,104 |
| | <u>3,608</u> | <u>3,104</u> |
| Total cash and cash equivalents as per Balance Sheet | 25,950 | 21,832 |

2.14 SHORT-TERM LOANS AND ADVANCES

| Particulars | <i>in ₹ crore</i> | |
|--|-------------------|--------------|
| | As at March 31, | |
| | 2014 | 2013 |
| Unsecured, considered good | | |
| Others | | |
| Advances | | |
| Prepaid expenses | 116 | 79 |
| For supply of goods and rendering of services | 92 | 59 |
| Withholding and other taxes receivable | 1,052 | 800 |
| Others | 12 | 16 |
| | <u>1,272</u> | <u>954</u> |
| Restricted deposits (refer to note 2.27) | 979 | 762 |
| Unbilled revenues | 2,810 | 2,435 |
| MAT credit entitlement | 16 | 23 |
| Interest accrued but not due | 98 | 100 |
| Loans and advances to employees | | |
| Housing and other loans | 71 | 2 |
| Salary advances | 137 | 137 |
| Electricity and other deposits | 10 | 34 |
| Rental deposits | 10 | 24 |
| Premiums held in trust ⁽¹⁾ | 135 | 117 |
| Mark-to-market forward and options contracts | 215 | 101 |
| | <u>5,753</u> | <u>4,689</u> |
| Unsecured, considered doubtful | | |
| Loans and advances to employees | 8 | 6 |
| | <u>5,761</u> | <u>4,695</u> |
| Less: Provision for doubtful loans and advances to employees | 8 | 6 |
| | <u>5,753</u> | <u>4,689</u> |

⁽¹⁾ Represent premiums collected from policyholders and payable to insurance providers by a service provider maintaining the amounts in fiduciary capacity

2.15 INCOME FROM SOFTWARE SERVICES AND PRODUCTS

| Particulars | <i>in ₹ crore</i> | |
|-------------------------------|----------------------|---------------|
| | Year ended March 31, | |
| | 2014 | 2013 |
| Income from software services | 48,305 | 38,726 |
| Income from software products | 1,828 | 1,626 |
| | 50,133 | 40,352 |

2.16 OTHER INCOME

| Particulars | <i>in ₹ crore</i> | |
|--|----------------------|--------------|
| | Year ended March 31, | |
| | 2014 | 2013 |
| Interest received on deposits with banks and others | 2,226 | 1,797 |
| Dividend received on investment in mutual fund units | 154 | 225 |
| Gains / (losses) on foreign currency, net | 222 | 256 |
| Miscellaneous income, net | 62 | 87 |
| | 2,664 | 2,365 |

2.17 EXPENSES

| Particulars | <i>in ₹ crore</i> | |
|--|----------------------|---------------|
| | Year ended March 31, | |
| | 2014 | 2013 |
| <i>Employee benefit expenses</i> | | |
| Salaries and bonus including overseas staff expenses | 28,194 | 22,033 |
| Contribution to provident and other funds | 529 | 455 |
| Staff welfare | 108 | 77 |
| | 28,831 | 22,565 |
| <i>Travel expenses</i> | | |
| Overseas travel expenses | 1,570 | 1,384 |
| Travelling and conveyance | 127 | 125 |
| | 1,697 | 1,509 |
| <i>Cost of software packages and others</i> | | |
| For own use | 788 | 629 |
| Third party items bought for service delivery to clients | 194 | 148 |
| | 982 | 777 |
| <i>Communication expenses</i> | | |
| Telephone charges | 277 | 236 |
| Communication expenses | 163 | 125 |
| | 440 | 361 |

| Particulars | <i>in ₹ crore</i> | |
|--|----------------------|--------------|
| | Year ended March 31, | |
| | 2014 | 2013 |
| <i>Other expenses</i> | | |
| Office maintenance | 385 | 316 |
| Power and fuel | 219 | 215 |
| Brand building | 88 | 95 |
| Rent | 319 | 249 |
| Rates and taxes, excluding taxes on income | 101 | 79 |
| Repairs to building | 40 | 39 |
| Repairs to plant and machinery | 46 | 44 |
| Computer maintenance | 108 | 84 |
| Consumables | 30 | 29 |
| Insurance charges | 52 | 45 |
| Research grants | 12 | 12 |
| Marketing expenses | 43 | 37 |
| Commission charges | 38 | 33 |
| Printing and Stationery | 19 | 14 |
| Professional membership and seminar participation fees | 17 | 16 |
| Postage and courier | 32 | 19 |
| Advertisements | 2 | 5 |
| Provision for post-sales client support and warranties | 54 | 80 |
| Commission to non-whole time directors | 9 | 8 |
| Freight charges | 1 | 1 |
| Provision for bad and doubtful debts and advances | 142 | 38 |
| Books and periodicals | 4 | 3 |
| Auditor's remuneration | 5 | 5 |
| Bank charges and commission | 9 | 5 |
| Donations | 12 | 11 |
| Recruitment and training | 7 | 8 |
| Miscellaneous expenses | 106 | 67 |
| Others (Refer note 2.29) | 219 | - |
| | 2,119 | 1,557 |

2.18 TAX EXPENSE

| Particulars | <i>in ₹ crore</i> | |
|----------------|----------------------|--------------|
| | Year ended March 31, | |
| | 2014 | 2013 |
| Current tax | | |
| Income taxes | 4,308 | 3,518 |
| Deferred taxes | (236) | (148) |
| | 4,072 | 3,370 |

Income tax expense for the year ended March 31, 2014 and March 31, 2013 is net of reversal of provisions of ₹22 crore and ₹8 crore pertaining to earlier periods.

