TO ALL STOCK EXCHANGES

BSE LIMITED
NATIONAL STOCK EXCHANGE OF INDIA LIMITED
NEW YORK STOCK EXCHANGE

July 13, 2018

Dear Sir, Madam,

Sub: Outcome of the Board meeting

This has reference to our letter dated June 27, 2018, regarding the captioned subject. The Board, at their meeting held over July 12-13, 2018, transacted the following items of business:

1. **Appointment of Michael Gibbs as an independent director**

   Based on the recommendation of the Nomination and Remuneration Committee, the Board appointed Michael Gibbs, as an Independent Director effective from July 13, 2018 for a period of 3 (three) years, subject to the approval of the shareholders.

   Mr. Gibbs has no relationship with any member of the Board of directors. A press release in this regard and a brief profile of Mr. Gibbs are enclosed herewith.

2. **Financial Results**

   a. Took on record the audited consolidated financial results of the Company and its subsidiaries as per Indian Accounting Standards (INDAS) for the quarter ended June 30, 2018;

   b. Took on record the audited standalone financial results of the Company as per INDAS for the quarter ended June 30, 2018;

   c. Took on record the audited consolidated condensed financial results of the Company and its subsidiaries as per International Financial Reporting Standards for the quarter ended June 30, 2018;

INFOSYS LIMITED
CIN: L85110KA1981PLC013115
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3. **Bonus Issue**

The Board considered, approved and recommended a bonus issue of one equity share for every equity share held and a stock dividend of one American Depositary Share (ADS) for every ADS held, as on a record date to be determined. Consequently, the ratio of equity shares underlying the ADSs held by an American Depositary Receipt holder would remain unchanged. The Board approved and recommended the issue of bonus shares to celebrate the 25th year of the Company's public listing in India and to further increase the liquidity of its shares. The bonus issue of equity shares and ADSs will be subject to approval by the shareholders, and any other applicable statutory and regulatory approvals.

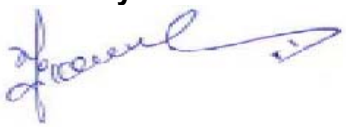
The Bonus shares once allotted shall rank pari-passu in all respects and carry the same rights as the existing Equity Shares and shall be entitled to participate in full in any dividend and other corporate action, recommended and declared after the new equity shares are allotted.

The details pertaining to the Bonus issue of equity shares as per Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is provided in the Annexure.

We are enclosing herewith the financial results, press release and brief profile of the director for your information and record. The same will be made available on the Company's website www.infosys.com.

Yours sincerely,

For **Infosys Limited**



A.G.S. Manikantha
Company Secretary

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Annexure-

Sl No	Particulars	Description
1	Whether bonus is out of free reserves created out of profits or share premium account.	The Bonus equity shares will be issued out of retained earnings, available as at June 30, 2018.
2	Bonus ratio.	1(one) equity share of Rs 5/- each fully paid up for every 1(one) equity share of Rs 5/- each fully paid up held as on the record date to be determined.
3	Details of share capital - pre and post bonus issue.	Pre- bonus paid up share capital as on June 30, 2018- 10,920,635,455 divided in to 2,184,127,091 equity shares of Rs 5/- each. Post- bonus paid up share capital would be - 21,841,270,910 divided in to 4,368,254,182 equity shares of Rs 5/- each.
4	Free reserves and/ or share premium required for implementing the bonus issue.	Rs 10,920,635,455
5	Free reserves and/ or share premium available for capitalization and the date as on which such balance is available.	As on June 30, 2018, the retained earnings is Rs 492,406,750,544
6	Whether the aforesaid figures are audited.	Yes, all the aforesaid figures are audited.
7	Estimated date by which such bonus shares would be credited/dispatched.	The Bonus shares will be credited/dispatched within 2 months from the date of Board approval i.e. by September 12, 2018.

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INFOSYS LIMITED AND SUBSIDIARIES

Condensed Consolidated Financial Statements under International Financial Reporting Standards (IFRS) in US Dollars for the three months ended June 30, 2018

Index

Condensed Consolidated Balance Sheet
Condensed Consolidated Statements of Comprehensive Income
Condensed Consolidated Statements of Changes in Equity
Condensed Consolidated Statements of Cash Flows
Overview and notes to the financial statements
1. Overview
- 1.1 Company Overview
- 1.2 Basis of preparation of financial statements
- 1.3 Basis of consolidation
- 1.4 Use of estimates and judgments
- 1.5 Critical accounting estimates
- 1.6 Recent Accounting pronouncements

2. Notes to the Condensed Consolidated Financial Statements
- 2.1 Cash and cash equivalents
- 2.2 Investments
- 2.3 Financial instruments
- 2.4 Prepayments and other assets
- 2.5 Other liabilities
- 2.6 Provisions
- 2.7 Property, plant and equipment
- 2.8 Goodwill
- 2.9 Business combination and Disposal Group held for sale
- 2.10 Employees' Stock Option Plans (ESOP)
- 2.11 Income taxes
- 2.12 Reconciliation of basic and diluted shares used in computing earnings per share
- 2.13 Related party transactions
- 2.14 Segment Reporting
- 2.15 Revenue from Operations
- 2.16 Break-up of expenses and other income, net
- 2.17 Capital allocation policy
- 2.18 Share capital and share premium

Infosys Limited and Subsidiaries

(Dollars in millions except equity share data)

Condensed Consolidated Balance Sheet as at	Note	June 30, 2018	March 31, 2018
ASSETS			
Current assets			
Cash and cash equivalents	2.1	2,411	3,041
Current investments	2.2	1,004	982
Trade receivables		2,001	2,016
Unbilled revenue		680	654
Prepayments and other current assets	2.4	707	662
Derivative financial instruments	2.3	5	2
		6,808	**7,357**
Assets held for sale	2.9	273	316
Total current assets		**7,081**	**7,673**
Non-current assets			
Property, plant and equipment	2.7	1,781	1,863
Goodwill	2.8 & 2.9	349	339
Intangible assets		54	38
Investment in associate		-	-
Non-current investments	2.2	821	883
Deferred income tax assets		190	196
Income tax assets		884	931
Other non-current assets	2.4	246	332
Total Non-current assets		**4,325**	**4,582**
Total assets		**11,406**	**12,255**
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables		117	107
Derivative financial instruments	2.3	20	6
Current income tax liabilities		297	314
Client deposits		27	6
Unearned revenue		340	352
Employee benefit obligations		219	218
Provisions	2.6	76	75
Other current liabilities	2.5	1,269	1,036
		2,365	**2,114**
Liabilities directly associated with assets held for sale	2.9	50	50
Total current liabilities		**2,415**	**2,164**
Non-current liabilities			
Deferred income tax liabilities		74	82
Employee benefit obligations		6	7
Other non-current liabilities	2.5	49	42
Total liabilities		**2,544**	**2,295**
Equity			
Share capital - ₹5 ($0.16) par value 2,400,000,000 (2,400,000,000) equity shares authorized, issued and outstanding 2,173,336,341 (2,173,312,301) net of 10,790,750 (10,801,956) treasury shares, as at June 30, 2018 and (March 31, 2018), respectively		190	190
Share premium		253	247
Retained earnings		10,907	11,587
Cash flow hedge reserve		1	-
Other reserves		294	244
Capital redemption reserve		9	9
Other components of equity		(2,792)	(2,317)
Total equity attributable to equity holders of the company		**8,862**	**9,960**
Non-controlling interests		-	-
Total equity		**8,862**	**9,960**
Total liabilities and equity		**11,406**	**12,255**

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

As per our report of even date attached

for Deloitte Haskins & Sells LLP
Chartered Accountants
Firm's Registration No :
117366W/ W-100018

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

P. R. Ramesh
Partner
Membership No. 70928

Nandan M. Nilekani
Chairman

Salil Parekh
Chief Executive officer and Managing Directo

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

Bengaluru
July 13, 2018

D. Sundaram
Director

M. D. Ranganath
Chief Financial Officer

A. G. S. Manikantha
Company Secretary

Infosys Limited and Subsidiaries

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

Condensed Consolidated Statements of Comprehensive Income	Note	Three months ended June 30,	
		2018	**2017**
Revenues	2.15	**2,831**	**2,651**
Cost of sales	2.16	1,819	1,692
Gross profit		**1,012**	**959**
Operating expenses:			
Selling and marketing expenses	2.16	149	138
Administrative expenses	2.16	193	183
Total operating expenses		342	321
Operating profit		**670**	**638**
Other income, net	2.9 & 2.16	107	127
Reduction in the fair value of Disposal Group held for sale	2.9	(39)	-
Share in net profit/(loss) of associate, including impairment		-	(11)
Profit before income taxes		**738**	**754**
Income tax expense	2.11	204	213
Net profit		**534**	**541**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Re-measurements of the net defined benefit liability/asset, net		-	-
Equity instruments through other comprehensive income, net		-	-
		-	-
Items that will be reclassified subsequently to profit or loss:			
Fair valuation of investments, net	2.2	(7)	4
Fair value changes on derivatives designated as cash flow hedge, net		1	(10)
Foreign currency translation		(468)	60
		(474)	54
Total other comprehensive income/(loss), net of tax		**(474)**	**54**
Total comprehensive income		**60**	**595**
Profit attributable to:			
Owners of the company		534	541
Non-controlling interests		-	-
		534	**541**
Total comprehensive income attributable to:			
Owners of the company		60	595
Non-controlling interests		-	-
		60	**595**
Earnings per equity share			
Basic ($)		0.25	0.24
Diluted ($)		0.25	0.24
Weighted average equity shares used in computing earnings per equity share	2.12		
Basic		2,173,328,621	2,285,657,604
Diluted		2,175,355,178	2,287,058,148

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

As per our report of even date attached

for Deloitte Haskins & Sells LLP
Chartered Accountants
Firm's Registration No :
117366W/ W-100018

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

P. R. Ramesh
Partner
Membership No. 70928

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Chief Executive officer and Managing Director

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Chief Operating Officer and Whole-time Director

Bengaluru
July 13, 2018

D. Sundaram
Director

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Chief Financial Officer

A. G. S. Manikantha
Company Secretary

Infosys Limited and Subsidiaries

Condensed Consolidated Statements of Changes in Equity

(Dollars in millions except equity share data)

	Shares[1]	Share capital	Share premium	Retained earnings	Other reserves[2]	Capital redemption reserve	Cash flow hedge reserve	Other components of equity	Total equity attributable to equity holders of the company
Balance as at April 1, 2017	**2,285,655,150**	**199**	**587**	**12,190**	**-**	**-**	**6**	**(2,345)**	**10,637**
Changes in equity for the three months ended June 30, 2017									
Net profit	-	-	-	541	-	-	-	-	541
Fair value changes on investments, net* (Refer to note 2.2)	-	-	-	-	-	-	-	4	4
Fair value changes on derivatives designated as cash flow hedge* (Refer to note 2.3)	-	-	-	-	-	-	(10)	-	(10)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	60	60
Total comprehensive income for the period	**-**	**-**	**-**	**541**	**-**	**-**	**(10)**	**64**	**595**
Shares issued on exercise of employee stock options (Refer to note 2.10)	24,812	-	-	-	-	-	-	-	-
Transfer to other reserves	-	-	-	(75)	75	-	-	-	-
Transfer from other reserves on utilization	-	-	-	24	(24)	-	-	-	-
Employee stock compensation expense (Refer to note 2.10)	-	-	7	-	-	-	-	-	7
Dividends (including dividend distribution tax)	-	-	-	(630)	-	-	-	-	(630)
Balance as at June 30, 2017	**2,285,679,962**	**199**	**594**	**12,050**	**51**	**-**	**(4)**	**(2,281)**	**10,609**
Balance as at April 1, 2018	**2,173,312,301**	**190**	**247**	**11,587**	**244**	**9**	**-**	**(2,317)**	**9,960**
Changes in equity for the three months ended June 30, 2018									
Net profit	-	-	-	534	-	-	-	-	534
Fair value changes on investments, net* (Refer to note 2.2)	-	-	-	-	-	-	-	(7)	(7)
Fair value changes on derivatives designated as cash flow hedge* (Refer to note 2.3)	-	-	-	-	-	-	1	-	1
Foreign currency translation	-	-	-	-	-	-	-	(468)	(468)
Total comprehensive income for the period	**-**	**-**	**-**	**534**	**-**	**-**	**1**	**(475)**	**60**
Shares issued on exercise of employee stock options (Refer to note 2.10)	24,040	-	-	-	-	-	-	-	-
Transfer to other reserves	-	-	-	(82)	82		-	-	-
Transfer from other reserves on utilization	-	-	-	32	(32)	-	-	-	-
Employee stock compensation expense (Refer to note 2.10)	-	-	6	-	-	-	-	-	6
Transfer on account of options not exercised	-	-	-	-	-	-	-	-	-
Dividends (including dividend distribution tax)	-	-	-	(1,164)	-	-	-	-	(1,164)
Balance as at June 30, 2018	**2,173,336,341**	**190**	**253**	**10,907**	**294**	**9**	**1**	**(2,792)**	**8,862**

** net of tax*

[1] excludes treasury shares of 10,790,750 as at June 30, 2018, 10,801,956 as at April 1, 2018, 11,264,702 as at June 30, 2017 and 11,289,514 as at April 1, 2017, held by consolidated trust.

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

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

As per our report of even date attached

for Deloitte Haskins & Sells LLP
Chartered Accountants
Firm's Registration No :
117366W/ W-100018

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

P. R. Ramesh
Partner
Membership No. 70928

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Chairman

Salil Parekh
Chief Executive officer and Managing Director

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

Bengaluru
July 13, 2018

D. Sundaram
Director

M. D. Ranganath
Chief Financial Officer

A. G. S. Manikantha
Company Secretary

Infosys Limited and Subsidiaries

Condensed Consolidated Statements of Cash Flows

Accounting Policy

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

(Dollars in millions)

Particulars	Note	Three Months ended June 30,	
		2018	2017
Operating activities:			
Net Profit		534	541
Adjustments to reconcile net profit to net cash provided by operating activities :			
Depreciation and amortization	2.16	65	70
Interest and dividend income		(29)	(37)
Income tax expense	2.11	204	213
Effect of exchange rate changes on assets and liabilities		9	(1)
Impairment loss under expected credit loss model		10	(1)
Reduction in the fair value of Disposal Group held for sale	2.9	39	-
Stock compensation expense		6	7
Other adjustments		(8)	3
Changes in working capital			
Trade receivables and unbilled revenue		(145)	(72)
Prepayments and other assets		(12)	(25)
Trade payables		14	(17)
Client deposits		22	(3)
Unearned revenue		2	35
Other liabilities and provisions		131	118
Cash generated from operations		**842**	**831**
Income taxes paid		(211)	(187)
Net cash provided by operating activities		**631**	**644**
Investing activities:			
Expenditure on property, plant and equipment		(79)	(86)
Loans to employees		-	3
Deposits placed with corporation		3	(1)
Interest and dividend received		27	13
Payment towards acquisition of business, net of cash acquired	2.9	(30)	-
Payment of contingent consideration pertaining to acquisition of business		-	(5)
Investment in equity and preference securities		(2)	(2)
Investment in others		(1)	(1)
Investment in quoted debt securities		(2)	-
Redemption of quoted debt securities		45	1
Investment in certificate of deposits		-	(44)
Redemption of certificate of deposits		118	23
Investment in commercial papers		-	-
Investment in liquid mutual fund units and fixed maturity plan securities		(3,535)	(2,557)
Redemption of liquid mutual fund units and fixed maturity plan securities		3,325	2,604
Net cash used in investing activities		**(131)**	**(52)**
Financing activities:			
Payment of dividend		(971)	(522)
Net cash used in financing activities		**(971)**	**(522)**
Effect of exchange rate changes on cash and cash equivalents		(157)	20
Net increase / (decrease) in cash and cash equivalents		(471)	70
Cash and cash equivalents at the beginning of the period	2.1	3,049	3,489
Cash and cash equivalents at the end of the period	2.1	**2,421**	**3,579**
Supplementary information:			
Restricted cash balance	2.1	63	93

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

As per our report of even date attached

for Deloitte Haskins & Sells LLP
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Bengaluru
July 13, 2018

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Director

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Chief Financial Officer

A. G. S. Manikantha
Company Secretary

Notes to the interim condensed consolidated financial statements

1. Overview

1.1 Company overview

Infosys Limited ('the Company' or Infosys) is a leading provider of consulting, technology, outsourcing and next-generation digital services, enabling clients to execute strategies for their digital transformation. Infosys strategic objective is to build a sustainable organization that remains relevant to the agenda of clients, while creating growth opportunities for employees and generating profitable returns for investors. Infosys strategy is to be a navigator for our clients as they ideate, plan and execute on their journey to a digital future.

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

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

Further, the company's ADS were also listed on the Euronext London and Euronext Paris. On July 5, 2018, the company voluntarily delisted its ADS from the said exchanges due to low average daily trading volume of its ADS on these exchanges.

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

1.2 Basis of preparation of financial statements

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

1.3 Basis of consolidation

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

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

1.4 Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions. These estimates, judgments and assumptions affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Application of accounting policies that require critical accounting estimates involving complex and subjective judgments and the use of assumptions in these financial statements have been disclosed in Note 1.5. Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the condensed consolidated financial statements.

1.5 Critical accounting estimates

a. Revenue recognition

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

Further, the company uses significant judgements while determining the transaction price allocated to performance obligations using the expected cost plus margin approach.

Provisions for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the expected contract estimates at the reporting date.

b. Income taxes

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

In assessing the realizability of deferred income tax assets, management considers whether some portion or all of the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. Management considers the scheduled reversals of deferred income tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based on the level of historical taxable income and projections for future taxable income over the periods in which the deferred income tax assets are deductible, management believes that the group will realize the benefits of those deductible differences. The amount of the deferred income tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carry forward period are reduced. (also refer to note 2.11).

c. Business combinations and intangible assets

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

d. Property, plant and equipment

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

e. Impairment of Goodwill

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

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

f. Non-current assets and Disposal Groups held for sale

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

1.6 Recent accounting pronouncements

1.6.1 Standards issued but not yet effective

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

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

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

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

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

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

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

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

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

2. Notes to the Condensed Consolidated Interim Financial Statements

2.1 Cash and cash equivalents

Cash and cash equivalents consist of the following:

(Dollars in millions)

	As at	
	June 30, 2018	**March 31, 2018**
Cash and bank deposits	1,320	2,021
Deposits with financial institutions	1,091	1,020
Total Cash and cash equivalents	**2,411**	**3,041**
Cash and cash equivalents included under assets classifed under held for sale *(Refer note no 2.9)*	10	8
	2,421	**3,049**

Cash and cash equivalents as at June 30, 2018 and March 31, 2018 include restricted cash and bank balances of $63 million and $82 million, respectively. The restrictions are primarily on account of cash and bank balances held by irrevocable trusts controlled by the company, bank balances held as margin money deposits against guarantees and balances held in unpaid dividend bank accounts.

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

The table below provides details of cash and cash equivalents:

(Dollars in millions)

	As at	
	June 30, 2018	**March 31, 2018**
Current accounts		
ANZ Bank, Taiwan	-	1
Banamex Bank, Mexico (U.S. Dollar account)	2	2
Bank of America, Mexico	4	4
Bank of America, USA	83	180
Bank Zachodni WBK S.A, Poland	1	3
Barclays Bank, UK	6	6
BNP Paribas Bank, Norway	8	14
China Merchants Bank, China	1	1
Citibank N.A., Australia	18	34
Citibank N.A., Brazil	2	2
Citibank N.A., China	11	18
Citibank N.A., China (U.S. Dollar account)	1	1
Citibank N.A., Costa Rica	1	-
Citibank N.A., Dubai	1	1
Citibank N.A., EEFC (U.S. Dollar account)	-	1
Citibank N.A., Hungary	1	1
Citibank N.A., Japan	2	3
Citibank N.A., New Zealand	1	2
Citibank N.A., Portugal	1	1
Citibank N.A., Singapore	1	1
Citibank N.A., South Africa	5	5
Citibank N.A., USA	1	1
Citibank N.A., South Korea	1	-
Citibank N.A., Romania	1	-
Deutsche Bank, Belgium	2	4
Deutsche Bank, Czech Republic	1	2
Deutsche Bank, Czech Republic (Euro account)	1	1
Deutsche Bank, Czech Republic (U.S. Dollar account)	1	-
Deutsche Bank, EEFC (Euro account)	5	5
Deutsche Bank, EEFC (U.S. Dollar account)	6	5
Deutsche Bank, EEFC (United Kingdom Pound Sterling account)	1	1
Deutsche Bank, France	1	3
Deutsche Bank, Germany	18	16
Deutsche Bank, India	4	7
Deutsche Bank, Malaysia	-	1
Deutsche Bank, Netherlands	2	2
Deutsche Bank, Philippines	1	4
Deutsche Bank, Philippines (U.S. Dollar account)	1	1
Deutsche Bank, Poland	1	3
Deutsche Bank, Poland (Euro account)	1	1
Deutsche Bank, Russia	1	1
Deutsche Bank, Russia (U.S. Dollar account)	1	1
Deutsche Bank, Singapore	2	3
Deutsche Bank, Switzerland	3	5
Deutsche Bank, United Kingdom	8	12
Deutsche Bank, USA	3	-
HSBC Bank, United Kingdom	1	1
ICICI Bank, EEFC (U.S. Dollar account)	8	6
ICICI Bank, EEFC (United Kingdom Pound Sterling account)	-	2
ICICI Bank, EEFC Euro	1	-
ICICI Bank, India	8	8
ICICI Bank - Unpaid dividend account	3	3
Nordbanken, Sweden	5	8
Punjab National Bank, India	11	2
Raiffeisen Bank, Czech Republic	-	1
Royal Bank of Canada, Canada	29	26

Splitska Banka D.D., Société Générale Group, Croatia	1	1
The Saudi British Bank, Saudi Arabia	1	-
Union Bank of Switzerland AG (Euro account)	-	-
Washington Trust	7	-
	292	**418**
Deposit accounts		
Axis Bank	15	-
Bank BGZ BNP Paribas S.A.	47	22
Barclays Bank	29	31
Canara Bank	34	36
Citibank	18	35
Deutsche Bank, AG	3	4
Deutsche Bank, Poland	10	32
HDFC Bank	76	383
HSBC Bank	-	-
ICICI Bank	493	568
IDBI Bank	-	38
IDFC Bank	256	230
IndusInd Bank	-	154
Kotak Mahindra Bank	-	-
South Indian Bank	37	69
Standard Chartered Bank	-	-
Syndicate Bank	-	-
National Bank of Mexico,SA(CITI-Banamex)	9	-
Yes Bank	1	1
	1,028	**1,603**
Deposits with financial institutions		
HDFC Limited	916	836
LIC Housing Finance Limited	175	184
	1,091	**1,020**
Total Cash and cash equivalents	**2,411**	**3,041**

2.2 Investments

The carrying value of investments are as follows:

(Dollars in millions)

	As at	
	June 30, 2018	**March 31, 2018**
(i) Current		
Amortized cost		
Quoted debt securities:		
Cost	2	-
Fair value through profit and loss		
Liquid Mutual funds		
Fair value	224	12
Fair Value through Other comprehensive income		
Quoted debt securities		
Fair value	71	117
Commercial Paper		
Fair value	44	45
Certificate of deposits		
Fair value	663	808
Total current investments	**1,004**	**982**
(ii) Non-current		
Amortized cost		
Quoted debt securities		
Cost	276	291
Fair value through Other comprehensive income		
Quoted debt securities		
Fair value	448	493
Unquoted equity and preference securities		
Fair value	22	21

Fair value through profit and loss		
Unquoted convertible promissory note		
Fair value	2	2
Fixed maturity plan securities		
Fair Value	63	66
Others		
Fair value	10	10
Total Non-current investments	**821**	**883**
Total investments	**1,825**	**1,865**

Investment carried at amortized cost	278	291
Investments carried at fair value through other comprehensive income	1,248	1,484
Investments carried at fair value through profit and loss	299	90

Uncalled capital commitments outstanding as of June 30, 2018 and March 31, 2018 was $10 million and $12 million, respectively.