Income taxes

The provision for taxation includes tax liabilities in India on the Company's global income as reduced by exempt incomes and any tax liabilities arising overseas on income sourced from those countries. Infosys' operations are conducted through Software Technology Parks (STPs) and Special Economic Zones (SEZs). Income from STPs were tax exempt for the earlier of 10 years commencing from the fiscal year in which the unit commences software development, or March 31, 2011. Income from SEZs is fully tax exempt for the first 5 years, 50% exempt for the next 5 years and 50% exempt for another 5 years subject to fulfilling certain conditions.

2.19 CONTINGENT LIABILITIES AND COMMITMENTS (TO THE EXTENT NOT PROVIDED FOR)

| Particulars | in ₹ crore | | | |
|--|-----------------|------------|------------|------------|
| | As at March 31, | | | |
| | 2014 | | 2013 | |
| Contingent liabilities : | | | | |
| Outstanding guarantees and counter guarantees to various banks, in respect of the guarantees given by those banks in favour of various government authorities and others | | 37 | | 19 |
| Claims against the Company, not acknowledged as debts ⁽¹⁾ [Net of amount paid to statutory authorities ₹1,745 crore (₹1,114 crore)] | | 182 | | 535 |
| Commitments : | | | | |
| Estimated amount of unexecuted capital contracts (net of advances and deposits) | | 1,363 | | 1,696 |
| | in million | in ₹ crore | in million | in ₹ crore |
| Forward contracts outstanding | | | | |
| In USD | 751 | 4,500 | 851 | 4,621 |
| In Euro | 64 | 531 | 62 | 431 |
| In GBP | 77 | 772 | 65 | 537 |
| In AUD | 75 | 415 | 70 | 396 |
| Options outstanding | | | | |
| In USD | 20 | 120 | - | - |
| | | 6,338 | | 5,985 |

⁽¹⁾ Claims against the company not acknowledged as debts include demands from the Indian Income tax authorities for payment of additional tax of ₹1,548 crore (₹1,088 crore), including interest of ₹430 crore (₹313 crore) upon completion of their tax review for fiscal 2006, fiscal 2007, fiscal 2008 and fiscal 2009. These income tax demands are mainly on account of disallowance of a portion of the deduction claimed by the company under Section 10A of the Income Tax Act. The deductible amount is determined by the ratio of export turnover to total turnover. The disallowance arose from certain expenses incurred in foreign currency being reduced from export turnover but not reduced from total turnover. The tax demand for fiscal 2007, fiscal 2008 and fiscal 2009 also includes disallowance of portion of profit earned outside India from the STP units and disallowance of profits earned from SEZ units. The matter for fiscal 2006, fiscal 2007, fiscal 2008 and fiscal 2009 are pending before the Commissioner of Income tax (Appeals), Bangalore. The company is contesting the demand and the management including its tax advisors believes that its position will likely be upheld in the appellate process. The management believes that the ultimate outcome of these proceedings will not have a material adverse effect on the Company's financial position and results of operations.

As of the Balance Sheet date, the Group's net foreign currency exposures that are not hedged by a derivative instrument or otherwise is ₹539 crores (₹1,206 crore as at March 31, 2013).

The foreign exchange forward and option contracts mature within 12 months. The table below analyzes the derivative financial instruments into relevant maturity groupings based on the remaining period as of the balance sheet date:

| Particulars | in ₹ crore | |
|--|-----------------|-------|
| | As at March 31, | |
| | 2014 | 2013 |
| Not later than one month | 1,185 | 988 |
| Later than one month and not later than three months | 2,795 | 1,794 |
| Later than three months and not later than one year | 2,358 | 3,203 |
| | 6,338 | 5,985 |

The Group recognized a loss on derivative financial instruments of ₹253 crore and gain of ₹77 crore during the year ended March 31, 2014 and March 31, 2013, respectively, which is included in other income.

2.20 RELATED PARTY TRANSACTIONS

List of related parties:

| Name of subsidiaries | Country | Holding as at March 31, | |
|--|----------------|-------------------------|--------|
| | | 2014 | 2013 |
| Infosys BPO | India | 99.98% | 99.98% |
| Infosys China | China | 100% | 100% |
| Infosys Mexico | Mexico | 100% | 100% |
| Infosys Sweden | Sweden | 100% | 100% |
| Infosys Shanghai | China | 100% | 100% |
| Infosys Brazil | Brazil | 100% | 100% |
| Infosys Public Services, Inc. | U.S.A | 100% | 100% |
| Infosys Consulting India Limited ⁽¹⁾ | India | - | 100% |
| Infosys Americas ⁽²⁾ | U.S.A | 100% | - |
| Infosys BPO s. r. o ⁽³⁾ | Czech Republic | 99.98% | 99.98% |
| Infosys BPO (Poland) Sp Z.o.o ⁽³⁾ | Poland | 99.98% | 99.98% |
| Infosys BPO S.de R.L. de.C.V ⁽³⁾⁽¹⁵⁾ | Mexico | - | - |
| Infosys McCamish Systems LLC (Formerly known as McCamish Systems LLC) ⁽³⁾ | USA | 99.98% | 99.98% |
| Portland Group Pty Ltd ⁽³⁾⁽⁴⁾ | Australia | 99.98% | 99.98% |
| Portland Procurement Services Pty Ltd ⁽¹⁰⁾ | Australia | 99.98% | 99.98% |
| Infosys Australia ⁽⁵⁾ | Australia | 100% | 100% |
| Edgeverve Systems Limited ⁽¹⁴⁾ | India | 100% | - |
| Lodestone Holding AG ⁽⁶⁾ | Switzerland | 100% | 100% |
| Lodestone Management Consultants (Canada) Inc. ⁽⁷⁾⁽¹³⁾ | Canada | - | 100% |

| | | | |
|--|----------------|--------|--------|
| Lodestone Management Consultants Inc. ⁽⁷⁾ | U.S.A | 100% | 100% |
| Lodestone Management Consultants Pty Limited ⁽⁷⁾ | Australia | 100% | 100% |
| Lodestone Management Consultants (Asia Pacific) Limited ⁽⁷⁾⁽⁸⁾ | Thailand | - | - |
| Lodestone Management Consultants AG ⁽⁷⁾ | Switzerland | 100% | 100% |
| Lodestone Augmentis AG ⁽¹²⁾ | Switzerland | 100% | 100% |
| Hafner Bauer & Ödman GmbH ⁽⁷⁾ | Switzerland | 100% | 100% |
| Lodestone Management Consultants (Belgium) S.A. ⁽⁹⁾ | Belgium | 99.90% | 99.90% |
| Lodestone Management Consultants GmbH ⁽⁷⁾ | Germany | 100% | 100% |
| Lodestone Management Consultants Pte Ltd. ⁽⁷⁾ | Singapore | 100% | 100% |
| Lodestone Management Consultants SAS ⁽⁷⁾ | France | 100% | 100% |
| Lodestone Management Consultants s.r.o. ⁽⁷⁾ | Czech Republic | 100% | 100% |
| Lodestone Management Consultants GmbH ⁽⁷⁾ | Austria | 100% | 100% |
| Lodestone Management Consultants China Co., Ltd. ⁽⁷⁾ | China | 100% | 100% |
| Lodestone Management Consultants Ltd. ⁽⁷⁾ | UK | 100% | 100% |
| Lodestone Management Consultants B.V. ⁽⁷⁾ | Netherlands | 100% | 100% |
| Lodestone Management Consultants Ltda. ⁽⁹⁾ | Brazil | 99.99% | 99.99% |
| Lodestone Management Consultants Sp. z.o.o. ⁽⁷⁾ | Poland | 100% | 100% |
| Lodestone Management Consultants Portugal, Unipessoal, Lda. ⁽⁷⁾ | Portugal | 100% | 100% |
| S.C. Lodestone Management Consultants S.R.L. ⁽⁷⁾ | Romania | 100% | 100% |
| <u>Lodestone Management Consultants S.R.L.</u> ⁽⁷⁾⁽¹¹⁾ | Argentina | 100% | 100% |

⁽¹⁾ The Hon'ble High Court of Karnataka sanctioned the scheme of amalgamation of Infosys Consulting India Limited (ICIL) with Infosys Limited with an effective date of August 23, 2013 and an appointed date of January 12, 2012.

⁽²⁾ Incorporated effective June 25, 2013

⁽³⁾ Wholly owned subsidiaries of Infosys BPO.

⁽⁴⁾ On January 4, 2012, Infosys BPO acquired 100% of the voting interest in Portland Group Pty Ltd

⁽⁵⁾ Under liquidation

⁽⁶⁾ On October 22, 2012, Infosys acquired 100% voting interest in Lodestone Holding AG

⁽⁷⁾ Wholly owned subsidiaries of Lodestone Holding AG acquired on October 22, 2012

⁽⁸⁾ Liquidated effective February 14, 2013

⁽⁹⁾ Majority owned and controlled subsidiaries of Lodestone Holding AG acquired on October 22, 2012

⁽¹⁰⁾ Wholly owned subsidiary of Portland Group Pty Ltd. Under liquidation.