Details of amounts recorded in Other comprehensive income: *(Dollars in millions)*

	Three months ended					
	June 30, 2018			June 30, 2017		
	Gross	Tax	Net	Gross	Tax	Net
Net Gain/(loss) on						
Quoted debt securities	(5)	1	(4)	5	(1)	4
Certificate of deposits	(3)	-	(3)	-	-	-
Unquoted equity and preference securities	-	-	-	-	-	-

Method of fair valuation: *(Dollars in millions)*

Class of investment	Method	Fair value	
		As at June 30, 2018	As at March 31, 2018
Liquid mutual funds	Quoted price	224	12
Fixed maturity plan securities	Market observable inputs	63	66
Quoted debt securities- carried at amortized cost	Quoted price and market observable inputs	313	330
Quoted debt securities- carried at Fair value through other comprehensive income	Quoted price and market observable inputs	519	610
Commercial Paper	Market observable inputs	44	45
Certificate of deposits	Market observable inputs	663	808
Unquoted equity and preference securities	Discounted cash flows method, Market multiples method, Option pricing model, etc.	22	21
Unquoted convertible promissory note	Discounted cash flows method, Market multiples method, Option pricing model, etc.	2	2
Others	Discounted cash flows method, Market multiples method, Option pricing model, etc.	10	10
		1,860	**1,904**

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

2.3 Financial instruments

Accounting Policy

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

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

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

2.3.1 Initial recognition

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

2.3.2 Subsequent measurement

a. Non-derivative financial instruments

(i) Financial assets carried at amortized cost

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

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

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

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

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

(iv) Financial liabilities

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

b. Derivative financial instruments

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

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

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

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

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

(ii) Cash flow hedge

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

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

c. Share capital and treasury shares

(i) Ordinary Shares

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

(ii) Treasury Shares

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

2.3.3 Derecognition of financial instruments

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

2.3.4 Fair value of financial instruments

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

Refer ‘Financial instruments by category’ below for the disclosure on carrying value and fair value of financial assets and liabilities. For financial assets and liabilities maturing within one year from the Balance Sheet date and which are not carried at fair value, the carrying amounts approximate fair value due to the short maturity of these instruments.

2.3.5 Impairment

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

Financial instruments by category

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

(Dollars in millions)

	Amortized cost	Financial assets/ liabilities at fair value through profit or loss		Financial assets/liabilities at fair value through OCI		Total carrying value	Total fair value	
		Designated upon initial recognition	Mandatory	Equity instruments designated upon initial recognition	Mandatory			
Assets:								
Cash and cash equivalents (Refer to Note 2.1)	2,411	-	-	-	-	2,411	2,411	
Investments (Refer to Note 2.2)								
Liquid mutual funds	-	-	224	-	-	224	224	
Fixed maturity plan securities	-	-	63	-	-	63	63	
Quoted debt securities	278	-	-	-	519	797	832	(1)
Certificate of deposits	-	-	-	-	663	663	663	
Commercial Paper	-	-	-	-	44	44	44	
Unquoted equity and preference securities:	-	-	-	22	-	22	22	
Unquoted investment others	-	-	10	-	-	10	10	
Unquoted convertible promissory note	-	-	2	-	-	2	2	
Trade receivables	2,001	-	-	-	-	2,001	2,001	
Unbilled revenues [3] (Refer to Note 2.15)	236	-	-	-	-	236	236	
Prepayments and other assets (Refer to Note 2.4)	442	-	-	-	-	442	429	(2)
Derivative financial instruments	-	-	2	-	3	5	5	
Total	**5,368**	**-**	**301**	**22**	**1,229**	**6,920**	**6,942**	
Liabilities:								
Trade payables	117	-	-	-	-	117	117	
Derivative financial instruments	-	-	20	-	-	20	20	
Other liabilities including contingent consideration (Refer to note 2.5)	885	-	16	-	-	901	901	
Total	**1,002**	**-**	**36**	**-**	**-**	**1,038**	**1,038**	

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

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

[3] Excludes unbilled revenue for fixed price development contracts where right to consideration is conditional on factors other than passage of time

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

(Dollars in millions)

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

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

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

Fair value hierarchy

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

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

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

The following table presents fair value hierarchy of assets and liabilities as at June 30, 2018:

(Dollars in millions)

	As at June 30, 2018	Fair value measurement at end of the reporting period using		
		Level 1	Level 2	Level 3
Assets				
Investments in liquid mutual fund units (Refer to Note 2.2)	224	224	-	-
Investments in fixed maturity plan securities (Refer to Note 2.2)	63	-	63	
Investments in quoted debt securities (Refer to Note 2.2)	832	434	398	-
Investments in certificate of deposit (Refer to Note 2.2)	663	-	663	-
Investments in commercial paper (Refer to Note 2.2)	44	-	44	-
Investments in unquoted equity and preference securities (Refer to Note 2.2)	22	-	-	22
Investments in unquoted investments others (Refer to Note 2.2)	10	-	-	10
Investments in unquoted convertible promissory note (Refer to Note 2.2)	2	-	-	2
Derivative financial instruments - gain on outstanding foreign exchange forward and option contracts	5	-	5	-
Liabilities				-
Derivative financial instruments - loss on outstanding foreign exchange forward and option contracts	20	-	20	-
Liability towards contingent consideration (Refer to note 2.5)*	16	-	-	16

** includes $3 million pertaining to Brilliant Basics discounted at 10% and $17 million pertainning to Wongdoody discounted at 16%.*

During the three months ended June 30, 2018, quoted debt securities of $51 million were transferred from Level 2 to Level 1 of fair value hierarchy, since these were valued based on Quoted price and $250 million were transferred from Level 1 to Level 2 of fair value hierarchy, since these were valued based on market observable inputs.

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

(Dollars in millions)

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

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

A one percentage point change in the unobservable inputs used in Level 3 assets and liabilities does not have a significant impact in its value.

Income from financial assets is as follows:

(Dollars in millions)

	Three months ended June 30,	
	2018	**2017**
Interest income on financial assets carried at amortized cost	57	66
Interest income on financial assets fair valued through other comprehensive income	25	32
Gain / (loss) on investments carried at fair value through profit or loss	5	11
	87	**109**

Financial risk management

Financial risk factors

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

Market risk

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

The following table analyses foreign currency risk from monetary assets and liabilities as at June 30, 2018:

(Dollars in millions)

	U.S. dollars	**Euro**	**United Kingdom Pound Sterling**	**Australian dollars**	**Other currencies**	**Total**
Cash and cash equivalents	112	31	17	33	159	352
Trade receivables	1,288	266	119	115	115	1,903
Unbilled revenue	435	114	44	26	54	673
Other assets	55	6	6	3	17	87
Trade payables	(43)	(10)	(17)	(8)	(9)	(87)
Accrued expenses	(193)	(30)	(18)	(10)	(20)	(271)
Employee benefit obligation	(88)	(15)	(4)	(28)	(20)	(155)
Other liabilities	(161)	(20)	(11)	(4)	(36)	(232)
Net assets / (liabilities)	**1,405**	**342**	**136**	**127**	**260**	**2,270**

The following table analyses foreign currency risk from monetary assets and liabilities as at March 31, 2018:

(Dollars in millions)

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

Sensitivity analysis between Indian Rupees and US Dollar

	As at	
	June 30, 2018	**June 30, 2017**
Impact on the Group's incremental operating margins	0.48%	0.49%

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

Derivative financial instruments

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

The following table gives details in respect of outstanding foreign exchange forward and options contracts:

(In millions)

Particulars	As at	
	June 30, 2018	**March 31, 2018**
Derivatives designated as cash flow hedges		
Options contracts		
In Australian dollars	150	60
In Euro	155	100
In United Kingdom Pound Sterling	30	20
Other derivatives		
Forward contracts		
In Australian dollars	79	5
In Canadian dollars	20	20
In Euro	161	91
In Japanese Yen	550	550
In New Zealand dollars	16	16
In Norwegian Krone	80	40
In Singapore dollars	10	5
In South African Rand	25	25
In Swedish Krona	50	50
In Swiss Franc	21	21
In U.S. Dollars	834	623
In United Kingdom Pound Sterling	78	51
Options contracts		
In Australian dollars	40	20
In Canadian dollars	13	-
In Euro	65	45
In Swiss Franc	10	5
In U.S. Dollars	240	320
In United Kingdom Pound Sterling	-	25

The group recognized a net loss of $25 million for the three months ended June 30, 2018 and and net gain of $3 million for the three months ended June 30, 2017 on derivative financial instruments not designated as cash flow hedges, which are included in other income.

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

(Dollars in millions)

	As at	
	June 30, 2018	**March 31, 2018**
Not later than one month	538	434
Later than one month and not later than three months	929	701
Later than three months and not later than one year	489	378
Total	**1,956**	**1,513**

During the three months ended June 30, 2018 the Group has designated certain foreign exchange forward and option contracts as cash flow hedges to mitigate the risk of foreign exchange exposure on highly probable forecast cash transactions. The related hedge transactions for balance in cash flow hedging reserve as of June 30, 2018 are expected to occur and reclassified to profit or loss within 3 months.

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

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

The following table provides the reconciliation of cash flow hedge reserve for the three months ended June 30, 2018 and June 30, 2017:

(Dollars in millions)

	Three months ended	
	June 30, 2018	**June 30, 2017**
Gain / (Loss)		
Balance at the beginning of the period	-	6
Gain / (Loss) recognized in other comprehensive income during the period	4	(6)
Amount reclassified to profit and loss during the period	(3)	(7)
Tax impact on above	-	3
Balance at the end of the period	**1**	**(4)**

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

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

(Dollars in millions)

	As at			
	June 30, 2018		March 31, 2018	
	Derivative financial asset	**Derivative financial liability**	**Derivative financial asset**	**Derivative financial liability**
Gross amount of recognized financial asset/liability	10	(25)	3	(7)
Amount set off	(5)	5	(1)	1
Net amount presented in balance sheet	**5**	**(20)**	**2**	**(6)**

Credit risk

Credit risk refers to the risk of default on its obligation by the counterparty resulting in a financial loss. The maximum exposure to the credit risk at the reporting date is primarily from trade receivables amounting to $2,001 million and $2,016 million as at June 30, 2018 and March 31, 2018, respectively and unbilled revenue amounting to $680 million and $654 million as at June 30, 2018 and March 31, 2018, respectively. Trade receivables and unbilled revenue are typically unsecured and are derived from revenue earned from customers primarily located in the United States. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Group grants credit terms in the normal course of business. On account of adoption of IFRS 9, the Group uses expected credit loss model to assess the impairment loss or gain. The group uses a provision matrix to compute the expected credit loss allowance for trade receivables and unbilled revenues. The provision matrix takes into account available external and internal credit risk factors such as credit default swap quotes, credit ratings from international credit rating agencies and the Group's historical experience for customers.

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

(In %)

	Three months ended June 30,	
	2018	**2017**
Revenue from top customer	3.7	3.3
Revenue from top ten customers	19.2	20.0

Credit risk exposure

The allowance for lifetime expected credit loss on customer balances for the three months ended June 30, 2018 was $10 million and reversal of allowance for lifetime expected credit loss on customer balance for the three months ended June 30, 2017 was $1 million.

Movement in credit loss allowance *(Dollars in millions)*

	Three months ended June 30,	
	2018	**2017**
Balance at the beginning	69	63
Translation differences	(2)	1
Impairment loss recognized/(reversed)	10	(1)
Write offs	-	-
Balance at the end	**77**	**63**

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

Credit exposure *(Dollars in millions)*

	As at	
	June 30, 2018	**March 31, 2018**
Trade receivables	2,001	2,016
Unbilled revenues	680	654

Days Sales Outstanding (DSO) as of June 30, 2018 and March 31, 2018 was 66 days and 67 days respectively.

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

Liquidity risk

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

As at June 30, 2018, the Group had a working capital of $4,443 million including cash and cash equivalents of $2,411 million and current investments of $1,004 million. As at March 31, 2018, the Group had a working capital of $5,243 million including cash and cash equivalents of $3,041 million and current investments of $982 million.

As at June 30, 2018 and March 31, 2018, the outstanding employee benefit obligations were each $225 million, which have been substantially funded. Accordingly, no liquidity risk is perceived.

The table below provides details regarding the contractual maturities of significant financial liabilities as at June 30, 2018:

(Dollars in millions)

Particulars	Less than 1 year	1-2 years	2-4 years	4-7 years	Total
Trade payables	117	-	-	-	117
Other liabilities (excluding liability towards contingent consideration - Refer to Note 2.5)	885	-	-	-	885
Liability towards contingent consideration on an undiscounted basis (Refer to Note 2.5)	4	9	7	-	20

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

(Dollars in millions)

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

2.4 Prepayments and other assets

Prepayments and other assets consist of the following:

(Dollars in millions)

	As at	
	June 30, 2018	**March 31, 2018**
Current		
Rental deposits	4	2
Security deposits	1	1
Loans to employees	36	37
Prepaid expenses [(1)]	83	72
Interest accrued and not due	110	117
Withholding taxes and others[(1)]	201	158
Advance payments to vendors for supply of goods [(1)]	15	18
Deposit with corporations	225	236
Deferred contract cost[(1)]	6	7
Other assets	26	14
Total Current other assets	**707**	**662**
Non-current		
Loans to employees	4	6
Security deposits	8	8
Deposit with corporations	4	9
Prepaid gratuity [(1)]	5	7
Prepaid expenses [(1)]	15	17
Deferred contract cost [(1)]	38	40
Withholding taxes and others[(1)]	148	219
Rental Deposits	24	26
Total Non- current other assets	**246**	**332**
Total other assets	**953**	**994**
Financial assets in prepayments and other assets	**442**	**456**

[(1)] *Non financial assets*

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

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

2.5 Other liabilities

Other liabilities comprise the following:

(Dollars in millions)

	As at	
	June 30, 2018	**March 31, 2018**
Current		
Accrued compensation to employees	385	385
Accrued expenses	424	376
Withholding taxes and others [(1)]	183	190
Retention money	16	20
Liabilities of controlled trusts	25	21
Liability towards contingent consideration (Refer to note 2.9)	4	6
Tax on dividend [(1)]	193	-
Accrued gratuity[(1)]	-	-
Deferred rent [(1)]	4	4
Others	35	34
Total Current other liabilities	**1,269**	**1,036**
Non-Current		
Liability towards contingent consideration (Refer to note 2.9)	12	2
Accrued gratuity[(1)]	4	4
Deferred income - government grant on land use rights [(1)]	7	7
Deferred income [(1)]	5	5
Deferred rent [(1)]	21	24
Total Non-current other liabilities	**49**	**42**
Total other liabilities	**1,318**	**1,078**
Financial liabilities included in other liabilities	901	844
Financial liability towards contingent consideration on an undiscounted basis (Refer to Note 2.9)	20	8

[(1)] *Non financial liabilities*

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

2.6 Provisions

Accounting Policy

Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that is reasonably estimable, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Post sales client support

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

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 the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established the Group recognizes any impairment loss on the assets associated with that contract.

Provisions comprise the following:

(Dollars in millions)

	As at	
	June 30, 2018	**March 31, 2018**
Provision for post sales client support and other provisions	76	75
	76	**75**

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

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

(Dollars in millions)

	Three months ended June 30, 2018
Balance at the beginning	75
Translation differences	-
Provision recognized/(reversed)	7
Provision utilized	(6)
Balance at the end	**76**

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

As at June 30, 2018 and March 31, 2018, claims against the company, not acknowledged as debts, (excluding demands from income tax authorities- Refer to Note 2.11) amounted to ₹260 crore ($38 million) and ₹260 crore ($40 million), respectively.

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

2.7 Property, plant and equipment

Accounting Policy

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

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

Depreciation methods, useful lives and residual values are reviewed periodically, including at each financial year end.

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

(ii) Impairment

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

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

Following are the changes in the carrying value of property, plant and equipment for the three months ended June 30, 2018:

(Dollars in millions)

	Land	Buildings	Plant and machinery	Computer equipment	Furniture and fixtures	Vehicles	Total
Gross carrying value as at April 1, 2018	**292**	**1,247**	**518**	**749**	**285**	**5**	**3,096**
Additions	10	13	5	34	6	-	68
Additions- Business Combinations (Refer note 2.9)	-	-	-	-	1	-	1
Deletions	(3)	-	(1)	(2)	(1)	-	(7)
Translation difference	(15)	(59)	(25)	(36)	(14)	-	(149)
Gross carrying value as at June 30, 2018	**284**	**1,201**	**497**	**745**	**277**	**5**	**3,009**
Accumulated depreciation as at April 1, 2018	**(5)**	**(417)**	**(359)**	**(557)**	**(203)**	**(3)**	**(1,544)**
Depreciation	-	(12)	(15)	(26)	(9)	-	(62)
Accumulated depreciation on deletions	-	-	1	2	1	-	4
Translation difference	-	21	16	28	10	-	75
Accumulated depreciation as at June 30, 2018	**(5)**	**(408)**	**(357)**	**(553)**	**(201)**	**(3)**	**(1,527)**
Capital work-in progress as at June 30, 2018							**299**
Carrying value as at June 30, 2018	**279**	**793**	**140**	**192**	**76**	**2**	**1,781**
Capital work-in progress as at April 1, 2018							**311**
Carrying value as at April 1, 2018	**287**	**830**	**159**	**192**	**82**	**2**	**1,863**

Following are the changes in the carrying value of property, plant and equipment for the three months ended June 30, 2017:

(Dollars in millions)

	Land	Buildings	Plant and machinery	Computer equipment	Furniture and fixtures	Vehicles	Total
Gross carrying value as at April 1, 2017	**272**	**1,123**	**466**	**700**	**261**	**5**	**2,827**
Additions	-	8	9	25	6	-	48
Deletions	-	-	-	(5)	-	-	(5)
Translation difference	1	5	2	4	2	-	14
Gross carrying value as at June 30, 2017	**273**	**1,136**	**477**	**724**	**269**	**5**	**2,884**
Accumulated depreciation as at April 1, 2017	**(4)**	**(376)**	**(301)**	**(471)**	**(168)**	**(3)**	**(1,323)**
Depreciation	-	(10)	(16)	(26)	(10)	-	(62)
Accumulated depreciation on deletions	-	-	-	5	-	-	5
Translation difference	-	(2)	(1)	(3)	(1)	-	(7)
Accumulated depreciation as at June 30, 2017	**(4)**	**(388)**	**(318)**	**(495)**	**(179)**	**(3)**	**(1,387)**
Capital work-in progress as at June 30, 2017							**337**
Carrying value as at June 30, 2017	**269**	**748**	**159**	**229**	**90**	**2**	**1,834**
Capital work-in progress as at April 1, 2017							**303**
Carrying value as at April 1, 2017	**268**	**747**	**165**	**229**	**93**	**2**	**1,807**

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

(Dollars in millions)

	Land	Buildings	Plant and machinery	Computer equipment	Furniture and fixtures	Vehicles	Total
Gross carrying value as at April 1, 2017	**272**	**1,123**	**466**	**700**	**261**	**5**	**2,827**
Additions	21	122	56	73	29	1	302
Deletions	-	-	(3)	(17)	(3)	(1)	(24)
Reclassified as held for sale (Refer note 2.9)	-	-	-	(6)	(4)	-	(10)
Translation difference	(1)	2	(1)	(1)	2	-	1
Gross carrying value as at March 31, 2018	**292**	**1,247**	**518**	**749**	**285**	**5**	**3,096**
Accumulated depreciation as at April 1, 2017	**(4)**	**(376)**	**(301)**	**(471)**	**(168)**	**(3)**	**(1,323)**
Depreciation	(1)	(43)	(62)	(107)	(40)	(1)	(254)
Accumulated depreciation on deletions	-	-	2	17	3	1	23
Reclassified as held for sale (Refer note 2.9)	-	-	-	4	3	-	7
Translation difference	-	2	2	-	(1)	-	3
Accumulated depreciation as at March 31, 2018	**(5)**	**(417)**	**(359)**	**(557)**	**(203)**	**(3)**	**(1,544)**
Capital work-in progress as at March 31, 2018							**311**
Carrying value as at March 31, 2018	**287**	**830**	**159**	**192**	**82**	**2**	**1,863**
Capital work-in progress as at April 1, 2017							**303**
Carrying value as at April 1, 2017	**268**	**747**	**165**	**229**	**93**	**2**	**1,807**

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

Carrying value of land includes $90 million and $98 million as at June 30, 2018 and March 31, 2018, respectively, towards amounts paid under certain lease-cum-sale agreements to acquire land, including agreements where the company has an option to purchase or renew the properties on expiry of the lease period.

The contractual commitments for capital expenditure were $202 million and $223 million as at June 30, 2018 and March 31, 2018, respectively.

2.8 Goodwill

Accounting Policy

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

Impairment

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

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

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

(Dollars in millions)

	As at	
	June 30, 2018	**March 31, 2018**
Carrying value at the beginning	339	563
Goodwill on Wongdoody acquisition *(Refer to note 2.9)*	25	-
Goodwill on Brilliant Basics acquisition *(Refer to note 2.9)*	-	5
Goodwill reclassified as assets held for sale *(Refer note no 2.9)*	-	(247)
Translation differences	(15)	18
Carrying value at the end	**349**	**339**

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

2.9 Business combination and Disposal Group held for sale

a. Business Combination

Accounting Policy

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

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

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

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

Brilliant Basics Holdings Limited.

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

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

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

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

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

(Dollars in millions)

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

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

The goodwill is not tax deductible.

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

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

(Dollars in millions)

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

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

Wongdoody Holding Company Inc.

On May 22, 2018, Infosys acquired 100% of the voting interests in WongDoody Holding Company Inc., (WongDoody) an US-based, full-service creative and consumer insights agency. The business acquisition was conducted by entering into a share purchase agreement for a total consideration of up to $75 million, which includes a cash consideration of $38 million, contingent consideration of up to $28 million and an additional consideration of up to $9 million, referred to as retention bonus, payable to the employees of WongDoody over the next three years, subject to their continuous employment with the group.

WongDoody, brings to Infosys the creative talent and marketing and brand engagement expertise. Further the acquisition is expected to strengthen Infosys' creative, branding and customer experience capabilities to bring innovative thinking, talent and creativity to clients.

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

(Dollars in millions)

Component	Acquiree's carrying amount	Fair value adjustments	Purchase price allocated
Net assets[(*)]	5	-	5
Intangible assets - Customer contracts and relationships	-	20	20
Intangible assets - Trade name	-	1	1
	5	**21**	**26**
Goodwill			25
Total purchase price			**51**

** Includes cash and cash equivalents acquired of $8 million.*

Goodwill is tax deductible

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

(Dollars in millions)

Component	Consideration settled
Cash consideration	38
Fair value of contingent consideration	13
Total purchase price	**51**

The gross amount of trade receivables acquired and its fair value is $2 million and the amount are substiantally collected.

The payment of contingent consideration to sellers of WongDoody is dependent upon the achievement of certain financial targets by WongDoody. At the acquisition date, the key inputs used in determination of the fair value of contingent consideration are the discount rate of 16% and the probabilities of achievement of the financial targets. The undiscounted value of contingent consideration as of June 30, 2018 is $17 million.

The transaction costs of less than $1 million related to the acquisition have been included under administrative expenses in the statement of comprehensive income for the three months ended June 30, 2018.

b. Disposal Group held for sale

Accounting policy

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

In the quarter ended March 2018, on conclusion of a strategic review of the portfolio businesses, the Company initiated identification and evaluation of potential buyers for its subsidiaries, Kallidus and Skava (together referred to as "Skava") and Panaya (collectively referred to as the "Disposal Group"). The Company anticipates completion of the sale by March 2019. On reclassification, assets and liabilities in respect of the Disposal Group have been reclassified as "held for sale"and measured at the lower of carrying amount and fair value less cost to sell. Consequently, a reduction in the fair value of Disposal Group held for sale amounting to $18 million in respect of Panaya has been recognized in the consolidated statement of comprehensive income for the quarter and year ended March 31, 2018.

During the three months ended June 30, 2018, on remeasurement, including consideration of progress in negotiations on offers from prospective buyers for Panaya, the Company has recorded a reduction in the fair value of Disposal Group held for sale amounting to $39 million in respect of Panaya.

As of June 30, 2018 assets amounting to $273 million and liabilities amounting to $50 million in respect of the Disposal Group have been classified as "held for sale" as of June 30, 2018

The Disposal Group does not constitute a separate major component of the company and therefore has not been classified as discontinued operations.

2.10 Employees' Stock Option Plans (ESOP)

Accounting Policy

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

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

On March 31, 2016, pursuant to the approval by the shareholders through postal ballot, the Board has been authorized to introduce, offer, issue and allot share-based incentives to eligible employees of the Company and its subsidiaries under the 2015 Stock Incentive Compensation Plan (the 2015 Plan). The maximum number of shares under the 2015 plan shall not exceed 24,038,883 equity shares (this includes 11,223,576 equity shares which are held by the trust towards the 2011 Plan as at March 31, 2016). Out of this 17,038,883 equity shares will be issued as RSUs at par value and 7,000,000 equity shares will be issued as stock options at market price on the date of the grant. These instruments will generally vest over a period of 4 years and the Company expects to grant the instruments under the 2015 Plan over the period of 4 to 7 years.

Controlled trust holds 10,790,750 and 10,801,956 shares as at June 30, 2018 and March 31, 2018, respectively under the 2015 plan, out of which 1,00,000 equity shares have been earmarked for welfare activities of the employees.

The following is the summary of grants during the three months ended June 30, 2018 and June 30, 2017 under the 2015 Plan:

	Three months ended	
	June 30, 2018	**June 30, 2017**
RSU		
Salil Parekh, CEO and MD - *Refer Note 1 below*	108,600	-
U.B. Pravin Rao, COO and WTD	-	27,250
Dr. Vishal Sikka*	-	270,224
Employees other than KMP	-	37,090
	108,600	**334,564**
ESOP		
U.B. Pravin Rao, COO and WTD	-	43,000
Dr. Vishal Sikka*	-	330,525
Employees other than KMP	-	73,600
	-	**447,125**
Total grants	**108,600**	**781,689**

** Upon Dr. Vishal Sikka's resignation from the roles of the company, the unvested RSUs and ESOPs have been forfeited*

1. Stock incentives granted to Salil Parekh, CEO & MD

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

The Board based on the recommendations of the Nomination and Remuneration committee approved on February 27, 2018, the annual time based grant for FY18 of 28,256 RSUs and the one-time time based grant of 84,768 RSUs. The grants were made effective February 27, 2018.