⁽¹¹⁾ Incorporated effective January 10, 2013

⁽¹²⁾ Wholly owned subsidiary of Lodestone Management Consultants AG

⁽¹³⁾ Liquidated effective December 31, 2013

⁽¹⁴⁾ Incorporated effective February 14, 2014.

Edgeverve would focus on developing and selling products and platforms. On April 15, 2014, the Board of Directors of Infosys has authorized the Company to execute a Business Transfer Agreement and related documents with Egdeverve, subject to securing the requisite approval from shareholders in the ensuing Annual General Meeting scheduled on June 14, 2014.

⁽¹⁵⁾ Incorporated effective February 14, 2014.

Infosys guarantees the performance of certain contracts entered into by its subsidiaries.

List of other related party

| Particulars | Country | Nature of relationship |
|--|---------|---|
| Infosys Limited Employees' Gratuity Fund Trust | India | Post-employment benefit plan of Infosys |
| Infosys Limited Employees' Provident Fund Trust | India | Post-employment benefit plan of Infosys |
| Infosys Limited Employees' Superannuation Fund Trust | India | Post-employment benefit plan of Infosys |
| Infosys BPO Limited Employees' Superannuation Fund Trust | India | Post-employment benefit plan of Infosys BPO |
| Infosys BPO Limited Employees' Gratuity Fund Trust | India | Post-employment benefit plan of Infosys BPO |
| <u>Infosys Science Foundation</u> | India | Controlled trust |

List of key management personnel

Whole time directors

N. R. Narayana Murthy (appointed effective June 1, 2013)

S. Gopalakrishnan

S. D. Shibulal

Srinath Batni

V. Balakrishnan (resigned effective December 31, 2013)

Ashok Vemuri (resigned effective September 12, 2013)

B. G. Srinivas

U B Pravin Rao (appointed effective January 10, 2014)

Non-whole-time directors

K.V.Kamath

Deepak M. Satwalekar (retired effective November 13, 2013)

Dr. Omkar Goswami

David L. Boyles (retired effective January 17, 2014)

Sridar A. Iyengar (retired effective August 13, 2012)

Prof. Jeffrey S. Lehman

R.Seshasavee

Ann M. Fudge

Ravi Venkatesan

Leo Puri (appointed effective April 11, 2013 and resigned effective August 14, 2013)

Kiran Mazumdar-Shaw (appointed effective January 10, 2014)

Chief Risk Officer and Company Secretary

Parvatheesam K (appointed effective September 12, 2013)

Executive council members (*)

U. Ramadas Kamath

Chandrashekar Kakal (resigning effective April 18, 2014)

Nandita Gurjar

Stephen R. Pratt (resigned effective January 31, 2014)

Basab Pradhan (resigned effective July 12, 2013)

Prasad Thrikutam

Rajiv Bansal (effective November 1, 2012).

Srikantan Moorthy (effective April 1, 2013)

Sanjay Purohit (effective April 1, 2013)

Ranganath D Mavinakere (effective August 19, 2013)

Binod Hampapur Rangadore (effective August 19, 2013)

Nithyanandan Radhakrishnan (effective August 19, 2013)

Dheeshjith VG (Jith) (effective November 1, 2013)

Eric Paternoster (effective November 1, 2013)

Ganesh Gopalakrishnan (effective November 1, 2013)

Gautam Thakkar (effective November 1, 2013)

Haragopal Mangipudi (effective November 1, 2013)

Jackie Korhonen (effective November 1, 2013)

Manish Tandon (effective November 1, 2013)

Muralikrishna K (effective November 1, 2013)

Ravi Kumar S (effective November 1, 2013)

Ronald Hafner (effective November 1, 2013)

Sanjay Jalona (effective November 1, 2013)

Subrahmanyam Goparaju (appointed effective November 1, 2013 and resigned effective December 27, 2013)

(*) Executive Council dissolved effective April 1, 2014.

Related party transactions:

During the year ended March 31, 2014, an amount of ₹9 crore (₹10 crore for the year ended March 31, 2013) was donated to Infosys Foundation, a not-for-profit foundation, in which certain directors and officers of the Company are trustees.

The table below describes the compensation to key managerial personnel which comprise directors and members of executive council:

| Particulars | in ₹ crore | |
|--|----------------------|-----------|
| | Year ended March 31, | |
| | 2014 | 2013 |
| Salaries and other employee benefits to whole-time directors and members of executive council ⁽¹⁾ | 62 | 42 |
| Commission and other benefits to non-executive/independent directors | 10 | 9 |
| Total | 72 | 51 |

⁽¹⁾ Includes a one time earn out payment of ₹6 crore made to Stephen Pratt during the year ended March 31, 2013.

2.21 RESEARCH AND DEVELOPMENT EXPENDITURE

| Particulars | in ₹ crore | |
|--|----------------------|------|
| | Year ended March 31, | |
| | 2014 | 2013 |
| Expenditure at Department of Scientific and Industrial Research (DSIR) approved R&D centres (eligible for weighted deduction) ⁽¹⁾ | | |
| Capital Expenditure | - | 3 |
| Revenue Expenditure | 261 | 247 |
| Other R&D Expenditure | | |
| Capital Expenditure | - | 3 |
| Revenue Expenditure | 633 | 699 |
| Total R&D Expenditure | | |
| Capital Expenditure | - | 6 |
| Revenue Expenditure | 894 | 946 |

⁽¹⁾ DSIR has accorded weighted deduction approval for Finacle and Infosys labs R&D centres of Infosys located at Bangalore, Bhubaneswar, Chandigarh, Chennai, Hyderabad, Mysore, Pune and Trivandrum locations. The approval is effective 23rd November 2011.

The eligible R&D revenue and capital expenditure are ₹261 crore and Nil for the year ended March 31, 2014 and ₹247 crore and ₹3 crore towards revenue expenditure for the year ended March 31, 2013.

2.22 SEGMENT REPORTING

The Group's operations predominantly relate to providing end-to-end business solutions to enable clients to enhance business performance. Effective quarter ended March 31, 2014, the Group reorganized its business to strengthen its focus on growing existing client relationships and increasing market share through service differentiation and operational agility. Consequent to the internal reorganization there were changes effected in the reportable industry segments based on the "management approach" as laid down in AS 17, Segment reporting and an additional segment, Life Sciences and Healthcare was identified. The Chief Executive Officer evaluates the Company's performance and allocates resources based on an analysis of various performance indicators by industry classes and geographic segmentation of customers. Accordingly, segment information has been presented both along industry classes and geographic segmentation of customers, industry being the primary segment. 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.

Industry segments for the Group are primarily enterprises in Financial Services and Insurance (FSI), enterprises in Manufacturing (MFG), enterprises in the Energy & utilities, Communication and Services (ECS), enterprises in Retail, Consumer packaged goods and Logistics (RCL), enterprises in Life Sciences and Healthcare (LSH). Geographic segmentation is based on business sourced from that geographic region and delivered from both on-site and off-shore. 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. Consequent to the above change in the composition of reportable industry segments, the prior year comparatives have been restated.

Revenue and identifiable operating expenses in relation to segments are categorized based on items that are individually identifiable to that segment. 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.

Fixed assets used in the Group's business or liabilities contracted have not been identified to any of the reportable segments, as the fixed assets and services are used interchangeably between segments. Accordingly, no disclosure relating to total segment assets and liabilities are made. Geographical information on revenue and industry revenue information is collated based on individual customers invoiced or in relation to which the revenue is otherwise recognized.

Industry Segments

Year ended March 31, 2014 and March 31, 2013 :

| Particulars | | | | | | <i>in ₹ crore</i> |
|--|---------------|--------------|--------------|--------------|--------------|-------------------|
| | FSI | MFG | ECS | RCL | LSH | Total |
| Income from software services and products | 16,810 | 11,477 | 9,668 | 8,764 | 3,414 | 50,133 |
| | <i>13,680</i> | <i>8,888</i> | <i>8,129</i> | <i>7,284</i> | <i>2,371</i> | <i>40,352</i> |
| Identifiable operating expenses | 7,793 | 5,859 | 4,344 | 4,127 | 1,782 | 23,905 |
| | <i>6,085</i> | <i>4,243</i> | <i>3,721</i> | <i>3,147</i> | <i>1,106</i> | <i>18,302</i> |
| Allocated expenses | 4,163 | 2,993 | 2,516 | 2,285 | 890 | 12,847 |
| | <i>3,460</i> | <i>2,351</i> | <i>2,151</i> | <i>1,926</i> | <i>629</i> | <i>10,517</i> |
| Segmental operating income | 4,854 | 2,625 | 2,808 | 2,352 | 742 | 13,381 |
| | <i>4,135</i> | <i>2,294</i> | <i>2,257</i> | <i>2,211</i> | <i>636</i> | <i>11,533</i> |
| Unallocable expenses | | | | | | 1,317 |
| | | | | | | <i>1,099</i> |
| Other income | | | | | | 2,664 |
| | | | | | | <i>2,365</i> |
| Profit before tax | | | | | | 14,728 |
| | | | | | | <i>12,799</i> |
| Tax expense | | | | | | 4,072 |
| | | | | | | <i>3,370</i> |
| Profit for the period | | | | | | 10,656 |
| | | | | | | <i>9,429</i> |