Further, the Board, based on the recommendations of the Nomination and Remuneration Committee, granted 108,600 performance based RSUs to Salil Parekh with an effective date of May 2, 2018. The grants would vest upon successful completion of three full fiscal years with the Company concluding on March 31, 2021 and will be determined based on achievement of certain performance targets for the said three-year period.

Though the annual time based grants for the remaining employment term ending on March 31, 2023 have not been granted as of June 30, 2018, since the service commencement date precedes the grant date, the company has recorded employment stock compensation expense in accordance with IFRS 2, Share based payments.

The RSUs and stock options would vest generally over a period of 4 years and shall be exercisable within the period as approved by the Committee. The exercise price of the RSUs will be equal to the par value of the shares and the exercise price of the stock options would be the market price as on the date of grant.

As at June 30, 2018 and March 31, 2018, incentive units outstanding (net of forfeitures) were 96,538 and 1,11,757, respectively .

Break-up of employee stock compensation expense

(Dollars in millions)

	Three months ended June 30,	
	2018	**2017**
Granted to:		
KMP[(2)]	1	2
Employees other than KMP	5	5
Total [(1)]	6	7
[(1)] Cash settled stock compensation expense included in the above	-	-

The carrying value of liability towards cash settled share based payments was $1 million each as at June 30, 2018 and March 31, 2018.

The activity in the 2015 Plan (formerly 2011 RSU Plan) for equity-settled share based payment transactions during the three months ended June 30, 2018 and June 30, 2017 is set out below:

Particulars	**Three Months ended June 30, 2018**		**Three Months ended June 30, 2017**	
	Shares arising out of options	**Weighted average exercise price ($)**	**Shares arising out of options**	**Weighted average exercise price ($)**
2015 Plan: RSU				
Outstanding at the beginning	3,750,409	0.07	2,961,373	0.07
Granted	108,600	0.07	334,564	0.07
Exercised	23,078	0.07	24,812	0.07
Forfeited and expired	55,453	0.07	45,120	0.07
Outstanding at the end	**3,780,478**	**0.07**	**3,226,005**	**0.07**
Exercisable at the end	9,062	0.07	-	-
2015 Plan: Employee Stock Options (ESOPs)				
Outstanding at the beginning	966,913	15.23	1,197,650	15.39
Granted	-	-	447,125	14.27
Exercised	962	14.78	-	-
Forfeited and expired	9,600	15.25	-	-
Outstanding at the end	**956,351**	**14.97**	**1,644,775**	**15.28**
Exercisable at the end	206,100	14.90	-	-

During the three month ended June 30, 2018, the weighted average share price of options exercised under the 2015 Plan on the date of exercise was $17.50.
During the three month ended June 30, 2017, the weighted average share price of options exercised under the 2015 Plan on the date of exercise was $14.60.

The following table summarizes information about equity settled RSUs and ESOPs outstanding as at June 30, 2018:

Range of exercise prices per share ($)	**Options outstanding**		
	No. of shares arising out of options	**Weighted average remaining contractual life**	**Weighted average exercise price ($)**
2015 Plan:			
0 - 0.08 (RSU)	3,780,478	1.68	0.07
13 - 17 (ESOP)	956,351	5.95	14.97
	4,736,829	**2.54**	**3.08**

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

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

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

Particulars	For options granted in
	Fiscal 2019- Equity Shares-RSU
Weighted average share price (₹) / ($- ADS)	1,197
Exercise price (₹)/ ($- ADS)	5
Expected volatility (%)	24
Expected life of the option (years)	3
Expected dividends (%)	2.82
Risk-free interest rate (%)	7
Weighted average fair value as on grant date (₹) / ($- ADS)	1,096

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

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

2.11 Income taxes

Accounting policy

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

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

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

(Dollars in millions)

	Three months ended June 30,	
	2018	**2017**
Current taxes		
Domestic taxes	166	167
Foreign taxes	48	66
	214	**233**
Deferred taxes		
Domestic taxes	1	(14)
Foreign taxes	(11)	(6)
	(10)	**(20)**
Income tax expense	**204**	**213**

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

In accordance with the APA, the company had reversed income tax expense provision of $225 million which pertained to previous periods which are no longer required. The Company had to pay an amount of approximately $233 million due to the difference between the taxes payable for prior periods as per the APA and the actual taxes paid for such periods. The Company has paid $138 million till June 30, 2018.

Further, the "Tax Cuts and Jobs Act (H.R. 1)" was signed into law on December 22, 2017 ("US Tax Reforms"). The US tax reforms has reduced federal tax rates from 35% to 21% effective January 1, 2018 amongst other measures.

Income tax expense for the three months ended June 30, 2018 and June 30, 2017 includes reversal (net of provisions) of $9 million and $2 million pertaining to prior periods on account of adjudication of certain disputed matters in favor of the company across various jurisdictions.

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

(Dollars in millions)

	Three months ended June 30,	
	2018	**2017**
Profit before income taxes	738	754
Enacted tax rates in India	34.94%	34.61%
Computed expected tax expense	258	261
Tax effect due to non-taxable income for Indian tax purposes	(90)	(93)
Overseas taxes	30	35
Tax provision (reversals)	(9)	(2)
Effect of differential overseas tax rates	(2)	2
Effect of exempt non operating income	(4)	(3)
Effect of unrecognized deferred tax assets	5	11
Effect of non-deductible expenses	19	5
Branch profit tax (net of credits)	(4)	-
Others	1	(3)
Income tax expense	**204**	**213**

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

Infosys is subject to a 15% Branch Profit Tax (BPT) in the U.S. to the extent its U.S. branch's net profit during the year is greater than the increase in the net assets of the U.S. branch during the year, computed in accordance with the Internal Revenue Code. As of March 31, 2018, Infosys' U.S. branch net assets amounted to approximately $772 million. As of June 30, 2018, the Company has a deferred tax liability for branch profit tax of $21 million (net of credits), as the Company estimates that these branch profits are expected to be distributed in the foreseeable future.

Entire deferred income tax for the three months ended June 30, 2018 and June 30, 2017, relates to origination and reversal of temporary differences.

As at March 31, 2018, claims against the Group not acknowledged as debts from the Indian Income tax authorities amounted to ₹4,542 crore ($697 million). Amount paid to statutory authorities against this amounted to ₹6,540 crore ($1,003 million).

As at June 30, 2018, claims against the Group not acknowledged as debts from the Income tax authorities amounted to ₹3,043 crore ($444 million). These matters are pending before various Appellate Authorities and the management including its tax advisors expect that its position will likely be upheld on ultimate resolution and will not have a material adverse effect on the Group's financial position and results of operations.

Amount paid to statutory authorities against the above tax claims amounted to ₹6,540 crore ($955 million).

Subsequent to March 31, 2018, the Supreme Court of India ruled favorably in respect of certain income tax claims which have been given effect in the above disclosure of claims as of June 30, 2018.

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

Accounting Policy

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

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

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

	Three months ended June 30,	
	2018	**2017**
Basic earnings per equity share - weighted average number of equity shares outstanding[(1)]	2,173,328,621	2,285,657,604
Effect of dilutive common equivalent shares - share options outstanding	2,026,557	1,400,544
Diluted earnings per equity share - weighted average number of equity shares and common equivalent shares	**2,175,355,178**	**2,287,058,148**

(1) excludes treasury shares

For the three months ended June 30, 2018, no options to purchase equity shares had an anti-dilutive effect.
For the three months ended June 30, 2017, 264,886 number of options to purchase equity shares had an anti-dilutive effect.

2.13 Related party transactions

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

Changes in Subsidiaries

During the three months ended June 30, 2018, the following are the changes in the subsidiaries and associates:

- Lodestone Management Consultants Inc has been liquidated effective May 17, 2018
- On May 22, 2018, Infosys acquired 100% voting rights in WongDoody Holding Company Inc., along with its two subsidiaries, WDW Communications, Inc and WongDoody, Inc

Changes in Key management personnel

The following were the changes in key management personnel:-

• Ravi Venkatesan, resigned from his position as Co-Chairman effective August 24, 2017 and resigned as member of the Board effective May 11, 2018

Transactions with key management personnel

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

(Dollars in millions)

	Three months ended June 30,	
	2018	**2017**
Salaries and other employee benefits to whole-time directors and executive officers[(1)]	4	4
Commission and other benefits to non-executive/ independent directors	-	1
Total	**4**	**5**

[(1)] Total employee stock compensation expense for the three months ended June 30, 2018 and June 30, 2017 includes $1 million and $2 million, respectively towards key management personnel. (Refer to note 2.10)

Investment in Associate

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

2.14 Segment Reporting

IFRS 8 establishes standards for the way that public business enterprises report information about operating segments and related disclosures about products and services, geographic areas, and major customers. The Group's operations predominantly relate to providing end-to-end business solutions to enable clients to enhance business performance.

During the three months ended June 30, 2018, the Company internally reorganized some of its business segments to deepen customer relationships, improve focus of sales investments and increase management oversight. Consequent to the internal reorganization, there were changes in the reportable business segments based on "Management approach" as defined under IFRS 8, Operating Segments. Therefore, enterprises in Insurance which was earlier considered under the Life Sciences, Healthcare and Insurance business segment are now considered under the Financial Services business segment and enterprises in Communication, Telecom OEM and Media which was earlier under Energy & Utilities, Communication and Services is now shown as a separate business segment. Segmental operating income has changed in line with these as well as changes in the allocation method. The CODM evaluates the Group's performance and allocates resources based on an analysis of various performance indicators by business segments. Accordingly, information has been presented along business segments. The accounting principles used in the preparation of the financial statements are consistently applied to record revenue and expenditure in individual segments, and are as set out in the accounting policies.

Business segments of the Group are primarily enterprises in Financial Services and Insurance, enterprises in Manufacturing, enterprises in Retail, Consumer Packaged Goods and Logistics, enterprises in the Energy, Utilities, Resources and Services, enterprises in Communications, Telecom OEM and Media, enterprises in Hi-Tech, enterprises in Life Sciences and Healthcare and all other segments. The Financial services reportable segments has been aggregated to include the Financial Services operating segment and Finacle operating segment because of the similarity of the economic characteristics. All other segments represent the operating segments of businesses in India, Japan, China, Infosys Public Services & other enterprises in Public Services. Consequent to the above change in the composition of reportable business segments, the prior year comparatives for the three months ended June 30, 2017 have been restated.

Revenue and identifiable operating expenses in relation to segments are categorized based on items that are individually identifiable to that segment. Revenue for 'all other segments' represents revenue generated by Infosys Public Services and revenue generated from customers located in India, Japan and China and other enterprises in public service. Allocated expenses of segments include expenses incurred for rendering services from the Company's offshore software development centres and on-site expenses, which are categorized in relation to the associated efforts 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. The management believes that it is not practical to provide segment disclosures relating to those costs and expenses, and accordingly these expenses are separately disclosed as "unallocated" and adjusted against the total income of the Group.

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

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

Disclosure of Revenue by geographic locations has been given in note 2.15 Revenue from operations.

2.14.1 Business Segments

Three months ended June 30, 2018 and June 30, 2017

(Dollars in millions)

	Financial Services	Retail	Communication	Energy, Utilities, Resources and Services	Manufacturing	Hi Tech	Life Sciences	All Other segments	Total
Revenues	**899**	**469**	**360**	**351**	**272**	**211**	**186**	**83**	**2,831**
	874	*431*	*334*	*300*	*246*	*194*	*175*	*97*	*2,651*
Identifiable operating expenses	483	237	187	187	152	116	99	50	1,511
	450	*217*	*166*	*151*	*144*	*107*	*88*	*54*	*1,377*
Allocated expenses	186	92	73	72	59	38	35	30	585
	185	*94*	*65*	*64*	*61*	*35*	*32*	*30*	*566*
Segment profit	**230**	**140**	**100**	**92**	**61**	**57**	**52**	**3**	**735**
	239	*120*	*103*	*85*	*41*	*52*	*55*	*13*	*708*
Unallocable expenses									65
									70
Operating profit									**670**
									638
Other income, net *(Refer Note 2.16)*									107
									127
Reduction in the fair value of Disposal Group held for sale (Refer Note 2.9)									(39)
									-
Share in net profit/(loss) of associate, including impairment									-
									(11)
Profit before Income taxes									**738**
									754
Income tax expense									204
									213
Net profit									**534**
									541
Depreciation and amortization									65
									70
Non-cash expenses other than depreciation and amortization									39
									-

2.14.2 Significant clients

No client individually accounted for more than 10% of the revenues for the three months ended June 30, 2018 and June 30, 2017, respectively.

2.15 Revenue from Operations

Accounting Policy:

The company derives revenues primarily from business IT services comprising of software development and related services, consulting and package implementation and from the licensing of software products and platforms across our core and digital offerings (“together called as software related services”)

Effective April 1, 2018, the Company adopted IFRS 15 “Revenue from Contracts with Customers” using the cumulative catch-up transition method, applied to contracts that were not completed as of April 1, 2018. In accordance with the cumulative catch-up transition method, the comparitives have not been retrospectively adjusted. The following is a summary of new and/or revised significant accounting policies related to revenue recognition. Refer "Significant Accounting Policies" in the Company’s 2017 Consolidated Financial statements under IFRS for the policies in effect for revenue prior to April 1, 2018. The effect on adoption of IFRS 15 was insignificant.

Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration we expect to receive in exchange for those products or services.

Arrangements with customers for software related services are either on a fixed-price, fixed-timeframe or on a time-and-material basis.

Revenue on time-and-material contracts are recognized as the related services are performed and revenue from the end of the last invoicing to the reporting date is recognized as unbilled revenue. Revenue from fixed-price, fixed-timeframe contracts, where the performance obligations are satisfied over time and where there is no uncertainty as to measurement or collectability of consideration, is recognized as per the percentage-of-completion method. When there is uncertainty as to measurement or ultimate collectability, revenue recognition is postponed until such uncertainty is resolved. Efforts or costs expended have been used to measure progress towards completion as there is a direct relationship between input and productivity.Maintenance revenue is recognized ratably over the term of the underlying maintenance arrangement.

Revenues in excess of invoicing are classified as contract assets (which we refer as unbilled revenue) while invoicing in excess of revenues are classified as contract liabilities (which we refer to as unearned revenues).

In arrangements for software development and related services and maintenance services, the company has applied the guidance in IFRS 15, Revenue from contract with customer, by applying the revenue recognition criteria for each distinct performance obligation. The arrangements with customers generally meet the criteria for considering software development and related services as distinct performance obligations. For allocating the transaction price, the company has measured the revenue in respect of each performance obligation of a contract at its relative standalone selling price. The price that is regularly charged for an item when sold separately is the best evidence of its standalone selling price. In cases where the company is unable to determine the standalone selling price, the company uses the expected cost plus margin approach in estimating the standalone selling price. For software development and related services, the performance obligations are satisfied as and when the services are rendered since the customer generally obtains control of the work as it progresses.

Revenue from licenses where the customer obtains a “right to use” the licenses is recognized at the time the license is made available to the customer. Revenue from licenses where the customer obtains a “right to access” is recognized over the access period. Arrangements to deliver software products generally have three elements: license, implementation and Annual Technical Services (ATS). The company has applied the principles under IFRS 15 to account for revenues from these performance obligations. When implementation services are provided in conjunction with the licensing arrangement and the license and implementation have been identified as two separate performance obligations, the transaction price for such contracts are allocated to each performance obligation of the contract based on their relative standalone selling prices. In the absence of standalone selling price for implementation, the performance obligation is estimated using the expected cost plus margin approach. Where the license is required to be substantially customized as part of the implementation service the entire arrangement fee for license and implementation is considered to be a single performance obligation and the revenue is recognized using the percentage-of-completion method as the implementation is performed. Revenue from client training, support and other services arising due to the sale of software products is recognized as the performance obligations are satisfied. ATS revenue is recognized ratably over the period in which the services are rendered.

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

Deferred contract costs are incremental costs of obtaining a contract which are recognied as assets and amortized over the term of the contract.

Contract modifications are accounted for when additions, deletions or changes are approved either to the contract scope or contract price. The accounting for modifications of contracts involves assessing whether the services added to an existing contract are distinct and whether the pricing is at the standalone selling price. Services added that are not distinct are accounted for on a cumulative catch up basis, while those that are distinct are accounted for prospectively, either as a separate contract, if the additional services are priced at the standalone selling price, or as a termination of the existing contract and creation of a new contract if not priced at the standalone selling price.

The Group presents revenues net of indirect taxes in its consolidated statement of comprehensive income.

Revenues for the three months ended June 30, 2018 and June 30, 2017 is as follows:

(Dollars in millions)

Particulars	Three monthe ended June 30,	
	2018	**2017**
Revenue from software services	2,695	2,509
Revenue from products and platforms	136	142
	2,831	**2,651**

Disaggregate revenue information

The table below presents disaggregated revenues from contracts with customers for the three months ended June 30, 2018 by geography, offerings and contract-type for each of our business segments. The Company believes this disaggregation best depicts how the nature, amount, timing and uncertainty of revenues and cash flows are affected by industry, market and other economic factors.

(Dollars in millions)

Particulars	Financial Services [1]	Retail[2]	Communication [3]	Energy , Utilities, resources and Services	Manufacturing	Hi Tech	Life Sciences[4]	Others [5]	Total
Revenues by Geography									
North America	542	307	177	203	145	203	110	12	1,699
Europe	172	132	71	117	118	2	72	5	689
India	41	1	2	-	3	5	-	21	73
Rest of the world	144	29	110	31	6	1	4	45	370
Total	**899**	**469**	**360**	**351**	**272**	**211**	**186**	**83**	**2,831**
Revenue by offerings									
Services									
Digital	236	137	106	93	67	67	39	9	754
Core	574	320	248	251	196	143	137	72	1,941
Subtotal	***810***	***457***	***354***	***344***	***263***	***210***	***176***	***81***	***2,695***
Products and platforms									
Digital	17	10	6	2	6	1	6	1	49
Core	72	2	-	5	3	-	4	1	87
Subtotal	***89***	***12***	***6***	***7***	***9***	***1***	***10***	***2***	***136***
Total	**899**	**469**	**360**	**351**	**272**	**211**	**186**	**83**	**2,831**
Digital	**253**	**147**	**112**	**95**	**73**	**68**	**45**	**10**	**803**
Core	**646**	**322**	**248**	**256**	**199**	**143**	**141**	**73**	**2,028**
Revenues by contract type									
Fixed Price	383	296	200	212	136	114	86	39	1,466
Time & Materials	516	173	160	139	136	97	100	44	1,365
Total	**899**	**469**	**360**	**351**	**272**	**211**	**186**	**83**	**2,831**

[1] Financial Services include enterprises in Financial Services and Insurance

[2] Retail includes enterprises in Retail, Consumer Packaged Goods and Logistics

[3] Communication includes enterprises in Communication, Telecom OEM and Media

[4] Life Sciences includes enterprises in Life sciences and Health care

[5] Others include operating segments of businesses in India, Japan, China, Infosys Public Services & other enterprises in Public Services

Digital Services

Digital Services comprise of service and solution offerings of the company that enable our clients to transform their businesses. These include offerings that enhance customer experience, leverage AI-based analytics and big data, engineer digital products and IoT, modernize legacy technology systems, migrate to cloud applications and implement advanced cyber security systems.

Core Services

Core Services comprise traditional offerings of the company that have scaled and industrialized over a number of years. These primarily include application management services, proprietary application development services, independent validation solutions, product engineering and management, infrastructure management services, traditional enterprise application implementation, support and integration services.

Products & platforms

The Group also derives revenues from the sale of products and platforms including Finacle – core banking solution, Edge Suite of products, Infosys Nia - Artificial Intelligence (AI) platform which applies next-generation AI and machine learning and Infosys McCamish- insurance platform

Trade Receivables and Contract Balances

The company classifies the right to consideration in exchange for deliverables as either a receivable or as unbilled revenue.

A receivable is a right to consideration that is unconditional upon passage of time. Revenue for time and material contracts are recognised as related service are performed. Revenue for fixed price maintenance contracts is recognized on a straight line basis over the period of the contract. Revenues in excess of billings is recorded as unbilled revenue and is classified as a financial asset for these cases as right to consideration is unconditional upon passage of time .

Revenue recognition for fixed price development contracts is based on percentage of completion method. Invoicing to the clients is based on milestones as defined in the contract. This would result in the timing of revenue recognition being different from the timing of billing the customers. Unbilled revenue for fixed price development contracts is classifed as non financial asset as the contractual right to consideration is dependent on completion of contractual milestones.

Invoicing in excess of earnings are classified as unearned revenue.

Trade receivable and unbilled revenues are presented net of impairment in the consolidated statements of financial position.

The following table discloses the movement in unbilled revenue on fixed price development contracts during the three months ended June 30, 2018

(Dollars in millions)

Particulars	**For the three months**
Balance as of April 1, 2018	**431**
Add : Revenue recognized during the period	280
Less : Invoiced during the period	268
Less : Impairment / (reversal) during the period	(1)
Add : Translation gain/(Loss)	-
Balance as of June 30, 2018	**444**

The following table discloses the movement in unearned revenue balances during the three months ended June 30, 2018

(Dollars in millions)

Particulars	**For the three months**
Balance as of April 1, 2018	**352**
Less: Revenue recognized during the period	148
Add: Invoiced during the period but not recognized as revenues	135
Add: Translation loss / (gain)	1
Balance as of June 30, 2018	**340**

Performance obligations and remaining performance obligations

The remaining performance obligation disclosure provides the aggregate amount of the transaction price yet to be recognized as of the end of the reporting period and an explanation as to when the company expects to recognize these amounts in revenue. Applying the practical expedient as given in IFRS 15, the company has not disclosed the remaining performance obligation related disclosures for contracts where the revenue recognized corresponds directly with the value to the customer of the entity's performance completed to date, typically those contracts where invoicing is on time and material basis. Remaining performance obligation estimates are subject to change and are affected by several factors, including terminations, changes in the scope of contracts, periodic revalidations, adjustment for revenue that has not materialized and adjustments for currency.

The aggregate value of performance obligations that are completely or partially unsatisfied as of June 30, 2018, other than those meeting the exclusion criteria mentioned above, is $5,979 million. Out of this, the company expects to recognize revenue of around 50% within the next one year and the remaining thereafter. This includes contracts that can be terminated for convenience without a substantive penalty since, based on current assessment, the occurrence of the same is expected to be remote.

The impact on account of applying the erstwhile IAS 18 - Revenue instead of IFRS 15- Revenue from contract with customers on the financials results of the company for the three months ended and as of June 30, 2018 is insignificant. On account of adoption of IFRS 15, unbilled revenues of $444 million as of June 30, 2018 has been considered as Non financial asset.

2.16 Break-up of expenses and other income, net

Accounting Policy
2.16.1 Gratuity

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

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

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

2.16.2 Superannuation

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

2.16.3 Provident fund

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

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

2.16.4 Compensated absences

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

2.16.5 Other income

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

During the three months ended June 30, 2018, the company has adopted IFRS interpretation IFRIC 22- Foreign Currency Transactions and Advance Consideration which clarifies the date of transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income when an entity has received or paid advance consideration in a foreign currency. The effect on account of adoption of this amendment was insignificant.