Geographic Segments

Year ended March 31, 2014 and March 31, 2013 :

| Particulars | | | | | <i>in ₹ crore</i> |
|--|---------------|--------------|------------|-------------------|-------------------|
| | North America | Europe | India | Rest of the World | Total |
| Income from software services and products | 30,413 | 12,250 | 1,294 | 6,176 | 50,133 |
| | <i>25,103</i> | <i>9,338</i> | <i>841</i> | <i>5,070</i> | <i>40,352</i> |
| Identifiable operating expenses | 14,485 | 6,049 | 663 | 2,708 | 23,905 |
| | <i>11,263</i> | <i>4,308</i> | <i>500</i> | <i>2,231</i> | <i>18,302</i> |
| Allocated expenses | 8,005 | 3,114 | 277 | 1,451 | 12,847 |
| | <i>6,622</i> | <i>2,442</i> | <i>189</i> | <i>1,264</i> | <i>10,517</i> |
| Segmental operating income | 7,923 | 3,087 | 354 | 2,017 | 13,381 |
| | <i>7,218</i> | <i>2,588</i> | <i>152</i> | <i>1,575</i> | <i>11,533</i> |
| Unallocable expenses | | | | | 1,317 |
| | | | | | <i>1,099</i> |
| Other income, net | | | | | 2,664 |
| | | | | | <i>2,365</i> |
| Profit before tax | | | | | 14,728 |
| | | | | | <i>12,799</i> |
| Tax expense | | | | | 4,072 |
| | | | | | <i>3,370</i> |
| Profit for the period | | | | | 10,656 |
| | | | | | <i>9,429</i> |

2.23 GRATUITY PLAN

The following table set out the status of the Gratuity Plan as required under AS 15.

Reconciliation of opening and closing balances of the present value of the defined benefit obligation and plan assets :

| Particulars | As at March 31, | | | | |
|--------------------------------------|-----------------|------------|------------|------------|------------|
| | 2014 | 2013 | 2012 | 2011 | 2010 |
| Obligations at year beginning | 652 | 600 | 480 | 325 | 267 |
| Service cost | 99 | 201 | 157 | 178 | 80 |
| Interest cost | 47 | 37 | 39 | 25 | 19 |
| Actuarial (gain)/ loss | 9 | (25) | (6) | 17 | (5) |
| Benefits paid | (100) | (92) | (70) | (65) | (36) |
| Curtailment gain | - | (69) | - | - | - |
| Obligations at year end | 707 | 652 | 600 | 480 | 325 |

Defined benefit obligation liability as at the balance sheet date is fully funded by the Group.

Change in plan assets

| | | | | | |
|---|------------|------------|------------|------------|------------|
| Plan assets at year beginning, at fair value | 681 | 613 | 480 | 327 | 268 |
| Expected return on plan assets | 63 | 60 | 49 | 36 | 25 |
| Actuarial gain/(loss) | (3) | - | - | - | 1 |
| Contributions | 76 | 100 | 154 | 182 | 69 |
| Benefits paid | (100) | (92) | (70) | (65) | (36) |
| Plan assets at year end, at fair value | 717 | 681 | 613 | 480 | 327 |

Reconciliation of present value of the obligation and the fair value of the plan assets:

| | | | | | |
|---|-----------|-----------|-----------|----------|----------|
| Fair value of plan assets at the end of the year/period | 717 | 681 | 613 | 480 | 327 |
| Present value of the defined benefit obligations | 707 | 652 | 600 | 480 | 325 |
| Asset recognized in the balance sheet | 10 | 31 | 15 | 2 | 2 |
| Liability recognized in the balance sheet | - | 2 | 2 | 2 | - |

Assumptions

| | | | | | |
|---|-------|-------|-------|-------|-------|
| Interest rate | 9.20% | 7.95% | 8.57% | 7.98% | 7.82% |
| Estimated rate of return on plan assets | 9.55% | 9.51% | 9.45% | 9.36% | 9.00% |
| Weighted expected rate of salary increase | 8.00% | 7.27% | 7.27% | 7.27% | 7.27% |

Experience adjustments:

| Particulars | As at March 31, | | | | |
|---|-----------------|------|------|------|------|
| | 2014 | 2013 | 2012 | 2011 | 2010 |
| (Gain)/loss: | | | | | |
| Experience adjustment on plan liabilities | 16 | (50) | 14 | 20 | 10 |
| Experience adjustment on plan assets | 3 | - | - | 1 | 5 |

Net gratuity cost for the year ended March 31, 2014 and March 31, 2013 comprises of the following components:

| Particulars | Year ended March 31, | |
|-----------------------------------|----------------------|-----------|
| | 2014 | 2013 |
| Gratuity cost for the year | | |
| Service cost | 99 | 201 |
| Interest cost | 47 | 37 |
| Expected return on plan assets | (63) | (60) |
| Actuarial (gain)/loss | 12 | (25) |
| Curtailment | - | (69) |
| Plan amendment amortisation | (4) | (4) |
| Net gratuity cost | 91 | 80 |
| Actual return on plan assets | 60 | 60 |

During the year ended March 31, 2010, a reimbursement obligation of ₹2 crore has been recognized towards settlement of gratuity liability of Infosys Consulting India Limited (ICIL). This has been offset pursuant to transfer of all assets and liabilities of ICIL on account of merger.

As at March 31, 2014 and March 31, 2013, the plan assets have been primarily invested in government securities. The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market. The Group expects to contribute approximately ₹110 crore to the gratuity trust during fiscal 2015.