2.16.6 Operating Profits

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

Cost of sales

(Dollars in millions)

	Three months ended June 30,	
	2018	**2017**
Employee benefit costs	1,384	1,293
Depreciation and amortization	65	70
Travelling costs	65	61
Cost of technical sub-contractors	191	165
Cost of software packages for own use	31	34
Third party items bought for service delivery to clients	49	34
Operating lease payments	12	12
Consultancy and professional charges	2	2
Communication costs	8	8
Repairs and maintenance	12	11
Provision for post-sales client support	-	2
Others	-	-
Total	**1,819**	**1,692**

Sales and marketing expenses

(Dollars in millions)

	Three months ended June 30,	
	2018	**2017**
Employee benefit costs	111	104
Travelling costs	15	12
Branding and marketing	14	14
Operating lease payments	3	3
Consultancy and professional charges	3	2
Communication costs	1	1
Others	2	2
Total	**149**	**138**

Administrative expenses

(Dollars in millions)

	Three months ended June 30,	
	2018	**2017**
Employee benefit costs	54	57
Consultancy and professional charges	40	34
Repairs and maintenance	30	35
Power and fuel	9	8
Communication costs	9	10
Travelling costs	9	9
Rates and taxes	5	8
Operating lease payments	4	5
Insurance charges	3	2
Impairment loss recognized/(reversed) under expected credit loss model	10	1
Contributions towards Corporate Social Responsibility	11	7
Others	9	7
Total	**193**	**183**

Other income, net

(Dollars in millions)

Particulars	Three months ended June 30,	
	2018	**2017**
Interest income on financial assets carried at amortized cost	57	66
Interest income on financial assets fair valued through other comprehensive income	25	32
Gain/(loss) on investments carried at fair value through profit or loss	5	11
Exchange gains / (losses) on forward and options contracts	(27)	3
Exchange gains / (losses) on translation of other assets and liabilities	33	8
Others	14	7
	107	**127**

2.17 Capital allocation policy

2.17.1 Dividend

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

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

Particulars	Three Months ended June 30, 2018		Three Months ended June 30, 2017	
	in ₹	in US Dollars	in ₹	in US Dollars
Final dividend for fiscal 2017	-	-	14.75	0.23
Final dividend for fiscal 2018	20.50	0.31		
Special dividend for fiscal 2018	10.00	0.15	-	-

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

2.17.2 Buyback

The Board, at its meeting on August 19, 2017, approved a proposal for the Company to buyback its fully paid-up equity shares of face value of ₹5/- each from the eligible equity shareholders of the Company for an amount not exceeding ₹13,000 crore ($2 billion). The shareholders approved the said proposal of Buyback of Equity Shares through the postal ballot that concluded on October 7, 2017. The Buyback offer comprised a purchase of 113,043,478 Equity Shares aggregating 4.92% of the paid-up equity share capital of the Company at a price of ₹1,150 per Equity share. The buyback was offered to all eligible equity shareholders (including those who became equity shareholders as on the Record date by cancelling American Depository Shares and withdrawing underlying Equity shares) of the Company as on the Record Date (i.e. November 1, 2017) on a proportionate basis through the "Tender offer" route. The Company concluded the buyback procedures on December 27, 2017 and 113,043,478 shares were extinguished. The company utilized its securities premium and general reserve for the buyback of its shares. In accordance with section 69 of the Companies Act, 2013, the company created 'Capital Redemption Reserve' of $9 million equal to the nominal value of the shares bought back as an appropriation from general reserve during the year ended March 31, 2018.

The Company's objective when managing capital is to safeguard its ability to continue as a going concern and to maintain an optimal capital structure so as to maximize shareholder value. In order to maintain or achieve an optimal capital structure, the Company may adjust the amount of dividend payment, return capital to shareholders, issue new shares or buy back issued shares. As of June 30, 2018, the Company has only one class of equity shares and has no debt. Consequent to the above capital structure there are no externally imposed capital requirements

2.17.3 Bonus issue

The Board in its meeting held on July 13, 2018 has considered, approved and recommended a bonus issue of one equity share for every equity share held and a stock dividend of one American Depositary Share (ADS) for every ADS held, as on a record date to be determined. Consequently, the ratio of equity shares underlying the ADSs held by an American Depositary Receipt holder would remain unchanged. The Board approved and recommended the issue to celebrate 25th year of public listing in India and to further increase the liquidity of its shares. The bonus issue of equity shares and ADSs will be subject to approval by the shareholders, and any other applicable statutory and regulatory approvals.

The bonus shares once allotted shall rank pari passu in all respects and carry the same rights as the existing equity shareholders and shall be entitled to participate in full, in any dividend and other corporate action, recommended and declared after the new equity shares are allotted.

2.18 Share capital and share premium

The Company has only one class of shares referred to as equity shares having a par value of ₹5/- each. 10,790,750 shares and 10,801,956 shares were held by controlled trust, as at June 30, 2018 and March 31, 2018, respectively.

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

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

Nandan M. Nilekani
Chairman

Salil Parekh
Chief Executive officer and Managing Director

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

D. Sundaram
Director

M. D. Ranganath
Chief Financial Officer

A. G. S. Manikantha
Company Secretary

Bengaluru
July 13, 2018

INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF DIRECTORS OF
INFOSYS LIMITED

Report on the Audit of Interim Condensed Consolidated Financial Statements

Opinion

We have audited the accompanying interim condensed consolidated financial statements of Infosys Limited ("the Company") and its subsidiaries (the Company and its subsidiaries together referred to as "the Group"), which comprise the Condensed Consolidated Balance Sheet as at June 30, 2018, the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Statement of Changes in Equity and the Condensed Consolidated Statement of Cash Flows for the three months period ended on that date, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the interim condensed consolidated financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid interim condensed consolidated financial statements give a true and fair view in conformity with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") as issued by the International Accounting Standards Board ("IASB"), of the consolidated state of affairs of the Group as at June 30, 2018, the consolidated profit, consolidated total comprehensive income, consolidated changes in equity and its consolidated cash flows for the three months period ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Interim condensed Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the *Code of Ethics* issued by the Institute of Chartered Accountants of India, and we have fulfilled our other ethical responsibilities in accordance with the provisions of the Companies Act, 2013. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Management and Those Charged with Governance for the Interim Condensed Consolidated Financial Statements

The Company's Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance, consolidated total comprehensive income, consolidated changes in equity and consolidated cash flows of the Group in accordance with IAS 34 as issued by the IASB. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records for safeguarding assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the interim condensed consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the interim condensed consolidated financial statements by the Board of Directors of the Company, as aforesaid.

In preparing the interim condensed consolidated financial statements, the respective Board of Directors of the companies included in the Group are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group are responsible for overseeing the financial reporting process of the Group.

Auditor's Responsibilities for the Audit of the Interim Condensed Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the interim condensed consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these interim condensed consolidated financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the interim condensed consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the interim condensed consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the interim condensed consolidated financial statements, including the disclosures, and whether the interim condensed consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the interim condensed consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the interim condensed consolidated financial statements.

Materiality is the magnitude of misstatements in the financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

Based on our professional judgment, we determined materiality for the interim condensed consolidated financial statements as a whole at USD 37 million. The basis for determining materiality was 5% of profits before tax. Profits before tax was used as a benchmark for materiality because it is one of the main measures used by users of financial statements to monitor the performance of the Group.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

For **DELOITTE HASKINS & SELLS LLP**
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

P. R. RAMESH
Partner
(Membership No.70928)

Bengaluru, July 13, 2018

INFOSYS LIMITED AND SUBSIDIARIES

Condensed Consolidated Financial Statements under International Financial Reporting Standards (IFRS) in Indian Rupee for the three months ended June 30, 2018

Index

Consolidated Balance Sheet
Consolidated Statement of Comprehensive Income
Consolidated Statement of Changes in Equity
Consolidated Statement of Cash Flows
Overview and notes to the financial statements
1. Overview
- 1.1 Company overview
- 1.2 Basis of preparation of financial statements
- 1.3 Basis of consolidation
- 1.4 Use of estimates and judgements
- 1.5 Critical accounting estimates
- 1.6 Recent accounting pronouncements

2. Notes to the Condensed Consolidated Financial Statements
- 2.1 Cash and cash equivalents
- 2.2 Investments
- 2.3 Financial instruments
- 2.4 Prepayments and other assets
- 2.5 Other liabilities
- 2.6 Provisions
- 2.7 Property, plant and equipment
- 2.8 Goodwill
- 2.9 Business combinations and Disposal Group held for sale
- 2.10 Employees' Stock Option Plans (ESOP)
- 2.11 Income taxes
- 2.12 Reconciliation of basic and diluted shares used in computing earnings per share
- 2.13 Related party transactions
- 2.14 Segment reporting
- 2.15 Revenue from Operations
- 2.16 Break-up of expenses and other income, net
- 2.17 Capital allocation policy
- 2.18 Share capital and share premium

Infosys Limited and subsidiaries

(In ₹ crore except equity share data)

Condensed Consolidated Balance Sheet as at	Note	June 30, 2018	March 31, 2018
ASSETS			
Current assets			
Cash and cash equivalents	2.1	16,506	19,818
Current investments	2.2	6,876	6,407
Trade receivables		13,699	13,142
Unbilled revenue		4,655	4,261
Prepayments and other current assets	2.4	4,841	4,313
Derivative financial instruments	2.3	36	16
		46,613	**47,957**
Assets held for sale	2.9	1,867	2,060
Total current assets		**48,480**	**50,017**
Non-current assets			
Property, plant and equipment	2.7	12,192	12,143
Goodwill	2.8	2,394	2,211
Intangible assets		370	247
Investment in associate	2.13	-	-
Non-current investments	2.2	5,623	5,756
Deferred income tax assets		1,300	1,282
Income tax assets		6,056	6,070
Other non-current assets	2.4	1,688	2,164
Total non-current assets		**29,623**	**29,873**
Total assets		**78,103**	**79,890**
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables		798	694
Derivative financial instruments	2.3	136	42
Current income tax liabilities		2,032	2,043
Client deposits		187	38
Unearned revenue		2,327	2,295
Employee benefit obligations		1,498	1,421
Provisions	2.6	523	492
Other current liabilities	2.5	8,688	6,756
		16,189	**13,781**
Liabilities directly associated with assets held for sale	2.9	345	324
Total current liabilities		**16,534**	**14,105**
Non-current liabilities			
Deferred income tax liabilities		505	541
Employee benefit obligations		43	48
Other non-current liabilities	2.5	335	272
Total liabilities		**17,417**	**14,966**
Equity			
Share capital - ₹5 par value 2,40,00,00,000 (2,40,00,00,000) equity shares authorized, issued and outstanding 2,17,33,36,341 (2,17,33,12,301), net of 1,07,90,750 (1,08,01,956) treasury shares as at June 30, 2018 and (March 31, 2018), respectively		1,088	1,088
Share premium		229	186
Retained earnings		56,567	61,241
Cash flow hedge reserves		9	-
Other reserves		1,920	1,583
Capital redemption reserve		56	56
Other components of equity		816	769
Total equity attributable to equity holders of the Company		60,685	**64,923**
Non-controlling interests		1	1
Total equity		**60,686**	**64,924**
Total liabilities and equity		**78,103**	**79,890**

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

As per our report of even date attached
for Deloitte Haskins & Sells LLP
Chartered Accountants
Firm's Registration No :
117366W/ W-100018

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

P. R. Ramesh
Partner
Membership No. 70928

Nandan M. Nilekani
Chairman

Salil Parekh
Chief Executive officer and Managing Director

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

Bengaluru
July 13, 2018

D. Sundaram
Director

M. D. Ranganath
Chief Financial Officer

A. G. S. Manikantha
Company Secretary

Infosys Limited and subsidiaries

(In ₹ crore except equity share and per equity share data)

Condensed Consolidated Statement of Comprehensive Income for the	Note	Three months ended June 30, 2018	2017
Revenues	2.15	**19,128**	**17,078**
Cost of sales	2.16	12,288	10,900
Gross profit		**6,840**	**6,178**
Operating expenses			
Selling and marketing expenses	2.16	1,005	888
Administrative expenses	2.16	1,298	1,179
Total operating expenses		2,303	2,067
Operating profit		**4,537**	**4,111**
Other income, net	2.16	726	814
Reduction in the fair value of Disposal Group held for sale	2.9	(270)	-
Share in net profit/(loss) of associate, including impairment		-	(71)
Profit before income taxes		**4,993**	**4,854**
Income tax expense	2.11	1,381	1,371
Net profit		**3,612**	**3,483**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of the net defined benefit liability/asset, net		1	(3)
Equity instruments through other comprehensive income, net		4	-
		5	(3)
Items that will be reclassified subsequently to profit or loss			
Fair value changes on derivatives designated as cash flow hedge, net		9	(66)
Exchange differences on translation of foreign operations		87	107
Fair value changes on investments, net	2.2	(45)	27
		51	**68**
Total other comprehensive income/(loss), net of tax		**56**	**65**
Total comprehensive income		**3,668**	**3,548**
Profit attributable to:			
Owners of the Company		3,612	3,483
Non-controlling interests		-	-
		3,612	**3,483**
Total comprehensive income attributable to:			
Owners of the Company		3,668	3,548
Non-controlling interests		-	-
		3,668	**3,548**
Earnings per equity share			
Basic (₹)		16.62	15.24
Diluted (₹)		16.60	15.23
Weighted average equity shares used in computing earnings per equity share	2.12		
Basic		217,33,28,621	228,56,57,604
Diluted		217,53,55,178	228,70,58,148

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

As per our report of even date attached
for Deloitte Haskins & Sells LLP
Chartered Accountants
Firm's Registration No :
117366W/ W-100018

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

P. R. Ramesh	Nandan M. Nilekani	Salil Parekh	U. B. Pravin Rao
Partner	*Chairman*	*Chief Executive officer and Managing Director*	*Chief Operating Officer and Whole-time Director*
Membership No. 70928			
Bengaluru	D. Sundaram	M. D. Ranganath	A. G. S. Manikantha
July 13, 2018	*Director*	*Chief Financial Officer*	*Company Secretary*

Infosys Limited and subsidiaries

Condensed Consolidated Statement of Changes in Equity

(In ₹ crore except equity share data)

	Shares[1]	Share capital	Share premium	Retained earnings	Other reserves[2]	Capital redemption reserve	Other components of equity	Cash flow hedge reserve	Total equity attributable to equity holders of the Company
Balance as at April 1, 2017	**228,56,55,150**	**1,144**	**2,356**	**65,056**	**-**	**-**	**387**	**39**	**68,982**
Changes in equity for the three months June 30, 2017									
Net profit	-	-	-	3,483	-	-	-	-	3,483
Remeasurement of the net defined benefit liability/asset*	-	-	-	-	-	-	(3)	-	(3)
Fair value changes on Cash flow hedge reserve* (Refer to note 2.3)	-	-	-	-	-	-	-	(66)	(66)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	107	-	107
Fair value changes on investments, net* (Refer to note 2.2)	-	-	-	-	-	-	27	-	27
Total comprehensive income for the period	**-**	**-**	**-**	**3,483**	**-**	**-**	**131**	**(66)**	**3,548**
Shares issued on exercise of employee stock options (Refer to note 2.10)	24,812	-	-	-	-	-	-	-	-
Employee stock compensation expense (refer to note 2.10)	-	-	45	-	-	-	-	-	45
Transferred to other reserves	-	-	-	(483)	483	-	-	-	-
Transferred from other reserves on utilisation	-	-	-	154	(154)	-	-	-	-
Dividends (including dividend distribution tax)	-	-	-	(4,061)	-	-	-	-	(4,061)
Balance as at June 30, 2017	**228,56,79,962**	**1,144**	**2,401**	**64,149**	**329**	**-**	**518**	**(27)**	**68,514**
Balance as at April 1, 2018	**217,33,12,301**	**1,088**	**186**	**61,241**	**1,583**	**56**	**769**	**-**	**64,923**
Changes in equity for the three months June 30, 2018									
Net profit	-	-	-	3,612	-	-	-	-	3,612
Remeasurement of the net defined benefit liability/asset*	-	-	-	-	-	-	1	-	1
Equity instruments through other comprehensive income* (Refer to note 2.2)	-	-	-	-	-	-	4	-	4
Fair value changes on derivatives designated as cash flow hedge* (Refer to note 2.3)	-	-	-	-	-	-	-	9	9
Exchange differences on translation of foreign operations	-	-	-	-	-	-	87	-	87
Fair value changes on investments, net* (Refer to note 2.2)	-	-	-	-	-	-	(45)	-	(45)
Total comprehensive income for the period	**-**	**-**	**-**	**3,612**	**-**	**-**	**47**	**9**	**3,668**
Shares issued on exercise of employee stock options (Refer to note 2.10)	24,040	-	-	-	-	-	-	-	-
Employee stock compensation expense (refer to note 2.10)	-	-	43	-	-	-	-	-	43
Transferred to other reserves	-	-	-	(553)	553	-	-	-	-
Transferred from other reserves on utilisation	-	-	-	216	(216)	-	-	-	-
Dividends (including dividend distribution tax)	-	-	-	(7,949)	-	-	-	-	(7,949)
Balance as at June 30, 2018	**217,33,36,341**	**1,088**	**229**	**56,567**	**1,920**	**56**	**816**	**9**	**60,685**

** net of tax*

[1] excludes treasury shares of 1,07,90,750 as at June 30, 2018, 10,801,956 as at April 1, 2018, 1,12,64,702 as at June 30,2017 and 1,12,89,514 as at April 1, 2017, held by consolidated trust.

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

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

As per our report of even date attached

for Deloitte Haskins & Sells LLP
Chartered Accountants
Firm's Registration No :
117366W/ W-100018

P. R. Ramesh
Partner
Membership No. 70928

Bengaluru
July 13, 2018

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

Nandan M. Nilekani
Chairman

D. Sundaram
Director

Salil Parekh
Chief Executive officer
and Managing Director

M. D. Ranganath
Chief Financial Officer

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

A. G. S. Manikantha
Company Secretary

Infosys Limited and subsidiaries

Condensed Consolidated Statement of Cash Flows

Accounting Policy

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

(In ₹ crore)

Condensed Consolidated Statement of cash flows for the		Three months ended June 30,	
	Note	2018	2017
Operating activities:			
Net Profit		3,612	3,483
Adjustments to reconcile net profit to net cash provided by operating activities:			
Depreciation and amortization	2.7 & 2.8	436	450
Income tax expense	2.11	1,381	1,371
Interest and dividend income		(202)	(240)
Effect of exchange rate changes on assets and liabilities		62	(3)
Impairment loss under expected credit loss model		69	(4)
Share in net profit/(loss) of associate, including impairment		-	71
Reduction in the fair value of Disposal Group held for sale	2.9	270	-
Stock compensation expense		44	46
Other adjustments		(56)	(52)
Changes in working capital			
Trade receivables and unbilled revenue		(984)	(459)
Prepayments and other assets		(83)	(164)
Trade payables		96	(107)
Client deposits		149	(16)
Unearned revenue		14	221
Other liabilities and provisions		886	759
Cash generated from operations		**5,694**	**5,356**
Income taxes paid		(1,428)	(1,205)
Net cash provided by operating activities		**4,266**	**4,151**
Investing activities:			
Expenditure on property, plant and equipment	2.7 & 2.8	(537)	(553)
Loans to employees		-	23
Deposits placed with corporation		22	(9)
Interest and dividend received		186	86
Payment of contingent consideration pertaining to acquisition of business	2.9	-	(33)
Payment towards acquisition of business, net of cash acquired	2.9	(206)	-
Investment in equity and preference securities		(10)	(13)
Investment in others		(5)	(9)
Investment in certificates of deposit		-	(281)
Redemption of certificates of deposit		800	150
Investment in quoted debt securities		(17)	(1)
Redemption of quoted debt securities		303	4
Investment in liquid mutual fund units and fixed maturity plan securities		(23,922)	(16,472)
Redemption of liquid mutual fund units and fixed maturity plan securities		22,499	16,774
Net cash used in investing activities		**(887)**	**(334)**
Financing activities:			
Payment of dividends		(6,629)	(3,363)
Net cash used in financing activities		**(6,629)**	**(3,363)**
Effect of exchange rate changes on cash and cash equivalents		(41)	38
Net increase/(decrease) in cash and cash equivalents		(3,250)	454
Cash and cash equivalents at the beginning of the period	2.1	19,871	22,625
Cash and cash equivalents at the end of the period	2.1	**16,580**	**23,117**
Supplementary information:			
Restricted cash balance	2.1	433	601

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

As per our report of even date attached

for Deloitte Haskins & Sells LLP
Chartered Accountants
Firm's Registration No :
117366W/ W-100018

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

P. R. Ramesh
Partner
Membership No. 70928

Nandan M. Nilekani
Chairman

Salil Parekh
Chief Executive officer and Managing Director

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

Bengaluru
July 13, 2018

D. Sundaram
Director

M. D. Ranganath
Chief Financial Officer

A. G. S. Manikantha
Company Secretary

Notes to the interim condensed consolidated financial statements

1. Overview

1.1 Company overview

Infosys Limited ('the Company' or Infosys) is a leading provider of consulting, technology, outsourcing and next-generation digital services, enabling clients to execute strategies for their digital transformation. Infosys strategic objective is to build a sustainable organization that remains relevant to the agenda of clients, while creating growth opportunities for employees and generating profitable returns for investors. Infosys strategy is to be a navigator for our clients as they ideate, plan and execute on their journey to a digital future.

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

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

Further, the Company's ADS were also listed on the Euronext London and Euronext Paris. On July 5, 2018, the Company voluntarily delisted its ADS from the said exchanges due to low average daily trading volume of its ADS on these exchanges.

The Group's interim condensed consolidated financial statements are authorized for issue by the Company's Board of Directors on July 13, 2018.

1.2 Basis of preparation of financial statements

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting as issued by the International Accounting Standards Board (IFRS), under the historical cost convention on the accrual basis except for certain financial instruments which have been measured at fair values. Accordingly, these consolidated financial statements do not include all the information required for a complete set of financial statements. These consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Company's annual consolidated financial statements for the year ended March 31, 2018. Accounting policies have been applied consistently to all periods presented in these interim condensed consolidated financial statements.

1.3 Basis of consolidation

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

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

1.4 Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions. These estimates, judgments and assumptions affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Application of accounting policies that require critical accounting estimates involving complex and subjective judgments and the use of assumptions in these financial statements have been disclosed in Note 1.5. Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the consolidated financial statements.

1.5 Critical accounting estimates

a. Revenue recognition

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

Further, the company uses significant judgements while determining the transaction price allocated to performance obligations using the expected cost plus margin approach.

Provisions for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the expected contract estimates at the reporting date.

b. Income taxes

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

In assessing the realizability of deferred income tax assets, management considers whether some portion or all of the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. Management considers the scheduled reversals of deferred income tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based on the level of historical taxable income and projections for future taxable income over the periods in which the deferred income tax assets are deductible, management believes that the group will realize the benefits of those deductible differences. The amount of the deferred income tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carry forward period are reduced. Also refer to Note 2.11.

c. Business combinations and intangible assets

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

d. Property, plant and equipment

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

e. Impairment of Goodwill

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

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

f. Non-current assets and Disposal Groups held for sale

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

1.6 Recent accounting pronouncements

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

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

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

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

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

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

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

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

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

2. Notes to the condensed consolidated financial statements

2.1 Cash and cash equivalents

Cash and cash equivalents consist of the following:

(In ₹ crore)

Particulars	As at	
	June 30, 2018	**March 31, 2018**
Cash and bank deposits	9,034	13,168
Deposits with financial institutions	7,472	6,650
	16,506	**19,818**
Cash and cash equivalents included under assets classified under held for sale (Refer note no 2.9)	74	53
	16,580	**19,871**

Cash and cash equivalents as at June 30, 2018 and March 31, 2018 include restricted cash and bank balances of ₹433 crore and ₹533 crore, respectively. The restrictions are primarily on account of cash and bank balances held by irrevocable trusts controlled by the Company, bank balances held as margin money deposits against guarantees and balances held in unpaid dividend bank accounts.