Effective July 1, 2007, the Company revised the employee death benefits provided under the gratuity plan, and included all eligible employees under a consolidated term insurance cover. Accordingly, the obligations under the gratuity plan reduced by ₹37 crore, which is being amortized on a straight line basis to the statement of profit and loss over 10 years representing the average future service period of the employees. The unamortized liability as at March 31, 2014 and March 31, 2013 amounted to ₹11 crore and ₹15 crore, respectively and disclosed under 'Other long-term liabilities and 'other current liabilities'.

The Company has aligned the gratuity entitlement of certain employees prospectively to the Payment of Gratuity Act, 1972. This amendment has resulted in a curtailment gain of ₹69 crore which has been recognized in the statement of profit and loss for the year ended March 31, 2013.

2.24 PROVIDENT FUND

The Group contributed ₹295 crore and ₹268 crore towards provident fund during the year ended March 31, 2014 and March 31, 2013, respectively.

The Guidance on Implementing AS 15, Employee Benefits (revised 2005) issued by Accounting Standards Board (ASB) states that benefits involving employer established provident funds, which require interest shortfalls to be recompensed are to be considered as defined benefit plans. The Actuarial Society of India has issued the final guidance for measurement of provident fund liabilities during the quarter ended December 31, 2011. The actuary has accordingly provided a valuation and based on the below provided assumptions there is no shortfall as at March 31, 2014, 2013, 2012, 2011 and 2010, respectively.

The details of fund and plan asset position are given below:

| Particulars | As at March 31, | | | | |
|---|-----------------|-------|-------|-------|-------|
| | 2014 | 2013 | 2012 | 2011 | 2010 |
| Plan assets at year end, at fair value | 2,817 | 2,399 | 1,816 | 1,579 | 1,295 |
| Present value of benefit obligation at year end | 2,817 | 2,399 | 1,816 | 1,579 | 1,295 |
| Asset recognized in balance sheet | - | - | - | - | - |

Assumptions used in determining the present value obligation of the interest rate guarantee under the Deterministic Approach:

| Particulars | As at March 31, | | | | |
|---------------------------------------|-----------------|-------|-------|-------|-------|
| | 2014 | 2013 | 2012 | 2011 | 2010 |
| Government of India (GOI) bond yield | 9.20% | 8.05% | 8.57% | 7.98% | 7.83% |
| Remaining term of maturity (in years) | 8 | 8 | 8 | 7 | 7 |
| Expected guaranteed interest rate | 8.75% | 8.25% | 8.25% | 9.50% | 8.50% |

2.25 SUPERANNUATION

The Company contributed ₹202 crore and ₹176 crore to the superannuation trust during the year ended March 31, 2014 and March 31, 2013, respectively.

2.26 RECONCILIATION OF BASIC AND DILUTED SHARES USED IN COMPUTING EARNINGS PER SHARE

| Particulars | Year ended March 31, | |
|---|----------------------|--------------|
| | 2014 | 2013 |
| Number of shares considered as basic weighted average shares outstanding | 57,14,02,566 | 57,13,99,238 |
| Add: Effect of dilutive issues of shares/stock options | - | 853 |
| Number of shares considered as weighted average shares and potential shares outstanding | 57,14,02,566 | 57,14,00,091 |

2.27 RESTRICTED DEPOSITS

Deposits with financial institutions as at March 31, 2014 include ₹1,022 crore (₹798 crore as at March 31, 2013) deposited with financial institutions to settle employee-related obligations as and when they arise during the normal course of business.

2.28 INVESTMENT IN LODESTONE HOLDING AG

On October 22, 2012, Infosys acquired 100% of the outstanding share capital of Lodestone Holding AG, a global management consultancy firm headquartered in Zurich, Switzerland. The acquisition was executed through a share purchase agreement for an upfront cash consideration of ₹1,187 crore and a deferred consideration of ₹608 crores.

The assets and liabilities taken over on Lodestone acquisition are as follows

| Particulars | in ₹ crore | |
|--------------------------------------|------------|------|
| | 2014 | 2013 |
| Tangible assets | 28 | |
| Cash | 30 | |
| Net current assets excluding cash | 57 | |
| Deferred tax assets | 18 | |
| Borrowings | (89) | |
| Net assets taken over on acquisition | 44 | |
| Goodwill | 1,143 | |
| Consideration | 1,187 | |

The deferred consideration is payable to the selling shareholders of Lodestone on the third anniversary of the acquisition date and is contingent upon their continued employment for a period of three years. The investment in Lodestone has been recorded at the acquisition cost and the deferred consideration is being recognized on a proportionate basis over a period of three years from the date of acquisition. An amount of ₹228 crore and ₹85 crore, representing the proportionate charge of the deferred consideration has been recognized as an expense during the year ended March 31, 2014 and March 31, 2013.

2.29 LITIGATION

On May 23, 2011, the company received a subpoena from a grand jury in the United States District Court for the Eastern District of Texas. The subpoena required that the company provide to the grand jury certain documents and records related to its sponsorships for, and uses of, B1 business visas. The company complied with the subpoena. In connection with the subpoena, during a meeting with the United States Attorney's Office for the Eastern District of Texas, the company was advised that it and certain of its employees are targets of the grand jury investigation.