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

The table below provides details of cash and cash equivalents:

(In ₹ crore)

Particulars	As at	
	June 30, 2018	**March 31, 2018**
Current Accounts		
ANZ Bank, Taiwan	1	9
Axis Bank - Unpaid Dividend Account	1	1
Banamex Bank, Mexico	2	2
Banamex Bank, Mexico (U.S. Dollar account)	14	13
Bank of America, Mexico	27	25
Bank of America, USA	569	1,172
Bank of Baroda, Mauritius	-	1
Bank of Tokyo-Mitsubishi UFJ Ltd., Japan	1	1
Bank Zachodni WBK S.A, Poland	8	17
Bank of Phillipines, Manila Island	1	-
Barclays Bank, United Kingdom	42	40
BNP Paribas Bank, Norway	52	88
China Merchants Bank, China	8	6
Citibank N.A., Australia	124	223
Citibank N.A., Brazil	16	14
Citibank N.A., China	75	116
Citibank N.A., China (U.S. Dollar account)	8	9
Citibank N.A., Costa Rica	3	1
Citibank N.A., Dubai	6	6
Citibank N.A., EEFC (U.S. Dollar account)	1	4
Citibank N.A., Hungary	8	6
Citibank N.A., India	3	3
Citibank N.A., Japan	15	18
Citibank N.A., New Zealand	6	11
Citibank N.A., Portugal	8	8
Citibank N.A., Romania	4	2
Citibank N.A., Singapore	7	4
Citibank N.A., South Africa	36	33
CitiBank N.A., South Africa (Euro account)	1	1
Citibank N.A., South Korea	5	2
CitiBank N.A., USA	4	3
Danske Bank, Sweden	1	1
Deutsche Bank, Belgium	17	27
Deutsche Bank, Czech Republic	5	16
Deutsche Bank, Czech Republic (Euro account)	3	3
Deutsche Bank, Czech Republic (U.S. Dollar account)	8	2
Deutsche Bank, EEFC (Australian Dollar account)	1	2
Deutsche Bank, EEFC (Euro account)	36	34
Deutsche Bank, EEFC (Swiss Franc account)	2	2
Deutsche Bank, EEFC (U.S. Dollar account)	42	32
Deutsche Bank, EEFC (United Kingdom Pound Sterling account)	8	9
Deutsche Bank, France	6	19
Deutsche Bank, Germany	121	100
Deutsche Bank, Hong Kong	2	1
Deutsche Bank, India	30	44
Deutsche Bank, Malaysia	1	5
Deutsche Bank, Netherlands	12	15
Deutsche Bank, Philippines	6	25
Deutsche Bank, Philippines (U.S. Dollar account)	3	3
Deutsche Bank, Poland	7	18

Deutsche Bank, Poland (Euro account)	6	8
Deutsche Bank, Russia	3	3
Deutsche Bank, Russia (U.S. Dollar account)	4	5
Deutsche Bank, Singapore	14	17
Deutsche Bank, Spain	1	1
Deutsche Bank, Switzerland	21	29
Deutsche Bank, United Kingdom	54	79
Deutsche Bank, USA	20	2
HDFC Bank - Unpaid dividend account	1	1
HSBC Bank, (U.S. Dollar account)	2	-
HSBC Bank, Dubai	-	2
HSBC Bank, Hong Kong	2	2
HSBC Bank, United Kingdom	8	6
ICICI Bank, EEFC (Euro account)	5	1
ICICI Bank, EEFC (U.S. Dollar account)	51	40
ICICI Bank, EEFC (United Kingdom Pound Sterling account)	2	11
ICICI Bank, India	54	52
ICICI Bank - Unpaid dividend account	20	20
Nordbanken, Sweden	32	50
Punjab National Bank, India	76	12
Raiffeisen Bank, Czech Republic	1	5
Raiffeisen Bank, Romania	-	3
Royal Bank of Canada, Canada	195	166
Santander Bank, Argentina	-	1
Splitska Banka D.D., Société Générale Group, Croatia	9	8
State Bank of India, India	2	1
The Saudi British Bank, Saudi Arabia	3	3
Washington Trust	45	-
	1,998	**2,725**
Deposit Accounts		
Axis Bank	100	-
Bank BGZ BNP Paribas S.A.	320	144
Barclays Bank	200	200
Canara Bank	233	235
Citibank	126	227
Deutsche Bank, AG	23	24
Deutsche Bank, Poland	66	211
HDFC Bank	523	2,498
ICICI Bank	3,376	3,699
IDBI Bank	-	250
IDFC Bank	1,750	1,500
IndusInd Bank	-	1,000
National Bank of Mexico, SA (CITI - Banamex)	64	-
South Indian Bank	250	450
Yes Bank	5	5
	7,036	**10,443**
Deposits with financial institutions		
HDFC Limited	6,272	5,450
LIC Housing Finance Limited	1,200	1,200
	7,472	**6,650**
Total Cash and cash equivalents	**16,506**	**19,818**

2.2 Investments

The carrying value of the investments are as follows:

(In ₹ crore)

Particulars	**As at**	
	June 30, 2018	**March 31, 2018**
(i) Current		
Amortised Cost		
Quoted debt securities		
Cost	17	1
Fair Value through profit and loss		
Liquid mutual fund units		
Fair value	1,535	81
Fair Value through other comprehensive income		
Quoted Debt Securities		
Fair value	486	763
Commercial papers		
Fair value	299	293
Certificates of deposit		
Fair value	4,539	5,269
Total current investments	**6,876**	**6,407**

(In ₹ crore)

Particulars	As at	
	June 30, 2018	March 31, 2018
(ii) Non-current		
Amortised Cost		
Quoted debt securities		
Cost	1,895	1,896
Fair Value through other comprehensive income		
Quoted debt securities		
Fair value	3,066	3,215
Unquoted equity and preference securities		
Fair value	154	138
Fair Value through profit and loss		
Unquoted convertible promissory note		
Fair value	11	12
Fixed Maturity Plan Securities		
Fair value	431	429
Others		
Fair value	66	66
Total non-current investments	**5,623**	**5,756**
Total investments	**12,499**	**12,163**
Investments carried at amortised cost	1,912	1,897
Investments carried at fair value through other comprehensive income	8,544	9,678
Investments carried at fair value through profit or loss	2,043	588

Uncalled capital commitments outstanding as at June 30, 2018 and March 31, 2018 was ₹67 crore and ₹81 crore, respectively.

Details of amounts recorded in Other comprehensive income:

(In ₹ crore)

Net Gain/(loss) on	Three months ended					
	June 30, 2018			June 30, 2017		
	Gross	Tax	Net	Gross	Tax	Net
Quoted debt securities	(36)	4	(32)	30	(2)	28
Certificate of deposits	(20)	7	(13)	(1)	-	(1)
Unquoted equity and preference securities	5	(1)	4	-	-	-

Method of fair valuation:

(In ₹ crore)

Class of investment	Method	Fair value As at	
		June 30, 2018	March 31, 2018
Liquid mutual fund units	Quoted price	1,535	81
Fixed maturity plan securities	Market observable inputs	431	429
Quoted debt securities- carried at amortized cost	Quoted price and market observable inputs	2,144	2,151
Quoted debt securities- carried at fair value through other comprehensive income	Quoted price and market observable inputs	3,552	3,978
Certificate of deposits	Market observable inputs	4,539	5,269
Commercial papers	Market observable inputs	299	293
Unquoted equity and preference securities	Discounted cash flows method, Market multiples method, Option pricing model, etc.	154	138
Unquoted convertible promissory note	Discounted cash flows method, Market multiples method, Option pricing model, etc.	11	12
Others	Discounted cash flows method, Market multiples method, Option pricing model, etc.	66	66
		12,731	**12,417**

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

2.3 Financial instruments

Accounting Policy

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

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

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

2.3.1 Initial recognition

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

2.3.2 Subsequent measurement

a. Non-derivative financial instruments

(i) Financial assets carried at amortised cost

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

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

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

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

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

(iv) Financial liabilities

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

b. Derivative financial instruments

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

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

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

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

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

(ii) Cash flow hedge

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

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

c. Share capital and treasury shares

(i) Ordinary Shares

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

(ii) Treasury Shares

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

2.3.3 Derecognition of financial instruments

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

2.3.4 Fair value of financial instruments

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

Refer to table 'Financial instruments by category' below for the disclosure on carrying value and fair value of financial assets and liabilities. For financial assets and liabilities maturing within one year from the balance sheet date and which are not carried at fair value, the carrying amounts approximate fair value due to the short maturity of those instruments.

2.3.5 Impairment

a. Financial assets

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

Financial instruments by category

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

(In ₹ crore)

	Amortised cost	Financial assets / liabilities at fair value through profit or loss		Financial assets / liabilities at fair value through OCI		Total carrying value	Total fair value
		Designated upon initial recognition	Mandatory	Equity instruments designated upon initial recognition	Mandatory		
Assets:							
Cash and cash equivalents (Refer to Note 2.1)	16,506	-	-	-	-	16,506	16,506
Investments (Refer to Note 2.2)							
Liquid mutual funds	-	-	1,535	-	-	1,535	1,535
Fixed maturity plan securities	-	-	431	-	-	431	431
Quoted debt securities	1,912	-	-	-	3,552	5,464	5,696 [(1)]
Certificates of deposit	-	-	-	-	4,539	4,539	4,539
Commercial papers	-	-	-	-	299	299	299
Unquoted equity and preference securities	-	-	-	154	-	154	154
Unquoted investment others	-	-	66	-	-	66	66
Unquoted convertible promissory notes	-	-	11	-	-	11	11
Trade receivables	13,699	-	-	-	-	13,699	13,699
Unbilled revenues [(3)] (Refer to Note 2.15)	1,615	-	-	-	-	1,615	1,615
Prepayments and other assets (Refer to Note 2.4)	3,033	-	-	-	-	3,033	2,941 [(2)]
Derivative financial instruments	-	-	13	-	23	36	36
Total	**36,765**	**-**	**2,056**	**154**	**8,413**	**47,388**	**47,528**
Liabilities:							
Trade payables	798	-	-	-	-	798	798
Derivative financial instruments	-	-	133	-	3	136	136
Other liabilities including contingent consideration (Refer to Note 2.5)	6,059	-	110	-	-	6,169	6,169
Total	**6,857**	**-**	**243**	**-**	**3**	**7,103**	**7,103**

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

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

[(3)] *Excludes unbilled revenue for fixed price development contracts where right to consideration is conditional on factors other than passage of time*

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

(In ₹ crore)

	Amortised cost	Financial assets/ liabilities at fair value through profit or loss		Financial assets/liabilities at fair value through OCI		Total carrying value	Total fair value
		Designated upon initial recognition	Mandatory	Equity instruments designated upon initial recognition	Mandatory		
Assets:							
Cash and cash equivalents (Refer to Note 2.1)	19,818	-	-	-	-	19,818	19,818
Investments (Refer to Note 2.2)							
Liquid mutual funds	-	-	81	-	-	81	81
Fixed maturity plan securities	-	-	429	-	-	429	429
Quoted debt securities	1,897	-	-	-	3,978	5,875	6,129 [(1)]
Certificates of deposit	-	-	-	-	5,269	5,269	5,269
Commercial papers	-	-	-	-	293	293	293
Unquoted equity and preference securities	-	-	-	138	-	138	138
Unquoted investments others	-	-	66	-	-	66	66
Unquoted convertible promissory note	-	-	12	-	-	12	12
Trade receivables	13,142	-	-	-	-	13,142	13,142
Unbilled revenue	4,261	-	-	-	-	4,261	4,261
Prepayments and other assets (Refer to Note 2.4)	2,966	-	-	-	-	2,966	2,882 [(2)]
Derivative financial instruments	-	-	4	-	12	16	16
Total	**42,084**	**-**	**592**	**138**	**9,552**	**52,366**	**52,536**
Liabilities:							
Trade payables	694	-	-	-	-	694	694
Derivative financial instruments	-	-	39	-	3	42	42
Other liabilities including contingent consideration (Refer to Note 2.5)	5,442	-	54	-	-	5,496	5,496
Total	**6,136**	**-**	**93**	**-**	**3**	**6,232**	**6,232**

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

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

Fair value hierarchy

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

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

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

The following table presents fair value hierarchy of assets and liabilities as at June 30, 2018:

(In ₹ crore)

Particulars	As at June 30, 2018	Fair value measurement at end of the reporting period using		
		Level 1	Level 2	Level 3
Assets				
Investments in liquid mutual fund units (Refer to Note 2.2)	1,535	1,535	-	-
Investments in fixed maturity plan securities (Refer to Note 2.2)	431	-	431	-
Investments in quoted debt securities (Refer to Note 2.2)	5,696	2,969	2,727	-
Investments in certificates of deposit (Refer to Note 2.2)	4,539	-	4,539	-
Investments in commercial papers (Refer to Note 2.2)	299	-	299	-
Investments in unquoted equity and preference securities (Refer to Note 2.2)	154	-	-	154
Investments in unquoted investments others (Refer to Note 2.2)	66	-	-	66
Investments in unquoted convertible promissory note (Refer to Note 2.2)	11	-	-	11
Derivative financial instruments - gain on outstanding foreign exchange forward and option contracts	36	-	36	-
Liabilities				
Derivative financial instruments - loss on outstanding foreign exchange forward and option contracts	136	-	136	-
Liability towards contingent consideration (Refer to Note 2.5)*	110	-	-	110

**Discounted contingent consideration of ₹21 crore pertaining to Brilliant Basics at 10% and ₹119 crore pertaining to Wongdoody at 16%.*

During the three months ended June 30, 2018, quoted debt securities of ₹351 crore were transferred from Level 2 to Level 1 of fair value hierarchy, since these were valued based on quoted price and ₹1,711 crore were transferred from Level 1 to Level 2 of fair value hierarchy, since these were valued based on market observable inputs.

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

(In ₹ crore)

Particulars	As at March 31, 2018	Fair value measurement at end of the reporting year using		
		Level 1	Level 2	Level 3
Assets				
Investments in liquid mutual fund units (Refer to Note 2.2)	81	81	-	-
Investments in fixed maturity plan securities (Refer to Note 2.2)	429	-	429	-
Investments in quoted debt securities (Refer to Note 2.2)	6,129	4,574	1,555	-
Investments in certificates of deposit (Refer to Note 2.2)	5,269	-	5,269	-
Investments in commercial papers (Refer to Note 2.2)	293	-	293	-
Investments in unquoted equity and preference securities(Refer to Note 2.2)	138	-	-	138
Investments in unquoted investments others (Refer to Note 2.2)	66	-	-	66
Investments in unquoted convertible promissory note (Refer to Note 2.2)	12	-	-	12
Derivative financial instruments- gain on outstanding foreign exchange forward and option contracts	16	-	16	-
Liabilities				
Derivative financial instruments- loss on outstanding foreign exchange forward and option contracts	42	-	42	-
Liability towards contingent consideration (Refer to Note 2.5)*	54	-	-	54

**Discounted contingent consideration of ₹21 crore pertaining to Brilliant Basics at 10%*

A one percentage point change in the unobservable inputs used in fair valuation of Level 3 assets and liabilities does not have a significant impact in its value.

Income from financial assets is as follows :

(In ₹ crore)

Particulars	Three months ended June 30,	
	2018	2017
Interest income from financial assets carried at amortised cost	383	427
Interest income on financial assets fair valued through other comprehensive income	167	203
Dividend income from investments carried at fair value through profit or loss	-	1
Gain / (loss) on investments carried at fair value through profit or loss	32	69
	582	**700**

Financial risk management

Financial risk factors

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

Market risk

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

The following table analyses foreign currency risk from monetary assets and liabilities as at June 30, 2018:

(In ₹ crore)

Particulars	U.S. dollars	Euro	United Kingdom Pound Sterling	Australian dollars	Other currencies	Total
Cash and cash equivalents	766	215	117	227	1,087	2,412
Trade receivables	8,821	1,823	811	788	788	13,031
Unbilled revenue	2,981	781	300	176	367	4,605
Other assets	377	40	43	20	121	601
Trade payables	(296)	(67)	(115)	(58)	(63)	(599)
Accrued Expenses	(1,324)	(208)	(127)	(68)	(129)	(1,856)
Employee benefit obligations	(604)	(104)	(26)	(189)	(138)	(1,061)
Other liabilities	(1,101)	(136)	(73)	(27)	(255)	(1,592)
Net assets / (liabilities)	**9,620**	**2,344**	**930**	**869**	**1,778**	**15,541**

The following table analyses foreign currency risk from monetary assets and liabilities as at March 31, 2018:

(In ₹ crore)

Particulars	U.S. dollars	Euro	United Kingdom Pound Sterling	Australian dollars	Other currencies	Total
Cash and cash equivalents	1,287	218	147	353	1,192	3,197
Trade receivables	8,317	1,751	845	788	781	12,482
Unbilled revenue	2,318	637	304	159	371	3,789
Other assets	318	26	26	14	99	483
Trade payables	(273)	(81)	(114)	(30)	(58)	(556)
Accrued Expenses	(1,082)	(188)	(111)	(61)	(149)	(1,591)
Employee benefit obligations	(572)	(91)	(25)	(181)	(129)	(998)
Other liabilities	(635)	(138)	(79)	(31)	(318)	(1,201)
Net assets / (liabilities)	**9,678**	**2,134**	**993**	**1,011**	**1,789**	**15,605**

Sensitivity analysis between Indian rupee and U.S. Dollar

Particulars	Three months ended June 30,	
	2018	2017
Impact on Group's incremental operating margins	0.48%	0.49%

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

Derivative financial instruments

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

The following table gives details in respect of outstanding foreign exchange forward and option contracts:

Particulars	As at June 30, 2018		As at March 31, 2018	
	In million	In ₹ crore	In million	In ₹ crore
Derivatives designated as cash flow hedges				
Option Contracts				
In Australian dollars	150	758	60	300
In Euro	155	1,236	100	808
In United Kingdom Pound Sterling	30	270	20	184
Other derivatives				
Forward contracts				
In Australian dollars	79	398	5	25
In Canadian dollars	20	102	20	99
In Euro	161	1,285	91	735
In Japanese Yen	550	34	550	34
In New Zealand dollars	16	74	16	76
In Norwegian Krone	80	67	40	34
In South African Rand	25	13	25	14
In Singapore dollars	10	50	5	25
In Swedish Krona	50	38	50	40
In Swiss Franc	21	146	21	146
In U.S. dollars	834	5,715	623	4,061
In United Kingdom Pound Sterling	78	702	51	466
Option Contracts				
In Australian dollars	40	202	20	100
In Canadian dollars	13	69	-	-
In Euro	65	519	45	363
In Swiss Franc	10	68	5	33
In U.S. dollars	240	1,643	320	2,086
In United Kingdom Pound Sterling	-	-	25	231
Total forwards & options		**13,389**		**9,860**

The group recognized a net loss of ₹170 crore and net gain of ₹21 crore on derivative financial instruments not designated as cash flow hedges for three months ended June 30, 2018 and June 30, 2017 respectively.

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

(In ₹ crore)

Particulars	As at	
	June 30, 2018	**March 31, 2018**
Not later than one month	3,680	2,828
Later than one month and not later than three months	6,361	4,568
Later than three months and not later than one year	3,348	2,464
Total	**13,389**	**9,860**

During the three months ended June 30, 2018 and June 30, 2017, the Group has designated certain foreign exchange forward and option contracts as cash flow hedges to mitigate the risk of foreign exchange exposure on highly probable forecast cash transactions. The related hedge transactions for balance in cash flow hedging reserve as at June 30, 2018 are expected to occur and reclassified to profit or loss within 3 months.

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

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

The following table provides the reconciliation of cash flow hedge reserve for the three months ended June 30, 2018 and June 30, 2017: *(In ₹ crore)*

Particulars	Three months ended June 30	
	2018	**2017**
Balance at the beginning of the period	-	39
Gain / (loss) recognised in other comprehensive income during the period	30	(41)
Amount reclassified to profit and loss during the period	(18)	(47)
Tax impact on above	(3)	22
Balance at the end of the period	**9**	**(27)**

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

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

(In ₹ crore)

Particulars	As at			
	June 30, 2018		**March 31, 2018**	
	Derivative financial asset	**Derivative financial liability**	**Derivative financial asset**	**Derivative financial liability**
Gross amount of recognized financial asset/liability	67	(167)	20	(46)
Amount set off	(31)	31	(4)	4
Net amount presented in balance sheet	**36**	**(136)**	**16**	**(42)**

Credit risk

Credit risk refers to the risk of default on its obligation by the counterparty resulting in a financial loss. The maximum exposure to the credit risk at the reporting date is primarily from trade receivables amounting to ₹13,699 crore and ₹13,142 crore as at June 30, 2018 and March 31, 2018, respectively and unbilled revenue amounting to ₹4,655 crore and ₹4,261 crore as at June 30, 2018 and March 31, 2018, respectively. Trade receivables and unbilled revenue are typically unsecured and are derived from revenue earned from customers primarily located in the United States. Credit risk has always been managed by the Group through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Group grants credit terms in the normal course of business. On account of adoption of IFRS 9, the Group uses expected credit loss model to assess the impairment loss or gain. The Group uses a provision matrix to compute the expected credit loss allowance for trade receivables and unbilled revenues. The provision matrix takes into account available external and internal credit risk factors such as credit default swap quotes, credit ratings from international credit rating agencies and the Group's historical experience for customers.

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

(In %)

Particulars	Three months ended June 30,	
	2018	**2017**
Revenue from top customer	3.7	3.3
Revenue from top ten customers	19.2	20.0

Credit risk exposure

The allowance of lifetime expected credit loss on customer balances for the three months ended June 30, 2018 was ₹69 crore and the reversal of lifetime expected credit loss on customer balances for the three months ended June 30, 2017 was ₹4 crore.

Movement in credit loss allowance:

(In ₹ crore)

Particulars	Three months ended June 30,	
	2018	**2017**
Balance at the beginning	449	411
Translation differences	11	1
Impairment loss recognised / (reversed)	69	(4)
Reclassified as held for sale (refer note no 2.9)	-	-
Write-offs	-	(3)
Balance at the end	**529**	**405**

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

Credit exposure

(In ₹ crore except otherwise stated)

Particulars	As at	
	June 30, 2018	March 31, 2018
Trade receivables	13,699	13,142
Unbilled revenues	4,655	4,261

Days Sales Outstanding (DSO) as of June 30, 2018 and March 31, 2018 was 66 days and 67 days respectively.

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

Liquidity risk

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

As at June 30, 2018, the Group had a working capital of ₹30,424 crore including cash and cash equivalents of ₹16,506 crore and current investments of ₹6,876 crore. As at March 31, 2018, the Group had a working capital of ₹34,176 crore including cash and cash equivalents of ₹19,818 crore and current investments of ₹6,407 crore.

As at June 30, 2018 and March 31, 2018, the outstanding employee benefit obligations were ₹1,541 crore and ₹1,469 crore, respectively, which have been substantially funded. Accordingly, no liquidity risk is perceived.

The table below provides details regarding the contractual maturities of significant financial liabilities as at June 30, 2018:

(In ₹ crore)

Particulars	Less than 1 year	1-2 years	2-4 years	4-7 years	Total
Trade payables	798	-	-	-	798
Other liabilities (excluding liability towards contingent consideration) (Refer to Note 2.5)	6,057	2	-	-	6,059
Liability towards contingent consideration on an undiscounted basis (Refer to Note 2.5)	29	66	45	-	140

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

(In ₹ crore)

Particulars	Less than 1 year	1-2 years	2-4 years	4-7 years	Total
Trade payables	694	-	-	-	694
Other liabilities (excluding liability towards contingent consideration) (Refer to Note 2.5)	5,442	-	-	-	5,442
Liability towards contingent consideration on an undiscounted basis (Refer to Note 2.5)	41	7	7	-	55

2.4 Prepayments and other assets

Prepayments and other assets consist of the following:

(In ₹ crore)

Particulars	As at	
	June 30, 2018	**March 31, 2018**
Current		
Rental deposits	30	13
Security deposits	7	9
Loans to employees	247	239
Prepaid expenses[(1)]	567	472
Interest accrued and not due	751	766
Withholding taxes and others[(1)]	1,374	1,032
Advance payments to vendors for supply of goods[(1)]	104	119
Deposit with corporations	1,543	1,535
Deferred contract cost[(1)]	44	44
Other assets	174	84
	4,841	**4,313**
Non-current		
Loans to employees	28	36
Deposit with corporations	30	60
Rental deposits	169	171
Security deposits	54	53
Withholding taxes and others[(1)]	1,011	1,428
Deferred contract cost[(1)]	258	262
Prepaid expenses[(1)]	106	111
Prepaid gratuity[(1)]	32	43
	1,688	**2,164**
	6,529	**6,477**
Financial assets in prepayments and other assets	**3,033**	**2,966**

[(1)] *Non financial assets*

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

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

2.5 Other liabilities

Other liabilities comprise the following :

(In ₹ crore)

Particulars	As at	
	June 30, 2018	**March 31, 2018**
Current		
Accrued compensation to employees	2,634	2,509
Accrued expenses	2,902	2,452
Withholding taxes and others[(1)]	1,255	1,240
Retention money	109	132
Liabilities of controlled trusts	176	139
Deferred income - government grant on land use rights[(1)]	1	1
Liability towards contingent consideration (Refer to Note 2.9)	27	41
Tax on dividend[(1)]	1,320	-
Deferred rent [(1)]	28	32
Others	236	210
Total current other liabilities	**8,688**	**6,756**
Non-current		
Liability towards contingent consideration (Refer to Note 2.9)	83	13
Accrued gratuity [(1)]	28	28
Accrued compensation to employees	2	-
Deferred income - government grant on land use rights[(1)]	44	44
Deferred rent [(1)]	143	151
Deferred income[(1)]	35	36
Total non-current other liabilities	**335**	**272**
Total other liabilities	**9,023**	**7,028**
Financial liabilities included in other liabilities	6,169	5,496
Financial liability towards contingent consideration on an undiscounted basis (Refer to Note 2.9)	140	55

[(1)] Non financial liabilities

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

2.6 Provisions

Accounting Policy

Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that is reasonably estimable, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Post sales client support

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

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 the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established the Group recognizes any impairment loss on the assets associated with that contract.

Provisions comprise the following:

(In ₹ crore)

Particulars	As at	
	June 30, 2018	**March 31, 2018**
Provision for post sales client support and other provisions	523	492
	523	**492**

Provision for post sales client support and other provisions represents cost associated with providing post sales support services which are accrued at the time of recognition of revenues and are expected to be utilized over a period of 6 months to 1 year.

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

(In ₹ crore)

Particulars	Three months ended June 30, 2018
Balance at the beginning	492
Provision recognized / (reversed)	47
Provision utilized	(41)
Translation difference	25
Balance at the end	**523**

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

As at June 30, 2018 and March 31, 2018, claims against the company, not acknowledged as debts, (excluding demands from income tax authorities- Refer to Note 2.11) amounted to ₹260 crore each.

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

2.7 Property, plant and equipment

Accounting Policy

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

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

Depreciation methods, useful lives and residual values are reviewed periodically, including at each financial year end.

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

Impairment

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

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

Following are the changes in the carrying value of property, plant and equipment for the three months ended June 30, 2018:

(In ₹ crore)

Particulars	Land	Buildings	Plant and machinery	Computer equipment	Furniture and fixtures	Vehicles	Total
Gross carrying value as at April 1, 2018	**1,900**	**8,130**	**3,373**	**4,884**	**1,861**	**31**	**20,179**
Additions	67	89	36	232	36	2	462
Additions- Business Combinations	-	-	2	1	4	-	7
Deletions	(21)	-	(6)	(13)	(7)	-	(47)
Translation difference	-	1	-	(2)	(1)	-	(2)
Gross carrying value as at June 30, 2018	**1,946**	**8,220**	**3,405**	**5,102**	**1,893**	**33**	**20,599**
Accumulated depreciation as at April 1, 2018	**(31)**	**(2,719)**	**(2,342)**	**(3,630)**	**(1,323)**	**(18)**	**(10,063)**
Depreciation	(1)	(75)	(107)	(174)	(59)	(1)	(417)
Accumulated depreciation on deletions	-	-	6	13	6	-	25
Translation difference	-	-	-	2	2	-	4
Accumulated depreciation as at June 30, 2018	**(32)**	**(2,794)**	**(2,443)**	**(3,789)**	**(1,374)**	**(19)**	**(10,451)**
Capital work-in progress as at April 1, 2018							**2,027**
Carrying value as at April 1, 2018	**1,869**	**5,411**	**1,031**	**1,254**	**538**	**13**	**12,143**
Capital work-in progress as at June 30, 2018							**2,044**
Carrying value as at June 30, 2018	**1,914**	**5,426**	**962**	**1,313**	**519**	**14**	**12,192**

Following are the changes in the carrying value of property, plant and equipment for the three months ended June 30, 2017:

(In ₹ crore)

Particulars	Land	Buildings	Plant and machinery	Computer equipment	Furniture and fixtures	Vehicles	Total
Gross carrying value as at April 1, 2017	**1,764**	**7,279**	**3,023**	**4,541**	**1,694**	**31**	**18,332**
Additions	-	52	56	159	41	2	310
Deletions	-	-	(2)	(31)	(2)	(2)	(37)
Translation difference	-	10	2	5	5	-	22
Gross carrying value as at June 30, 2017	**1,764**	**7,341**	**3,079**	**4,674**	**1,738**	**31**	**18,627**
Accumulated depreciation as at April 1, 2017	**(27)**	**(2,440)**	**(1,952)**	**(3,052)**	**(1,093)**	**(17)**	**(8,581)**
Depreciation	(1)	(67)	(100)	(170)	(62)	(1)	(401)
Accumulated depreciation on deletions	-	-	1	31	2	1	35
Translation difference	-	-	(1)	(5)	(3)	-	(9)
Accumulated depreciation as at June 30, 2017	**(28)**	**(2,507)**	**(2,052)**	**(3,196)**	**(1,156)**	**(17)**	**(8,956)**
Capital work-in progress as at April 1, 2017							**1,965**
Carrying value as at April 1, 2017	**1,737**	**4,839**	**1,071**	**1,489**	**601**	**14**	**11,716**
Capital work-in progress as at June 30, 2017							**2,177**
Carrying value as at June 30, 2017	**1,736**	**4,834**	**1,027**	**1,478**	**582**	**14**	**11,848**

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

(In ₹ crore)

Particulars	Land	Buildings	Plant and machinery	Computer equipment	Furniture and fixtures	Vehicles	Total
Gross carrying value as at April 1, 2017	**1,764**	**7,279**	**3,023**	**4,541**	**1,694**	**31**	**18,332**
Additions	136	789	364	471	190	5	1,955
Deletions	-	(1)	(18)	(110)	(19)	(5)	(153)
Reclassified as held for sale (refer note no 2.9)	-	-	(3)	(40)	(25)	-	(68)
Translation difference	-	63	7	22	21	-	113
Gross carrying value as at March 31, 2018	**1,900**	**8,130**	**3,373**	**4,884**	**1,861**	**31**	**20,179**
Accumulated depreciation as at April 1, 2017	**(27)**	**(2,440)**	**(1,952)**	**(3,052)**	**(1,093)**	**(17)**	**(8,581)**
Depreciation	(4)	(276)	(402)	(693)	(254)	(5)	(1,634)
Accumulated depreciation on deletions	-	-	15	107	18	4	144
Reclassified as held for sale (refer note no 2.9)	-	-	2	25	20	-	47
Translation difference	-	(3)	(5)	(17)	(14)	-	(39)
Accumulated depreciation as at March 31, 2018	**(31)**	**(2,719)**	**(2,342)**	**(3,630)**	**(1,323)**	**(18)**	**(10,063)**
Capital work-in progress as at April 1, 2017							1,965
Carrying value as at April 1, 2017	**1,737**	**4,839**	**1,071**	**1,489**	**601**	**14**	**11,716**
Capital work-in progress as at March 31, 2018							2,027
Carrying value as at March 31, 2018	**1,869**	**5,411**	**1,031**	**1,254**	**538**	**13**	**12,143**

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

Carrying value of land includes ₹620 crore and ₹642 crore as at June 30, 2018 and March 31, 2018, respectively, towards amounts paid under certain lease-cum-sale agreements to acquire land including agreements where the Company has an option to either purchase or renew the properties on expiry of the lease period. The contractual commitments for capital expenditure were ₹1,382 crore and ₹1,452 crore, as at June 30, 2018 and March 31, 2018, respectively.

2.8 Goodwill

Accounting Policy

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

Impairment

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

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

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

(In ₹ crore)

Particulars	As at	
	June 30, 2018	**March 31, 2018**
Carrying value at the beginning	2,211	3,652
Goodwill on Wongdoody acquisition (Refer to note 2.9.1)	173	-
Goodwill on Brilliant Basics acquisition (Refer to note 2.9.1)	-	35
Goodwill reclassified under assets held for sale (refer note no 2.9.2)	-	(1,609)
Translation differences	10	133
Carrying value at the end	**2,394**	**2,211**

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

2.9 Business combinations and Disposal Group held for sale

2.9.1 Business combinations

Accounting Policy

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

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

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

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

Brilliant Basics Holdings Limited.

On September 8, 2017, Infosys acquired 100% of the voting interests in Brilliant Basics Holdings Limited., UK, (Brilliant Basics) a product design and customer experience innovator with experience in executing global programs. The business acquisition was conducted by entering into a share purchase agreement for cash consideration of ₹29 crore, a contingent consideration of up to ₹20 crore and an additional consideration of upto ₹13 crore, referred to as retention bonus, payable to the employees of Brilliant Basics at each anniversary year over the next two years, subject to their continuous employment with the group at each anniversary.

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

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

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

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

(in ₹ crore)

Component	Acquiree's carrying amount	Fair value adjustments	Purchase price allocated
Net assets[(*)]	1	–	1
Intangible assets - customer relationships	–	12	12
Deferred tax liabilities on intangible assets	–	(2)	(2)
	1	**10**	**11**
Goodwill			35
Total purchase price			**46**

*Includes cash and cash equivalents acquired of ₹2 crore

The goodwill is not tax deductible.

The gross amount of trade receivables acquired and its fair value is ₹3 crore and the amount has been largely recovered.

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

(in ₹ crore)

Component	Consideration settled
Cash paid	29
Fair value of contingent consideration	17
Total purchase price	**46**

The transaction costs of ₹2 crore related to the acquisition have been included under administrative expenses in the statement of comprehensive income for the year ended March 31, 2018.

WongDoody Holding Company Inc.

On May 22, 2018, Infosys acquired 100% of the voting interests in WongDoody Holding Company Inc., (WongDoody) an US-based, full-service creative and consumer insights agency. The business acquisition was conducted by entering into a share purchase agreement for a total consideration of up to $75 million (approximately ₹514 crore on acquisition date), which includes a cash consideration of $38 million (approximately ₹261 crore), contingent consideration of up to $28 million(approximately ₹192 crore on acquisition date) and an additional consideration of up to $9 million (approximately ₹61 crore on acquisition date), referred to as retention bonus, payable to the employees of WongDoody over the next three years, subject to their continuous employment with the group.

WongDoody, brings to Infosys the creative talent and marketing and brand engagement expertise. Further the acquisition is expected to strengthen Infosys' creative, branding and customer experience capabilities to bring innovative thinking, talent and creativity to clients.

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

(in ₹ crore)

Component	Acquiree's carrying amount	Fair value adjustments	Purchase price allocated
Net assets[(*)]	37	-	37
Intangible assets - customer contracts and relationships	-	132	132
Intangible assets - trade name	-	8	8
	37	**140**	**177**
Goodwill			173
Total purchase price			**350**

** Includes cash and cash equivalents acquired of ₹51 crore.*

Goodwill is tax deductible

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

(in ₹ crore)

Component	Consideration settled
Cash consideration	261
Fair value of contingent consideration	89
Total purchase price	**350**

The gross amount of trade receivables acquired and its fair value is ₹12 crore and the amounts are substantially collected.

The payment of contingent consideration to sellers of WongDoody is dependent upon the achievement of certain financial targets by WongDoody. At the acquisition date, the key inputs used in determination of the fair value of contingent consideration are the discount rate of 16% and the probabilities of achievement of the financial targets. The undiscounted value of contingent consideration as of June 30, 2018 is ₹119 crore ($17 million).

The transaction costs of ₹3 crore related to the acquisition have been included under administrative expenses in the statement of comprehensive income for the three months ended June 30, 2018.

2.9.2 Disposal Group held for sale

Accounting policy

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

In the quarter ended March 2018, on conclusion of a strategic review of the portfolio businesses, the Company initiated identification and evaluation of potential buyers for its subsidiaries, Kallidus and Skava (together referred to as "Skava") and Panaya (collectively referred to as the "Disposal Group"). The Company anticipates completion of the sale by March 2019. On reclassification, assets and liabilities in respect of the Disposal Group have been reclassified as "held for sale" and measured at the lower of carrying amount and fair value less cost to sell. Consequently, a reduction in the fair value of Disposal Group held for sale amounting to ₹118 crore in respect of Panaya has been recognized in the consolidated profit and loss for the quarter and year ended March 31, 2018.

During the three months ended June 30, 2018, on remeasurement, including consideration of progress in negotiations on offers from prospective buyers for Panaya, the Company has recorded a reduction in the fair value of Disposal Group held for sale amounting to ₹270 crore in respect of Panaya.

As of June 30, 2018, assets amounting to ₹1,867 crore and liabilities amounting to ₹345 crore in respect of the Disposal Group have been classified as "held for sale".

The Disposal Group does not constitute a separate major component of the company and therefore has not been classified as discontinued operations.

2.10 Employees' Stock Option Plans (ESOP)

Accounting Policy

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

2015 Stock Incentive Compensation Plan (the 2015 Plan) (formerly 2011 RSU Plan): On March 31, 2016, pursuant to the approval by the shareholders through postal ballot, the Board has been authorized to introduce, offer, issue and allot share-based incentives to eligible employees of the Company and its subsidiaries under the 2015 Stock Incentive Compensation Plan (the 2015 Plan). The maximum number of shares under the 2015 plan shall not exceed 2,40,38,883 equity shares (this includes 1,12,23,576 equity shares which are held by the trust towards the 2011 Plan as at March 31, 2016). Out of this 1,70,38,883 equity shares will be issued as RSUs at par value and 70,00,000 equity shares will be issued as stock options at market price on the date of the grant. These instruments will vest over a period of 4 years and the Company expects to grant the instruments under the 2015 Plan over the period of 4 to 7 years.

Controlled trust holds 1,07,90,750 and 1,08,01,956 shares as at June 30, 2018 and March 31, 2018, respectively under the 2015 plan, out of which 1,00,000 equity shares have been earmarked for welfare activities of the employees.

The following is the summary of grants during the three months ended June 30, 2018 and June 30, 2017 under the 2015 Plan:

Particulars	Three months ended	
	June 30, 2018	**June 30, 2017**
RSU		
Salil Parekh, CEO and MD - *Refer note 1 below*	108,600	-
U.B. Pravin Rao, COO	-	27,250
Dr. Vishal Sikka*	-	270,224
Employees other than KMP	-	37,090
	108,600	**334,564**
ESOP		
U.B. Pravin Rao, COO	-	43,000
Dr. Vishal Sikka*	-	330,525
Employees other than KMP	-	73,600
	-	**447,125**
Total grants	**108,600**	**781,689**

** Upon Dr. Vishal Sikka's resignation from the roles of the company, the unvested RSUs and ESOPs have been forfeited*

1. Stock incentives granted to Salil Parekh, CEO and MD

Pursuant to the approval of the shareholders through a postal ballot on February 20, 2018, Salil Parekh (CEO & MD) is eligible to receive under the 2015 Plan:

a) an annual grant of RSUs of fair value ₹3.25 crore which will vest over time in 3 equal annual installments upon completion of each year of service from the respective grant date

b) a one-time grant of RSUs of fair value ₹9.75 crore which will vest over time in 2 equal annual installments upon completion of each year of service from the grant date and

c) annual grant of performance based RSUs of fair value ₹13 crore which will vest after completion of three years the first of which concludes on March 31, 2021, subject to achievement of performance targets set by the Board or its committee.

The Board based on the recommendations of the Nomination and Remuneration committee approved on February 27, 2018, the annual time based grant for fiscal 2018 of 28,256 RSUs and the one-time time based grant of 84,768 RSUs. The grants were made effective February 27, 2018.

Further, the Board, based on the recommendations of the Nomination and Remuneration Committee, granted 108,600 performance based RSUs to Salil Parekh with an effective date of May 2, 2018. The grants would vest upon successful completion of three full fiscal years with the Company concluding on March 31, 2021 and will be determined based on achievement of certain performance targets for the said three-year period.

Though the annual time based grants for the remaining employment term ending on March 31, 2023 have not been granted as of June 30, 2018, since the service commencement date precedes the grant date, the company has recorded employment stock compensation expense in accordance with IFRS 2, Share based payments.

The RSUs and stock options would vest generally over a period of 4 years and shall be exercisable within the period as approved by the Committee. The exercise price of the RSUs will be equal to the par value of the shares and the exercise price of the stock options would be the market price as on the date of grant.

As at June 30, 2018 and March 31, 2018, 96,538 and 1,11,757 incentive units were outstanding (net of forfeitures).

Break-up of employee stock compensation expense

(in ₹ crore)

Particulars	Three months ended June 30,	
	2018	**2017**
Granted to:		
KMP	9	12
Employees other than KMP	35	34
Total [(1)]	**44**	**46**
[(1)] *Cash settled stock compensation expense included in the above*	1	1

The carrying value of liability towards cash settled share based payments was ₹8 crore and ₹6 crore as at June 30, 2018 and March 31, 2018, respectively.

The activity in the 2015 Plan (formerly 2011 RSU Plan) for equity-settled share based payment transactions during the three months June 30, 2018 and June 30, 2017 is set out below:

Particulars	Three months ended June 30, 2018		Three months ended June 30, 2017	
	Shares arising out of options	Weighted average exercise price (₹)	Shares arising out of options	Weighted average exercise price (₹)
2015 Plan: RSU				
Outstanding at the beginning	3,750,409	5	2,961,373	5
Granted	108,600	5	334,564	5
Exercised	23,078	5	24,812	5
Forfeited and expired	55,453	5	45,120	5
Outstanding at the end	**3,780,478**	**5**	**3,226,005**	**5**
Exercisable at the end	9,062	5	-	-
2015 Plan: Employee Stock Options (ESOPs)				
Outstanding at the beginning	966,913	986	1,197,650	998
Granted	-	-	447,125	919
Exercised	962	998	-	-
Forfeited and expired	9,600	1,030	-	-
Outstanding at the end	**956,351**	**1,025**	**1,644,775**	**987**
Exercisable at the end	206,100	1,020	-	-

During the three months ended June 30, 2018 and June 30, 2017 the weighted average share price of options exercised under the 2015 Plan on the date of exercise was ₹1,174 and ₹943 respectively.

The following table summarizes information about equity settled RSUs and ESOPs outstanding as at June 30, 2018

Range of exercise prices per share (₹)	Options outstanding		
	No. of shares arising out of options	Weighted average remaining contractual life	Weighted average exercise price (₹)
2015 Plan:			
0 - 5 (RSU)	3,780,478	1.68	5
900 - 1100 (ESOP)	956,351	5.95	1,025
	4,736,829	**2.54**	**211**

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

Range of exercise prices per share (₹)	Options outstanding		
	No. of shares arising out of options	Weighted average remaining contractual life	Weighted average exercise price (₹)
2015 Plan:			
0 - 5 (RSU)	3,750,409	1.89	5
900 - 1100 (ESOP)	966,913	6.60	993
	4,717,322	**2.57**	**207**

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

Particulars	For options granted in				
	Fiscal 2019-Equity Shares-RSU	Fiscal 2018-Equity Shares-RSU	Fiscal 2018-Equity shares ESOP	Fiscal 2018-ADS-RSU	Fiscal 2018-ADS- ESOP
Weighted average share price (₹) / ($- ADS)	1,197	1,144	923	16.61	14.65
Exercise price (₹)/ ($- ADS)	5	5.00	919	0.08	14.67
Expected volatility (%)	24	20-25	25-28	21-26	25-31
Expected life of the option (years)	3	1 - 4	3 - 7	1 - 4	3 - 7
Expected dividends (%)	2.82	2.78	2.78	2.74	2.74
Risk-free interest rate (%)	7	6 - 7	6 - 7	1 - 2	1 - 2
Weighted average fair value as on grant date (₹) / ($- ADS)	1,096	1,066	254	15.47	2.93

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

2.11 Income taxes

Accounting Policy

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

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

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

(In ₹ crore)

Particulars	Three months ended June 30,	
	2018	**2017**
Current taxes		
Domestic taxes	1,124	1,076
Foreign taxes	326	423
	1,450	**1,499**
Deferred taxes		
Domestic taxes	6	(89)
Foreign taxes	(75)	(39)
	(69)	**(128)**
Income tax expense	**1,381**	**1,371**

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

In accordance with the APA, the company had reversed income tax expense provision of $225 million (₹1,432 crore) which pertained to previous periods which are no longer required. The Company had to pay an amount of approximately ₹1,488 crore due to the difference between the taxes payable for prior periods as per the APA and the actual taxes paid for such periods. The company has paid ₹912 crore till June 30, 2018.

Further, the "Tax Cuts and Jobs Act (H.R. 1)" was signed into law on December 22, 2017 ("US Tax Reforms"). The US tax reforms has reduced federal tax rates from 35% to 21% effective January 1, 2018 amongst other measures.

Income tax expense for the three months ended June 30, 2018 and June 30, 2017 includes reversal (net of provisions) of ₹59 crore and ₹15 crore, respectively, pertaining to prior periods on account of adjudication of certain disputed matters in favor of the company across various jurisdictions.

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

(In ₹ crore)

Particulars	Three months ended June 30,	
	2018	**2017**
Profit before income taxes	4,993	4,854
Enacted tax rates in India	34.94%	34.61%
Computed expected tax expense	1,745	1,680
Tax effect due to non-taxable income for Indian tax purposes	(609)	(597)
Overseas taxes	202	223
Tax provision (reversals)	(59)	(15)
Effect of exempt non-operating income	(25)	(17)
Effect of unrecognized deferred tax assets	38	72
Effect of differential overseas tax rates	(12)	9
Effect of non-deductible expenses	126	33
Branch profit tax (net of credits)	(29)	-
Others	4	(17)
Income tax expense	**1,381**	**1,371**

Infosys is subject to a 15% Branch Profit Tax (BPT) in the U.S. to the extent its U.S. branch's net profit during the period is greater than the increase in the net assets of the U.S. branch during the period, computed in accordance with the Internal Revenue Code. As at March 31, 2018, Infosys' U.S. branch net assets amounted to approximately ₹5,030 crore. As at June 30, 2018, the Company has a deferred tax liability for branch profit tax of ₹144 crore (net of credits) , as the Company estimates that these branch profits are expected to be distributed in the foreseeable future.

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

Entire deferred income tax for the three months ended June 30, 2018 and June 30, 2017, relates to origination and reversal of temporary differences.

As at March 31, 2018, claims against the Group not acknowledged as debts from the Indian Income tax authorities amounted to ₹4,542 crore. Amount paid to statutory authorities against this amounted to ₹6,540 crore.

As at June 30, 2018, claims against the Group not acknowledged as debts from the Income tax authorities amounted to ₹3,043 crore. These matters are pending before various Appellate Authorities and the management including its tax advisors expect that its position will likely be upheld on ultimate resolution and will not have a material adverse effect on the Group's financial position and results of operations.

Amount paid to statutory authorities against the above tax claims amounted to ₹6,540 crore.

Subsequent to March 31, 2018, the Supreme Court of India ruled favorably in respect of certain income tax claims which have been given effect in the above disclosure of claims as of June 30, 2018.

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

Accounting Policy

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

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

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

Particulars	Three months ended June 30,	
	2018	**2017**
Basic earnings per equity share - weighted average number of equity shares outstanding[(1)]	2,173,328,621	2,285,657,604
Effect of dilutive common equivalent shares - share options outstanding	2,026,557	1,400,544
Diluted earnings per equity share - weighted average number of equity shares and common equivalent shares outstanding	**2,175,355,178**	**2,287,058,148**

[(1)] excludes treasury shares

For the three months ended June 30, 2018, no options to purchase equity shares had an anti-dilutive effect.
For the three months ended June 30, 2017, 2,64,886 number of options to purchase equity shares had an anti-dilutive effect.

2.13 Related party transactions

Refer to the Company's Annual Report for the year ended March 31, 2018 for the full names and other details of the Company's subsidiaries, associate and controlled trusts.

Changes in Subsidiaries

During the three months ended June 30, 2018, the following are the changes in the subsidiaries and associates:

- Lodestone Management Consultants Inc has been liquidated effective May 17, 2018
- On May 22, 2018, Infosys acquired 100% voting rights in WongDoody Holding Company Inc., along with its two subsidiaries, WDW Communications, Inc and WongDoody, Inc

Changes in Key management personnel

The following were the changes in key management personnel:-

• Ravi Venkatesan resigned from his position as Co-Chairman effective August 24, 2017 and resigned as member of the Board effective May 11, 2018

Transaction with key management personnel:

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

(In ₹ crore)

Particulars	**Three months ended June 30,**	
	2018	**2017**
Salaries and other employee benefits to whole-time directors and executive officers [(1)]	24	26
Commission and other benefits to non-executive/independent directors	2	3
Total	**26**	**29**

[(1)] *Total employee stock compensation expense for the three months ended June 30, 2018 and June 30, 2017 includes a charge of ₹9 crore and ₹12 crore, respectively towards key managerial personnel (Refer to note 2.10).*

2.14 Segment reporting

IFRS 8 establishes standards for the way that public business enterprises report information about operating segments and related disclosures about products and services, geographic areas, and major customers. The Group's operations predominantly relate to providing end-to-end business solutions to enable clients to enhance business performance

During the three months ended June 30, 2018, the Company internally reorganized some of its business segments to deepen customer relationships, improve focus of sales investments and increase management oversight. Consequent to the internal reorganization, there were changes in the reportable business segments based on "Management approach" as defined under IFRS 8, Operating Segments. Therefore, enterprises in Insurance which was earlier considered under the Life Sciences, Healthcare and Insurance business segment are now considered under the Financial Services business segment and enterprises in Communication, Telecom OEM and Media which was earlier under Energy & Utilities, Communication and Services is now shown as a separate business segment. Segmental operating income has changed in line with these as well as changes in the allocation method. The CODM evaluates the Group's performance and allocates resources based on an analysis of various performance indicators by business segments. Accordingly, information has been presented along business segments. The accounting principles used in the preparation of the financial statements are consistently applied to record revenue and expenditure in individual segments, and are as set out in the accounting policies.

Business segments of the Group are primarily enterprises in Financial Services and Insurance, enterprises in Manufacturing, enterprises in Retail, Consumer Packaged Goods and Logistics, enterprises in the Energy, Utilities, Resources and Services, enterprises in Communications, Telecom OEM and Media, enterprises in Hi-Tech, enterprises in Life Sciences and Healthcare and all other segments. The Financial services reportable segments has been aggregated to include the Financial Services operating segment and Finacle operating segment because of the similarity of the economic characteristics. All other segments represents the operating segments of businesses in India, Japan, China, Infosys Public Services & other enterprises in Public Services. Consequent to the above change in the composition of reportable business segments, the prior year comparatives for three months ended June 30, 2017 have been restated.

Revenue and identifiable operating expenses in relation to segments are categorized based on items that are individually identifiable to that segment. Revenue for 'all other segments' represents revenue generated by Infosys Public services and revenue generated from customers located in India, Japan and China and other enterprises in Public services. Allocated expenses of segments include expenses incurred for rendering services from the Company's offshore software development centres and on-site expenses, which are categorized in relation to the associated efforts 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. The management believes that it is not practical to provide segment disclosures relating to those costs and expenses, and accordingly these expenses are separately disclosed as "unallocated" and adjusted against the total income of the Group.

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

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

Disclosure of Revenue by geographic locations has been given in note 2.15 Revenue from operations.