In addition, the U.S. Department of Homeland Security ("DHS") has reviewed the company's employer eligibility verifications on Form I-9 with respect to its employees working in the United States. In connection with this review, the company was advised that the DHS has found errors in a significant percentage of its Forms I-9 that the DHS has reviewed, and may impose fines and penalties on the company related to such alleged errors.

On October 30, 2013, the company settled the foregoing matters and entered into a Settlement Agreement ("Settlement Agreement") with the U.S. Attorney, the DHS and the United States Department of State ("State," and collectively with the U.S. Attorney and the DHS, the "United States").

In the Settlement Agreement, the company denied and disputed all allegations made by the United States, except for the allegation that the company failed to maintain accurate Forms I-9 records for many of its foreign nationals in the United States in 2010 and 2011 as required by law, and that such failure constituted civil violations of certain laws.

Under the Settlement Agreement, the company agreed, among other things, that:

the company will pay to the United States an aggregate amount equal to ₹213 crore;

the company will retain, for a period of two years from the date of the Settlement Agreement, an independent third-party auditor or auditing firm at its expense which will annually review and report on its Forms I-9 compliance, which reports shall be submitted to the U.S. Attorney; and

within 60 days after the first anniversary of the Settlement Agreement, the company will furnish a report to the U.S. Attorney concerning the company's compliance with its internal B-1 visa use policies, standards of conduct, internal controls and disciplinary procedures.

In return, the United States agreed, among other things, that:

the United States will file a motion to dismiss with prejudice the complaint it will file in the United States District Court for the Eastern District of Texas relating to allegations made by the United States regarding the company's compliance with laws regulating H1-B and B-1 visas and Forms I-9 (the "Alleged Conduct");

the United States will not use the Alleged Conduct to revoke any existing visas or petitions or deny future visas or petitions for the company's foreign nationals, and will evaluate each visa or petition on its own individual merits;

the United States will not use the Alleged Conduct to debar or suspend the company from any B-1 or H1-B immigration program, and the United States will not make any referrals to any government agencies for such debarment or suspension proceedings related to the Alleged Conduct; and

the United States will release the company and each of its current and former employees, directors, officers, agents and contractors from any civil, administrative or criminal claims the United States has or may have arising out of or pertaining to the Alleged Conduct, subject to certain exceptions specified in the Settlement Agreement.

Further, separate from, but related to the Settlement Agreement, U.S. Immigration and Customs Enforcement has confirmed that it will not to impose debarment from any B-1 or H1-B immigration program on the company related to the Alleged Conduct.

The company recorded a charge related to the Settlement Agreement including legal costs of ₹219 crore in the year ended March 31, 2014 related to the matters that were the subject of the Settlement Agreement. The said amount has been paid prior to December 31, 2013.

In addition, 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.

2.30 FUNCTION WISE CLASSIFICATION OF STATEMENT OF PROFIT AND LOSS

| Statement of Profit and Loss for the | Year ended March 31, | |
|--|----------------------|---------------|
| | 2014 | 2013 |
| Income from software services and products | 50,133 | 40,352 |
| Software development expenses | 30,804 | 24,179 |
| GROSS PROFIT | 19,329 | 16,173 |
| Selling and marketing expenses | 2,625 | 2,034 |
| General and administration expenses | 3,323 | 2,606 |
| | 5,948 | 4,640 |
| OPERATING PROFIT BEFORE DEPRECIATION | 13,381 | 11,533 |
| Depreciation and amortisation | 1,317 | 1,099 |
| OPERATING PROFIT | 12,064 | 10,434 |
| Other income | 2,664 | 2,365 |
| PROFIT BEFORE TAX | 14,728 | 12,799 |
| Tax expense: | | |
| Current tax | 4,308 | 3,518 |
| Deferred tax | (236) | (148) |
| PROFIT FOR THE PERIOD BEFORE MINORITY INTERESTS | 10,656 | 9,429 |
| Less: Minority Interests | - | - |
| PROFIT FOR THE PERIOD | 10,656 | 9,429 |

As per our report of even date attached
for B S R & Co. LLP
Chartered Accountants
Firm's Registration Number:101248W

for Infosys Limited

| | | | | |
|--|---|---|--|-----------------------------|
| Akhil Bansal Partner Membership No. 090906 | N. R. Narayana Murthy Executive Chairman | S. Gopalakrishnan Executive Vice-Chairman | S. D. Shibulal Chief Executive Officer and Managing Director | K.V.Kamath Director |
| | R.Seshasayee Director | Dr. Omkar Goswami Director | Prof. Jeffrey S. Lehman Director | Ravi Venkatesan Director |
| | Kiran Mazumdar -Shaw Director | Srinath Batni Director | B. G. Srinivas Director | U.B.Pravin Rao Director |
| Bangalore April 15, 2014 | Rajiv Bansal Chief Financial Officer | Parvatheesam K Chief Risk Officer and Company Secretary | | |