2.14.1 Business segments

Three months ended June 30, 2018 and *June 30, 2017*

(In ₹ crore)

Particulars	Financial Services	Retail	Communication	Energy, Utilities, Resources and Services	Manufacturing	Hi Tech	Life Sciences	All other segments	Total
Revenues	**6,075**	**3,169**	**2,429**	**2,374**	**1,837**	**1,422**	**1,260**	**562**	**19,128**
	5,631	*2,774*	*2,151*	*1,932*	*1,588*	*1,250*	*1,126*	*626*	17,078
Identifiable operating expenses	3,259	1,601	1,265	1,261	1,026	786	666	337	10,201
	2,902	*1,399*	*1,068*	*971*	*925*	*689*	*567*	*349*	8,870
Allocated expenses	1,254	622	494	489	400	248	240	206	3,953
	1,188	*604*	*422*	*412*	*396*	*226*	*205*	*193*	3,646
Segment profit	**1,562**	**946**	**670**	**624**	**411**	**388**	**354**	**19**	**4,974**
	1,541	*771*	*661*	*549*	*267*	*335*	*354*	*84*	*4,562*
Unallocable expenses									437
									451
Operating profit									**4,537**
									4,111
Other income, net (Refer to note 2.16 and 2.9)									726
									814
Reduction in the fair value of Disposal Group held for sale (Refer to note 2.9.2)									(270)
									-
Share in net profit/(loss) of associate, including impairment									-
									(71)
Profit before income taxes									**4,993**
									4,854
Income tax expense									1,381
									1,371
Net profit									**3,612**
									3,483
Depreciation and amortization									436
									450
Non-cash expenses other than depreciation and amortization									271
									1

2.14.2 Significant clients

No client individually accounted for more than 10% of the revenues in the three months ended June 30, 2018 and June 30, 2017.

2.15 Revenue from Operations

Accounting Policy:

The company derives revenues primarily from business IT services comprising of software development and related services, consulting and package implementation and from the licensing of software products and platforms across our core and digital offerings ("together called as software related services")

Effective April 1, 2018, the Company adopted IFRS 15 "Revenue from Contracts with Customers" using the cumulative catch-up transition method, applied to contracts that were not completed as of April 1, 2018. In accordance with the cumulative catch-up transition method , the comparatives have not been retrospectively adjusted. The following is a summary of new and/or revised significant accounting policies related to revenue recognition. Refer Note 2.10 "Revenue from operations" in the Company's 2018 Consolidated Financial statements under IFRS for the policies in effect for revenue prior to April 1, 2018. The effect on adoption of IFRS 15 was insignificant.

Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration we expect to receive in exchange for those products or services.

Arrangements with customers for software related services are either on a fixed-price, fixed-timeframe or on a time-and-material basis.

Revenue on time-and-material contracts are recognized as the related services are performed and revenue from the end of the last invoicing to the reporting date is recognized as unbilled revenue. Revenue from fixed-price, fixed-timeframe contracts, where the performance obligations are satisfied over time and where there is no uncertainty as to measurement or collectability of consideration, is recognized as per the percentage-of-completion method. When there is uncertainty as to measurement or ultimate collectability, revenue recognition is postponed until such uncertainty is resolved. Efforts or costs expended have been used to measure progress towards completion as there is a direct relationship between input and productivity. Maintenance revenue is recognized ratably over the term of the underlying maintenance arrangement.

Revenues in excess of invoicing are classified as contract assets (which we refer as unbilled revenue) while invoicing in excess of revenues are classified as contract liabilities (which we refer to as unearned revenues).

In arrangements for software development and related services and maintenance services, the company has applied the guidance in IFRS 15, Revenue from contract with customer, by applying the revenue recognition criteria for each distinct performance obligation. The arrangements with customers generally meet the criteria for considering software development and related services as distinct performance obligations. For allocating the transaction price, the company has measured the revenue in respect of each performance obligation of a contract at its relative standalone selling price. The price that is regularly charged for an item when sold separately is the best evidence of its standalone selling price. In cases where the company is unable to determine the standalone selling price, the company uses the expected cost plus margin approach in estimating the standalone selling price. For software development and related services, the performance obligations are satisfied as and when the services are rendered since the customer generally obtains control of the work as it progresses.

Revenue from licenses where the customer obtains a "right to use" the licenses is recognized at the time the license is made available to the customer. Revenue from licenses where the customer obtains a "right to access" is recognized over the access period. Arrangements to deliver software products generally have three elements: license, implementation and Annual Technical Services (ATS). The company has applied the principles under IFRS 15 to account for revenues from these performance obligations. When implementation services are provided in conjunction with the licensing arrangement and the license and implementation have been identified as two separate performance obligations, the transaction price for such contracts are allocated to each performance obligation of the contract based on their relative standalone selling prices. In the absence of standalone selling price for implementation, the performance obligation is estimated using the expected cost plus margin approach. Where the license is required to be substantially customized as part of the implementation service the entire arrangement fee for license and implementation is considered to be a single performance obligation and the revenue is recognized using the percentage-of-completion method as the implementation is performed. Revenue from client training, support and other services arising due to the sale of software products is recognized as the performance obligations are satisfied. ATS revenue is recognized ratably over the period in which the services are rendered.

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

Deferred contract costs are incremental costs of obtaining a contract which are recognized as assets and amortized over the term of the contract.

Contract modifications are accounted for when additions, deletions or changes are approved either to the contract scope or contract price. The accounting for modifications of contracts involves assessing whether the services added to an existing contract are distinct and whether the pricing is at the standalone selling price. Services added that are not distinct are accounted for on a cumulative catch up basis, while those that are distinct are accounted for prospectively, either as a separate contract, if the additional services are priced at the standalone selling price, or as a termination of the existing contract and creation of a new contract if not priced at the standalone selling price.

The Group presents revenues net of indirect taxes in its consolidated statement of comprehensive income.

Revenues for the three months ended June 30, 2018 and June 30, 2017 are as follows:

(In ₹ crore)

Particulars	**Three months ended June 30,**	
	2018	**2017**
Revenue from software services	18,203	16,161
Revenue from products and platforms	925	917
Total revenue from operations	**19,128**	**17,078**

Disaggregate revenue information

The table below presents disaggregated revenues from contracts with customers for the three months ended June 30, 2018 by geography, offerings and contract-type for each of our business segments. The Company believes that this disaggregation best depicts how the nature, amount, timing and uncertainty of our revenues and cash flows are affected by industry, market and other economic factors.

(In ₹ crore)

Particulars	Financial Services [1]	Retail[2]	Communication [3]	Energy , Utilities, Resources and Services	Manufacturing	Hi Tech	Life Sciences[4]	Others [5]	Total
Revenues by Geography									
North America	3,664	2,072	1,195	1,369	982	1,370	742	81	11,475
Europe	1,162	892	482	793	791	17	486	34	4,657
India	276	7	12	1	21	35	2	142	496
Rest of the world	973	198	740	211	43	-	30	305	2,500
Total	**6,075**	**3,169**	**2,429**	**2,374**	**1,837**	**1,422**	**1,260**	**562**	**19,128**
Revenue by offerings									
Services									
Digital	1,598	925	715	628	451	454	261	61	5,093
Core	3,874	2,159	1,677	1,697	1,326	963	929	485	13,110
Subtotal	***5,472***	***3,084***	***2,392***	***2,325***	***1,777***	***1,417***	***1,190***	***546***	***18,203***
Products and platforms									
Digital	116	72	35	13	39	4	42	10	331
Core	487	13	2	36	21	1	28	6	594
Subtotal	***603***	***85***	***37***	***49***	***60***	***5***	***70***	***16***	***925***
Total	**6,075**	**3,169**	**2,429**	**2,374**	**1,837**	**1,422**	**1,260**	**562**	**19,128**
Digital	**1,714**	**997**	**750**	**641**	**490**	**458**	**303**	**71**	**5,424**
Core	**4,361**	**2,172**	**1,679**	**1,733**	**1,347**	**964**	**957**	**491**	**13,704**
Revenues by contract type									
Fixed Price	2,590	1,997	1,350	1,430	920	769	580	266	9,902
Time & Materials	3,485	1,172	1,079	944	917	653	680	296	9,226
Total	**6,075**	**3,169**	**2,429**	**2,374**	**1,837**	**1,422**	**1,260**	**562**	**19,128**

[1] *Financial Services include enterprises in Financial Services and Insurance*

[2] *Retail includes enterprises in Retail, Consumer Packaged Goods and Logistics*

[3] *Communication includes enterprises in Communication, Telecom OEM and Media*

[4] *Life Sciences includes enterprises in Life sciences and Health care*

[5] *Others include operating segments of businesses in India, Japan, China, Infosys Public Services & other enterprises in Public Services*

Digital Services

Digital Services comprise of service and solution offerings of the company that enable our clients to transform their businesses. These include offerings that enhance customer experience, leverage AI-based analytics and big data, engineer digital products and IoT, modernize legacy technology systems, migrate to cloud applications and implement advanced cyber security systems.

Core Services

Core Services comprise traditional offerings of the company that have scaled and industrialized over a number of years. These primarily include application management services, proprietary application development services, independent validation solutions, product engineering and management, infrastructure management services, traditional enterprise application implementation, support and integration services.

Products & platforms

The Group also derives revenues from the sale of products and platforms including Finacle – core banking solution, Edge Suite of products, Infosys Nia - Artificial Intelligence (AI) platform which applies next-generation AI and machine learning and Infosys McCamish- insurance platform

Trade Receivables and Contract Balances

The company classifies the right to consideration in exchange for deliverables as either a receivable or as unbilled revenue.

A receivable is a right to consideration that is unconditional upon passage of time. Revenue for time and material contracts are recognised as related service are performed. Revenue for fixed price maintenance contracts is recognized on a straight line basis over the period of the contract. Revenues in excess of billings is recorded as unbilled revenue and is classified as a financial asset for these cases as right to consideration is unconditional upon passage of time .

Revenue recognition for fixed price development contracts is based on percentage of completion method. Invoicing to the clients is based on milestones as defined in the contract. This would result in the timing of revenue recognition being different from the timing of billing the customers. Unbilled revenue for fixed price development contracts is classifed as non financial asset as the contractual right to consideration is dependent on completion of contractual milestones.

Invoicing in excess of earnings are classified as unearned revenue.

Trade receivable and unbilled revenues are presented net of impairment in the consolidated statements of financial position.

The following table discloses the movement in unbilled revenue on fixed price development contracts during the three months ended June 30, 2018

(In ₹ crore)

Particulars	For the three months ended June 30, 2018
Balance as of April 1, 2018	**2,798**
Add : Revenue recognized during the period	1,891
Less : Invoiced during the period	1,807
Less : Impairment / (reversal) during the period	(8)
Add : Translation gain/(loss)	150
Balance as of June 30, 2018	**3,040**

The following table discloses the movement in unearned revenue balances during the three months ended June 30, 2018

(In ₹ crore)

Particulars	For the three months ended June 30, 2018
Balance as of April 1, 2018	**2,295**
Less: Revenue recognized during the period	997
Add: Invoiced during the period but not recognized as revenues	914
Add: Translation loss / (gain)	115
Balance as of June 30, 2018	**2,327**

Performance obligations and remaining performance obligations

The remaining performance obligation disclosure provides the aggregate amount of the transaction price yet to be recognized as of the end of the reporting period and an explanation as to when the company expects to recognize these amounts in revenue. Applying the practical expedient as given in IFRS 15, the company has not disclosed the remaining performance obligation related disclosures for contracts where the revenue recognized corresponds directly with the value to the customer of the entity's performance completed to date, typically those contracts where invoicing is on time and material basis. Remaining performance obligation estimates are subject to change and are affected by several factors, including terminations, changes in the scope of contracts, periodic revalidations, adjustment for revenue that has not materialized and adjustments for currency.

The aggregate value of performance obligations that are completely or partially unsatisfied as of June 30, 2018, other than those meeting the exclusion criteria mentioned above, is ₹40,936 crore. Out of this, the company expects to recognize revenue of around 50% within the next one year and the remaining thereafter. This includes contracts that can be terminated for convenience without a substantive penalty since, based on current assessment, the occurrence of the same is expected to be remote.

The impact on account of applying the erstwhile IAS 18 - Revenue instead of IFRS 15- Revenue from contract with customers on the financials results of the company for the three months ended and as of June 30, 2018 is insignificant. On account of adoption of IFRS 15, unbilled revenues of ₹3,040 crore as of June 30, 2018 has been considered as Non financial asset.

2.16 Break-up of expenses and other income, net

a. Accounting Policy

Gratuity

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

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

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

Provident Fund

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

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

Superannuation

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

Compensated absences

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

Other income, net

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

During the three months ended June 30, 2018, the company has adopted IFRS interpretation IFRIC 22- Foreign Currency Transactions and Advance Consideration which clarifies the date of transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income when an entity has received or paid advance consideration in a foreign currency. The effect on account of adoption of this amendment was insignificant.

Operating Profits

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

b. The table below provides details of break-up of expenses:

Cost of sales

(In ₹ crore)

Particulars	Three months ended June 30,	
	2018	**2017**
Employee benefit costs	9,348	8,329
Depreciation and amortization	436	450
Travelling costs	443	390
Cost of Software packages for own use	208	218
Consultancy and professional charges	11	13
Third party items bought for service delivery to clients	333	221
Cost of technical sub-contractors	1,291	1,061
Operating lease payments	81	77
Communication costs	56	54
Repairs and maintenance	78	74
Provision for post-sales client support	1	10
Others	2	3
Total	**12,288**	**10,900**

Selling and marketing expenses

(In ₹ crore)

Particulars	Three months ended June 30,	
	2018	**2017**
Employee benefit costs	750	668
Travelling costs	101	80
Branding and marketing	95	92
Operating lease payments	17	19
Communication costs	4	5
Consultancy and professional charges	24	14
Others	14	10
Total	**1,005**	**888**

Administrative expenses

(In ₹ crore)

Particulars	Three months ended June 30,	
	2018	**2017**
Employee benefit costs	364	369
Consultancy and professional charges	270	219
Repairs and maintenance	202	228
Power and fuel	60	49
Communication costs	62	67
Travelling costs	59	57
Impairment loss recognised/(reversed) under expected credit loss model	71	(2)
Rates and taxes	36	49
Insurance charges	16	13
Operating lease payments	28	33
Commission to non-whole time directors	2	3
Contribution towards Corporate Social Responsibility	74	47
Others	54	47
Total	**1,298**	**1,179**

Other income, net

Particulars	Three months ended June 30,	
	2018	**2017**
Interest income on financial assets carried at amortized cost	383	427
Interest income on financial assets fair valued through other comprehensive income	167	203
Dividend income on investments carried at fair value through profit or loss	-	1
Gain/(loss) on investments carried at fair value through profit or loss	32	69
Exchange gains / (losses) on forward and options contracts	(185)	21
Exchange gains / (losses) on translation of other assets and liabilities	225	51
Others	104	42
	726	**814**

2.17 Capital allocation policy

Dividends

The final dividend on shares is recorded as a liability on the date of approval by the shareholders and interim dividends are recorded as a liability on the date of declaration by the Company's Board of Directors.

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

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

(In ₹)

Particulars	Three months ended June 30,	
	2018	2017
Final dividend for fiscal 2017	-	14.75
Final dividend for fiscal 2018	20.50	-
Special dividend for fiscal 2018	10.00	-

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

Buyback

The Board, at its meeting on August 19, 2017, approved a proposal for the Company to buyback its fully paid-up equity shares of face value of ₹5 each from the eligible equity shareholders of the Company for an amount not exceeding ₹13,000 crore. The shareholders approved the said proposal of buyback of Equity Shares through the postal ballot that concluded on October 7, 2017. The Buyback offer comprised a purchase of 11,30,43,478 Equity Shares aggregating 4.92% of the paid-up equity share capital of the Company at a price of ₹1,150 per Equity share. The buyback was offered to all eligible equity shareholders (including those who became equity shareholders as on the Record date by cancelling American Depository Shares and withdrawing underlying Equity shares) of the Company as on the Record Date (i.e November 1, 2017) on a proportionate basis through the "Tender offer" route. The Company concluded the buyback procedures on December 27, 2017 and 11,30,43,478 equity shares were extinguished. The company utilized its securities premium and general reserve for the buyback of its shares. In accordance with section 69 of the Companies Act, 2013, the company has created 'Capital Redemption Reserve' of ₹56 crore equal to the nominal value of the shares bought back as an appropriation from general reserve during the year ended March 31, 2018.

The Company's objective when managing capital is to safeguard its ability to continue as a going concern and to maintain an optimal capital structure so as to maximize shareholder value. In order to maintain or achieve an optimal capital structure, the Company may adjust the amount of dividend payment, return capital to shareholders, issue new shares or buy back issued shares. As of March 31, 2018, the Company has only one class of equity shares and has no debt. Consequent to the above capital structure there are no externally imposed capital requirements

Bonus issue

The Board in its meeting held on July 13, 2018 has considered, approved and recommended a bonus issue of one equity share for every equity share held and a stock dividend of one American Depositary Share (ADS) for every ADS held, as on a record date to be determined. Consequently, the ratio of equity shares underlying the ADSs held by an American Depositary Receipt holder would remain unchanged. The Board approved and recommended the issue to celebrate 25th year of public listing in India and to further increase the liquidity of its shares. The bonus issue of equity shares and ADSs will be subject to approval by the shareholders, and any other applicable statutory and regulatory approvals.

The bonus shares once allotted shall rank pari passu in all respects and carry the same rights as the existing equity shareholders and shall be entitled to participate in full, in any dividend and other corporate action, recommended and declared after the new equity shares are allotted.

2.18 Share capital and share premium

The Company has only one class of shares referred to as equity shares having a par value of ₹5/- each. 10,790,750 and 10,801,956 shares were held by controlled trust, as at June 30, 2018 and March 31, 2018, respectively.

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

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

Nandan M. Nilekani
Chairman

Salil Parekh
Chief Executive officer and Managing Director

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

D. Sundaram
Director

M. D. Ranganath
Chief Financial Officer

A. G. S. Manikantha
Company Secretary

Bengaluru
July 13, 2018

INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF DIRECTORS OF
INFOSYS LIMITED

Report on the Audit of Interim Condensed Consolidated Financial Statements

Opinion

We have audited the accompanying interim condensed consolidated financial statements of Infosys Limited ("the Company") and its subsidiaries (the Company and its subsidiaries together referred to as "the Group"), which comprise the Condensed Consolidated Balance Sheet as at June 30, 2018, the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Statement of Changes in Equity and the Condensed Consolidated Statement of Cash Flows for the three months period ended on that date, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the interim condensed consolidated financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid interim condensed consolidated financial statements give a true and fair view in conformity with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") as issued by the International Accounting Standards Board ("IASB"),of the consolidated state of affairs of the Group as at June 30, 2018, the consolidated profit, consolidated total comprehensive income, consolidated changes in equity and its consolidated cash flows for the three months period ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Interim Condensed Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the *Code of Ethics* issued by the Institute of Chartered Accountants of India, and we have fulfilled our other ethical responsibilities in accordance with the provisions of the Companies Act, 2013. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Management and Those Charged with Governance for the Interim Condensed Consolidated Financial Statements

The Company's Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance, consolidated total comprehensive income, consolidated changes in equity and consolidated cash flows of the Group in accordance with IAS 34 as issued by the IASB. The respective Board of Directors of the companies included in the Group are responsible for maintenance of the adequate accounting records for safeguarding assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the interim condensed consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the interim condensed consolidated financial statements by the Board of Directors of the Company, as aforesaid.

In preparing the interim condensed consolidated financial statements, the respective Board of Directors of the companies included in the Group are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group are responsible for overseeing the financial reporting process of the Group.

Auditor's Responsibilities for the Audit of the Interim Condensed Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the interim condensed consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these interim condensed consolidated financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the interim condensed consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the interim condensed consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the interim condensed consolidated financial statements, including the disclosures, and whether the interim condensed consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the interim condensed consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the interim condensed consolidated financial statements.

Materiality is the magnitude of misstatements in the financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

Based on our professional judgment, we determined materiality for the interim condensed consolidated financial statements as a whole at Rs. 250 crores. The basis for determining materiality was 5% of profits before tax. Profits before tax was used as a benchmark for materiality because it is one of the main measures used by users of financial statements to monitor the performance of the Group.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

For **DELOITTE HASKINS & SELLS LLP**
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

P. R. RAMESH
Partner
(Membership No.70928)

Bengaluru, July 13, 2018

INFOSYS LIMITED

Condensed Standalone Financial Statements under Indian Accounting Standards (Ind AS) for the three months ended June 30, 2018

Index

Condensed Balance Sheet
Condensed Statement of Profit and Loss
Condensed Statement of Changes in Equity
Condensed Statement of Cash Flows
Overview and notes to the financial statements

1. Overview

1.1 Company overview
1.2 Basis of preparation of financial statements
1.3 Use of estimates and judgments
1.4 Critical accounting estimates

2. Notes to financial statements

2.1 Property, plant and equipment
2.2 Investments and assets held for sale
2.3 Loans
2.4 Other financial assets
2.5 Trade Receivables
2.6 Cash and cash equivalents
2.7 Other assets
2.8 Financial instruments
2.9 Equity
2.10 Other financial liabilities
2.11 Trade payables
2.12 Other liabilities
2.13 Provisions
2.14 Income taxes
2.15 Revenue from operations
2.16 Other income, net
2.17 Expenses
2.18 Reconciliation of basic and diluted shares used in computing earning per share
2.19 Contingent liabilities and commitments
2.20 Related Party Transactions
2.21 Segment Reporting
2.22 Function-wise classification of statement of profit and loss

INFOSYS LIMITED

(In ₹ crore)

Condensed Balance Sheet as at	Note No.	June 30, 2018	March 31, 2018
ASSETS			
Non-current assets			
Property, plant and equipment	2.1	9,025	9,027
Capital work-in-progress		1,464	1,442
Goodwill		29	29
Other intangible assets		94	101
Financial assets			
Investments	2.2	12,218	11,993
Loans	2.3	17	19
Other financial assets	2.4	175	177
Deferred tax assets (net)		1,140	1,128
Income tax assets (net)		5,688	5,710
Other non-current assets	2.7	1,726	2,161
Total non - current Assets		**31,576**	**31,787**
Current assets			
Financial assets			
Investments	2.2	6,315	5,906
Trade receivables	2.5	12,607	12,151
Cash and cash equivalents	2.6	13,391	16,770
Loans	2.3	405	393
Other financial assets	2.4	3,655	5,906
Other current assets	2.7	4,525	1,439
		40,898	**42,565**
Assets held for sale	2.2.4	1,260	1,525
Total current assets		**42,158**	**44,090**
Total Assets		**73,734**	**75,877**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	2.9	1,092	1,092
Other equity		57,945	62,410
Total equity		**59,037**	**63,502**
LIABILITIES			
Non-current liabilities			
Financial liabilities			
Other financial liabilities	2.10	120	55
Deferred tax liabilities (net)		469	505
Other non-current liabilities	2.12	144	153
Total non - current liabilities		**733**	**713**
Current liabilities			
Financial liabilities			
Trade payables	2.11	887	738
Other financial liabilities	2.10	6,228	5,540
Other current liabilities	2.12	4,442	2,972
Provisions	2.13	458	436
Income tax liabilities (net)		1,949	1,976
Total current liabilities		**13,964**	**11,662**
Total equity and liabilities		**73,734**	**75,877**

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

As per our report of even date attached

for Deloitte Haskins & Sells LLP
Chartered Accountants
Firm's Registration Number:
117366W/W-100018

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

P. R. Ramesh
Partner
Membership No. 70928

Nandan M. Nilekani
Chairman

Salil Parekh
Chief Executive officer and Managing Director

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

Bengaluru
July 13, 2018

D. Sundaram
Director

M. D. Ranganath
Chief Financial Officer

A. G. S. Manikantha
Company Secretary

INFOSYS LIMITED

(In ₹ crore except equity share and per equity share data)

Condensed Statement of Profit and Loss for the	Note No.	Three months ended June 30, 2018	Three months ended June 30, 2017
Revenue from operations	2.15	17,056	14,971
Other income, net	2.16	716	723
Total income		**17,772**	**15,694**
Expenses			
Employee benefit expenses	2.17	8,826	7,752
Cost of technical sub-contractors		1,666	1,334
Travel expenses		467	391
Cost of software packages and others	2.17	415	314
Communication expenses		82	83
Consultancy and professional charges		252	185
Depreciation and amortization expense		374	343
Other expenses	2.17	643	576
Reduction in the fair value of assets held for sale	2.2.4	265	-
Total expenses		**12,990**	**10,978**
Profit before tax		**4,782**	**4,716**
Tax expense:			
Current tax	2.14	1,329	1,394
Deferred tax	2.14	(50)	(93)
Profit for the period		**3,503**	**3,415**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of the net defined benefit liability/asset, net		(1)	(2)
Equity instruments through other comprehensive income, net		4	-
Items that will be reclassified subsequently to profit or loss			
Fair value changes on derivatives designated as cash flow hedge, net		9	(66)
Fair value changes on investments, net	2.2	(41)	25
Total other comprehensive income/ (loss), net of tax		**(29)**	**(43)**
Total comprehensive income for the period		**3,474**	**3,372**
Earnings per equity share			
Equity shares of par value ₹5/- each			
Basic (₹)		16.04	14.87
Diluted (₹)		16.03	14.86
Weighted average equity shares used in computing earnings per equity share			
Basic	2.18	2,18,41,25,117	2,29,69,44,664
Diluted	2.18	2,18,48,47,151	2,29,74,91,678

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

As per our report of even date attached

for Deloitte Haskins & Sells LLP
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Firm's Registration Number:
117366W/W-100018

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

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Bengaluru
July 13, 2018

D. Sundaram
Director

M. D. Ranganath
Chief Financial Officer

A. G. S. Manikantha
Company Secretary

INFOSYS LIMITED

Condensed Statement of Changes in Equity

(In ₹ crore)

Particulars	Equity Share Capital	Other Equity											Total equity attributable to equity holders of the Company
		Reserves & Surplus								Other comprehensive income			
							Capital reserve						
		Securities Premium reserve	Retained earnings	General reserve	Share Options Outstanding Account	Special Economic Zone Re-investment reserve [1]	Capital reserve	Business transfer adjustment reserve[2]	Capital redemption reserve	Equity Instruments through other comprehensive income	Effective portion of Cash flow hedges	Other items of other comprehensive income	
Balance as at April 1, 2017	**1,148**	**2,208**	**49,957**	**11,087**	**120**	**-**	**54**	**3,448**	**-**	**(5)**	**39**	**(39)**	**68,017**
Changes in equity for the three months ended June 30, 2017													
Profit for the period	-	-	3,415	-	-	-	-	-	-	-	-	-	3,415
Remeasurement of the net defined benefit liability/asset*	-	-	-	-	-	-	-	-	-	-	-	(2)	(2)
Fair value changes on derivatives designated as cash flow hedge* (Refer note no. 2.8)	-	-	-	-	-	-	-	-	-	-	(66)	-	(66)
Fair value changes on investments, net* (refer note no. 2.2)	-	-	-	-	-	-	-	-	-	-	-	25	25
Total comprehensive income for the period	**-**	**-**	**3,415**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(66)**	**23**	**3,372**
Transfer to general reserve	-	-	(1,382)	1,382	-	-	-	-	-	-	-	-	-
Transferred to Special Economic Zone Re-investment reserve	-	-	(468)	-	-	468	-	-	-	-	-	-	-
Transferred from Special Economic Zone Re-investment reserve on utilization	-	-	146	-	-	(146)	-	-	-	-	-	-	-
Exercise of stock options (refer note no. 2.9)	-	2	-	-	(2)	-	-	-	-	-	-	-	-
Share based payment to employees of the group (refer note no. 2.9)	-	-	-	-	45	-	-	-	-	-	-	-	45
Dividends (including dividend distribution tax)	-	-	(4,078)	-	-	-	-	-	-	-	-	-	(4,078)
Balance as at June 30, 2017	**1,148**	**2,210**	**47,590**	**12,469**	**163**	**322**	**54**	**3,448**	**-**	**(5)**	**(27)**	**(16)**	**67,356**

INFOSYS LIMITED

Condensed Statement of Changes in Equity

(In ₹ crore)

Particulars	Equity Share Capital	Other Equity											Total equity attributable to equity holders of the Company
		Reserves & Surplus								Other comprehensive income			
		Securities Premium reserve	Retained earnings	General reserve	Share Options Outstanding Account	Special Economic Zone Re-investment reserve [1]	Capital reserve		Capital redemption reserve	Equity Instruments through other comprehensive income	Effective portion of Cash flow hedges	Other items of other comprehensive income	
							Capital reserve	Business transfer adjustment reserve[2]					
Balance as at April 1, 2018	**1,092**	**28**	**55,671**	**1,677**	**130**	**1,559**	**54**	**3,219**	**56**	**2**	**-**	**14**	**63,502**
Changes in equity for the three months ended June 30, 2018													
Profit for the period	-	-	3,503	-	-	-	-	-	-	-	-	-	3,503
Remeasurement of the net defined benefit liability/asset*	-	-	-	-	-	-	-	-	-	-	-	(1)	(1)
Equity instruments through other comprehensive income* (refer note no. 2.2)	-	-	-	-	-	-	-	-	-	4	-	-	4
Fair value changes on derivatives designated as cash flow hedge* (refer note no. 2.8)	-	-	-	-	-	-	-	-	-	-	9	-	9
Fair value changes on investments, net* (refer note no.2.2)	-	-	-	-	-	-	-	-	-	-	-	(41)	(41)
Total comprehensive income for the period	**-**	**-**	**3,503**	**-**	**-**	**-**	**-**	**-**	**-**	**4**	**9**	**(42)**	**3,474**
Transfer to general reserve	-	-	(1,615)	1,615	-	-	-	-	-	-	-	-	-
Transferred to Special Economic Zone Re-investment reserve	-	-	(534)	-	-	534	-	-	-	-	-	-	-
Transferred from Special Economic Zone Re-investment reserve on utilization	-	-	198	-	-	(198)	-	-	-	-	-	-	-
Shares issued on exercise of employee stock options	-	-	-	-	-	-	-	-	-	-	-	-	-
Share based payment to employees of the group (refer note no. 2.9)	-	-	-	-	43	-	-	-	-	-	-	-	43
Dividends (including dividend distribution tax)	-	-	(7,982)	-	-	-	-	-	-	-	-	-	(7,982)
Balance as at June 30, 2018	**1,092**	**28**	**49,241**	**3,292**	**173**	**1,895**	**54**	**3,219**	**56**	**6**	**9**	**(28)**	**59,037**

**net of tax*

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

[2] Profit on transfer of business between entities under common control taken to reserve.

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

As per our report of even date attached
for Deloitte Haskins & Sells LLP
Chartered Accountants
Firm's Registration Number:
117366W/W-100018

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

P. R. Ramesh
Partner
Membership No. 70928

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Bengaluru
July 13, 2018

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Director

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Chief Financial Officer

A. G. S. Manikantha
Company Secretary

INFOSYS LIMITED

Condensed Statement of Cash Flows

Accounting Policy

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

(In ₹ crore)

Particulars	Note No.	Three months ended June 30,	
		2018	2017
Cash flow from operating activities:			
Profit for the period		3,503	3,415
Adjustments to reconcile net profit to net cash provided by operating activities:			
Depreciation and amortization		374	343
Income tax expense	2.14	1,279	1,301
Impairment loss recognized / (reversed) under expected credit loss model		66	(8)
Interest and dividend income		(541)	(615)
Other adjustments		(26)	71
Reduction in the fair value of assets held for sale	2.2.4	265	-
Exchange differences on translation of assets and liabilities		45	(4)
Changes in assets and liabilities			
Trade receivables and unbilled revenue		(874)	(424)
Other financial assets and other assets		(67)	49
Trade payables		149	216
Other financial liabilities, other liabilities and provisions		929	396
Cash generated from operations		**5,102**	**4,740**
Income taxes paid		(1,334)	(1,049)
Net cash generated by operating activities		**3,768**	**3,691**
Cash flow from investing activities:			
Expenditure on property, plant and equipment		(448)	(489)
Deposits placed with corporations	2.4	(7)	(7)
Loans to employees	2.3	(4)	18
Investment in subsidiaries	2.2	(7)	(209)
Payment towards acquisition of business	2.2.3	(257)	-
Payment of contingent consideration pertaining to acquisition		-	(33)
Payments to acquire investments			
Preference and equity securities		(10)	-
Liquid mutual fund units and fixed maturity plan securities		(22,655)	(15,539)
Tax free bonds		(11)	-
Government bonds		-	(1)
Certificates of deposit		-	(281)
Proceeds on sale of investments			
Liquid mutual fund units and fixed maturity plan securities		21,277	16,078
Tax free bonds		1	-
Non-convertible debentures		304	-
Certificates of deposit		800	150
Interest and dividend received		570	206
Net cash used in investing activities		**(447)**	**(107)**
Cash flow from financing activities:			
Payment of dividends		(6,662)	(3,380)
Net cash used in financing activities		**(6,662)**	**(3,380)**
Effect of exchange differences on translation of foreign currency cash and cash equivalents		(38)	3
Net increase / (decrease) in cash and cash equivalents		(3,341)	204
Cash and cash equivalents at the beginning of the period		16,770	19,153
Cash and cash equivalents at the end of the period		**13,391**	**19,360**
Supplementary information:			
Restricted cash balance		242	435

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

As per our report of even date attached

for Deloitte Haskins & Sells LLP
Chartered Accountants
Firm's Registration Number:
117366W/W-100018

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

P. R. Ramesh
Partner
Membership No. 70928

Nandan M. Nilekani
Chairman

Salil Parekh
Chief Executive officer and Managing Director

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

Bengaluru
July 13, 2018

D. Sundaram
Director

M. D. Ranganath
Chief Financial Officer

A. G. S. Manikantha
Company Secretary

INFOSYS LIMITED

Notes to the interim condensed financial statements

1. Overview

1.1 Company overview

Infosys Limited ('the Company' or Infosys) is a leading provider of consulting, technology, outsourcing and next-generation digital services, enabling clients to execute strategies for their digital transformation. Infosys strategic objective is to build a sustainable organization that remains relevant to the agenda of clients, while creating growth opportunities for employees and generating profitable returns for investors. Infosys strategy is to be a navigator for our clients as they ideate, plan and execute on their journey to a digital future.

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

Further, the company's ADS were also listed on the Euronext London and Euronext Paris. On July 5, 2018, the company voluntarily delisted its ADS from the said exchanges due to low average daily trading volume of its ADS on these exchanges.

The interim condensed financial statements are approved for issue by the Company's Board of Directors on July 13, 2018.

1.2 Basis of preparation of financial statements

These interim condensed financial statements are prepared in accordance with Indian Accounting Standard 34 (Ind AS 34), under the historical cost convention on the accrual basis except for certain financial instruments which are measured at fair values, the provisions of the Companies Act, 2013 ('the Act') (to the extent notified) and guidelines issued by the Securities and Exchange Board of India (SEBI). The Ind AS are prescribed under Section 133 of the Act read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and relevant amendment rules issued there after.

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.

1.3 Use of estimates and judgments

The preparation of the financial statements in conformity with Ind AS requires the management to make estimates, judgments and assumptions. These estimates, judgments and assumptions affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. The application of accounting policies that require critical accounting estimates involving complex and subjective judgments and the use of assumptions in these financial statements have been disclosed in Note no. 1.4. Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

1.4 Critical accounting estimates

a. Revenue recognition

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

Further, the company uses significant judgments while determining the transaction price allocated to performance obligations using the expected cost plus margin approach.

Provisions for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the expected contract estimates at the reporting date.

b. Income taxes

The Company's two major tax jurisdictions are India and the U.S., though the Company also files tax returns in other overseas jurisdictions. Significant judgments are involved in determining the provision for income taxes, including amount expected to be paid/recovered for uncertain tax positions. Also refer to note no.2.14 and note no. 2.19.

In assessing the realizability of deferred income tax assets, management considers whether some portion or all of the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. Management considers the scheduled reversals of deferred income tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based on the level of historical taxable income and projections for future taxable income over the periods in which the deferred income tax assets are deductible, management believes that the group will realize the benefits of those deductible differences. The amount of the deferred income tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carry forward period are reduced.

c. Property, plant and equipment

Property, plant and equipment represent a significant proportion of the asset base of the Company. The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. The useful lives and residual values of Company's assets are determined by the management at the time the asset is acquired and reviewed periodically, including at each financial year end. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology. Refer to note no. 2.1

d. Non-current assets held for sale

Assets held for sale are measured at the lower of carrying amount or fair value less costs to sell. The determination of fair value less costs to sell includes use of management estimates and assumptions. The fair value of the assets held for sale has been estimated using valuation techniques (mainly income and market approach) which includes unobservable inputs. Refer to note no. 2.2.4

2.1 PROPERTY, PLANT AND EQUIPMENT

Accounting Policy

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

Building[(1)]	22-25 years
Plant and machinery[(1)]	5 years
Office equipment	5 years
Computer equipment[(1)]	3-5 years
Furniture and fixtures[(1)]	5 years
Vehicles[(1)]	5 years
Leasehold improvements	Over lease term

[(1)] *Based on technical evaluation, the management believes that the useful lives as given above best represent the period over which management expects to use these assets. Hence, the useful lives for these assets is different from the useful lives as prescribed under Part C of Schedule II of the Companies Act 2013.*

Depreciation methods, useful lives and residual values are reviewed periodically, including at each financial year end.

Advances paid towards the acquisition of property, plant and equipment outstanding at each Balance Sheet date is classified as capital advances under other non-current assets and the cost of assets not ready to use before such date are disclosed under 'Capital work-in-progress'. Subsequent expenditures relating to property, plant and equipment is capitalized only when it is probable that future economic benefits associated with these will flow to the Company and the cost of the item can be measured reliably. Repairs and maintenance costs are recognized in the Statement of Profit and Loss when incurred. The cost and related accumulated depreciation are eliminated from the financial statements upon sale or retirement of the asset and the resultant gains or losses are recognized in the Statement of Profit and Loss.

Impairment

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

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

The changes in the carrying value of property, plant and equipment for the three months ended June 30, 2018 are as follows: *(In ₹ crore)*

Particulars	Land-Freehold	Land-Leasehold	Buildings[(1)(2)]	Plant and machinery[(2)]	Office Equipment[(2)]	Computer equipment[(2)]	Furniture and fixtures[(2)]	Leasehold Improvements	Vehicles	Total
Gross carrying value as at April 1, 2018	**1,227**	**661**	**7,271**	**2,209**	**841**	**4,229**	**1,247**	**235**	**29**	**17,949**
Additions	31	-	89	22	11	201	28	2	2	386
Deletions	-	(21)	-	(1)	(1)	(8)	(1)	-	-	(32)
Gross carrying value as at June 30, 2018	**1,258**	**640**	**7,360**	**2,230**	**851**	**4,422**	**1,274**	**237**	**31**	**18,303**
Accumulated depreciation as at April 1, 2018	**-**	**(30)**	**(2,621)**	**(1,526)**	**(582)**	**(3,143)**	**(896)**	**(107)**	**(17)**	**(8,922)**
Depreciation	-	(1)	(66)	(71)	(29)	(150)	(39)	(10)	(1)	(367)
Accumulated depreciation on deletions	-	-	-	1	1	8	1	-	-	11
Accumulated depreciation as at June 30, 2018	**-**	**(31)**	**(2,687)**	**(1,596)**	**(610)**	**(3,285)**	**(934)**	**(117)**	**(18)**	**(9,278)**
Carrying value as at June 30, 2018	**1,258**	**609**	**4,673**	**634**	**241**	**1,137**	**340**	**120**	**13**	**9,025**
Carrying value as at April 1, 2018	**1,227**	**631**	**4,650**	**683**	**259**	**1,086**	**351**	**128**	**12**	**9,027**

The changes in the carrying value of property, plant and equipment for the three months ended June 30, 2017 were as follows: *(In ₹ crore)*

Particulars	Land-Freehold	Land-Leasehold	Buildings[(1)(2)]	Plant and machinery[(2)]	Office Equipment[(2)]	Computer equipment[(2)]	Furniture and fixtures[(2)]	Leasehold Improvements	Vehicles	Total
Gross carrying value as at April 1, 2017	**1,093**	**659**	**6,483**	**1,966**	**769**	**3,886**	**1,132**	**198**	**24**	**16,210**
Additions	-	-	52	30	22	121	21	10	2	258
Deletions	-	-	-	-	(1)	(5)	(1)	-	-	(7)
Gross carrying value as at June 30, 2017	**1,093**	**659**	**6,535**	**1,996**	**790**	**4,002**	**1,152**	**208**	**26**	**16,461**
Accumulated depreciation as at April 1, 2017	**-**	**(26)**	**(2,377)**	**(1,274)**	**(472)**	**(2,603)**	**(757)**	**(82)**	**(14)**	**(7,605)**
Depreciation	-	(1)	(60)	(64)	(30)	(143)	(36)	(8)	(1)	(343)
Accumulated depreciation on deletions	-	-	-	-	1	4	1	-	-	6
Accumulated depreciation as at June 30, 2017	**-**	**(27)**	**(2,437)**	**(1,338)**	**(501)**	**(2,742)**	**(792)**	**(90)**	**(15)**	**(7,942)**
Carrying value as at June 30, 2017	**1,093**	**632**	**4,098**	**658**	**289**	**1,260**	**360**	**118**	**11**	**8,519**
Carrying value as at April 1, 2017	**1,093**	**633**	**4,106**	**692**	**297**	**1,283**	**375**	**116**	**10**	**8,605**

The changes in the carrying value of property, plant and equipment for the year ended March 31, 2018 were as follows:

(In ₹ crore)

Particulars	Land-Freehold	Land-Leasehold	Buildings[1][2]	Plant and machinery[2]	Office Equipment[2]	Computer equipment[2]	Furniture and fixtures[2]	Leasehold Improvements	Vehicles	Total
Gross carrying value as at April 1, 2017	**1,093**	**659**	**6,483**	**1,966**	**769**	**3,886**	**1,132**	**198**	**24**	16,210
Additions	134	2	789	250	78	396	121	48	5	1,823
Deletions	-	-	(1)	(7)	(6)	(53)	(6)	(11)	-	(84)
Gross carrying value as at March 31, 2018	**1,227**	**661**	**7,271**	**2,209**	**841**	**4,229**	**1,247**	**235**	**29**	**17,949**
Accumulated depreciation as at April 1, 2017	**-**	**(26)**	**(2,377)**	**(1,274)**	**(472)**	**(2,603)**	**(757)**	**(82)**	**(14)**	**(7,605)**
Depreciation	-	(4)	(244)	(258)	(115)	(592)	(145)	(36)	(3)	**(1,397)**
Accumulated depreciation on deletions	-	-	-	6	5	52	6	11	-	80
Accumulated depreciation as at March 31, 2018	**-**	**(30)**	**(2,621)**	**(1,526)**	**(582)**	**(3,143)**	**(896)**	**(107)**	**(17)**	**(8,922)**
Carrying value as at March 31, 2018	**1,227**	**631**	**4,650**	**683**	**259**	**1,086**	**351**	**128**	**12**	**9,027**
Carrying value as at April 1, 2017	**1,093**	**633**	**4,106**	**692**	**297**	**1,283**	**375**	**116**	**10**	**8,605**

[1] *Buildings include ₹250/- being the value of five shares of ₹50/- each in Mittal Towers Premises Co-operative Society Limited.*

[2] *Includes certain assets provided on cancellable operating lease to subsidiaries.*

Gross carrying value of leasehold land represents amounts paid under certain lease-cum-sale agreements to acquire land including agreements where the Company has an option to purchase or renew the properties on expiry of the lease period.

The aggregate depreciation has been included under depreciation and amortization expense in the statement of Profit and Loss.

Tangible assets provided on operating lease to subsidiaries as at June 30, 2018 and March 31, 2018 are as follows:

(In ₹ crore)

Particulars	Cost	Accumulated depreciation	Net book value
Buildings	190	83	107
	190	*82*	*108*
Plant and machinery	33	27	6
	33	*25*	*8*
Furniture and fixtures	25	21	4
	25	*20*	*5*
Computer Equipment	3	3	-
	3	*2*	*1*
Office equipment	18	13	5
	18	*13*	*5*

(In ₹ crore)

Particulars	Three months ended June 30,	
	2018	**2017**
Aggregate depreciation charged on above assets	5	5
Rental income from subsidiaries	16	17

2.2 INVESTMENTS AND ASSETS HELD FOR SALE

(In ₹ crore)

Particulars	As at	
	June 30, 2018	March 31, 2018
Non-current investments		
Equity instruments of subsidiaries	5,370	5,013
Debentures of subsidiary	1,780	1,780
Preference securities and equity instruments	133	117
Others	7	7
Tax free bonds	1,830	1,831
Fixed maturity plans securities	377	376
Non-convertible debentures	2,721	2,869
Total non-current investments	**12,218**	**11,993**
Current investments		
Liquid mutual fund units	1,405	-
Certificates of deposit	4,166	4,901
Government bonds	11	1
Non-convertible debentures	434	711
Commercial paper	299	293
Total current investments	**6,315**	**5,906**
Total carrying value	**18,533**	**17,899**

(In ₹ crore, except as otherwise stated)

Particulars	As at	
	June 30, 2018	March 31, 2018
Non-current investments		
Unquoted		
Investment carried at cost		
Investments in equity instruments of subsidiaries		
Infosys BPM Limited (formerly Infosys BPO Limited) 3,38,22,319 (3,38,22,319) equity shares of ₹10/- each, fully paid	659	659
Infosys Technologies (China) Co. Limited	333	333
Infosys Technologies (Australia) Pty Limited [(1)] 1,01,08,869 (1,01,08,869) equity shares of AUD 0.11 par value, fully paid	38	38
Infosys Technologies, S. de R.L. de C.V., Mexico 17,49,99,990 (17,49,99,990) equity shares of MXN 1 par value, fully paid up	65	65
Infosys Technologies (Sweden) AB 1,000 (1,000) equity shares of SEK 100 par value, fully paid	76	76
Infosys Technologia do Brazil Ltda 5,91,24,348 (5,91,24,348) shares of BRL 1.00 par value, fully paid	149	149
Infosys Technologies (Shanghai) Company Limited	900	900
Infosys Public Services, Inc. 3,50,00,000 (3,50,00,000) shares of USD 0.50 par value, fully paid	99	99
Infosys Consulting Holding AG 23,350 (23,350) - Class A shares of CHF 1,000 each and 29,400 (29,400) - Class B Shares of CHF 100 each, fully paid up	1,323	1,323
Infosys Americas Inc. 10,000 (10,000) shares of USD 10 per share, fully paid up	1	1
EdgeVerve Systems Limited 1,31,18,40,000 (1,31,18,40,000) equity shares of ₹10/- each, fully paid	1,312	1,312
Infosys Nova Holdings LLC * [(1)]	-	-
Noah Consulting LLC (refer note 2.2.1)	-	-
Infosys Consulting Pte Ltd (formerly Lodestone Management Consultants Pte Ltd) 1,09,90,000 (1,09,90,000) shares of SGD 1.00 par value, fully paid	10	10
Brilliant Basics Holding Limited (refer note 2.2.2) 1,170 (Nil) shares of GBP 0.005 each, fully paid up	46	46
Infosys Arabia Limited 70 (Nil) shares	2	2
Kallidus Inc. (refer note no. 2.2.4) 10,21,35,416 (10,21,35,416) shares	-	-
Skava Systems Private Limited (refer note no. 2.2.4) 25,000 (25,000) shares of ₹10/- per share, fully paid up	-	-
Panaya Inc. (refer note no. 2.2.4) 2 (2) shares of USD 0.01 per share, fully paid up	-	-
Infosys Chile SpA 100 (Nil) shares	7	-
Wongdoody Holding Company Inc (refer note no. 2.2.3) 2,000 (Nil) shares	350	-
	5,370	**5,013**
Investment carried at amortized cost		
Investment in debentures of subsidiary		
EdgeVerve Systems Limited		
17,80,00,000 (17,80,00,000) Unsecured redeemable, non-convertible debentures of ₹ 100/- each fully paid up	1,780	1,780
	1,780	**1,780**
Investments carried at fair value through profit or loss		
Others	7	7
	7	**7**
Investment carried at fair value through other comprehensive income (FVOCI)		
Preference securities	132	116
Equity instruments	1	1
	133	**117**

(In ₹ crore, except as otherwise stated)

Particulars	As at June 30, 2018	As at March 31, 2018
Quoted		
Investments carried at amortized cost		
Tax free bonds	1,830	1,831
	1,830	**1,831**
Investments carried at fair value through profit or loss		
Fixed maturity plans securities	377	376
	377	**376**
Investments carried at fair value through other comprehensive income		
Non-convertible debentures	2,721	2,869
	2,721	**2,869**
Total non-current investments	**12,218**	**11,993**
Current investments		
Unquoted		
Investments carried at fair value through profit or loss		
Liquid mutual fund units	1,405	-
	1,405	**-**
Investments carried at fair value through other comprehensive income		
Commercial paper	299	293
Certificates of deposit	4,166	4,901
	4,465	**5,194**
Quoted		
Investments carried at amortized cost		
Government bonds	11	1
	11	**1**
Investments carried at fair value through other comprehensive income		
Non-convertible debentures	434	711
	434	**711**
Total current investments	**6,315**	**5,906**
Total investments	**18,533**	**17,899**
Aggregate amount of quoted investments	5,373	5,788
Market value of quoted investments (including interest accrued)	5,638	6,045
Aggregate amount of unquoted investments	13,160	12,111
[(1)] Aggregate amount of impairment in value of investments	122	122
Aggregate amount of reduction in fair value of investments held for sale (refer note no 2.2.4)	854	589
Investments carried at cost	5,370	5,013
Investments carried at amortized cost	3,621	3,612
Investments carried at fair value through other comprehensive income	7,753	8,891
Investments carried at fair value through profit or loss	1,789	383

Note: Uncalled capital commitments outstanding as of June 30, 2018 and March 31, 2018 was ₹25 crore and ₹36 crore, respectively.

** During the three months ended June 30, 2017, Infosys Nova Holding LLC, a wholly-owned subsidiary, has written down the entire carrying value of its investment in its associate DWA Nova LLC. Consequently, the Company has written down the entire carrying value of the investment in its subsidiary Infosys Nova Holdings LLC, amounting to ₹94 crore.*

Refer to note no. 2.8 for accounting policies on financial instruments.

Details of amounts recorded in Other comprehensive income:

(In ₹ crore)

	Three months ended					
	June 30, 2018			June 30, 2017		
	Gross	Tax	Net	Gross	Tax	Net
Net Gain/(loss) on						
Non-convertible debentures	(33)	4	(29)	28	(2)	26
Certificate of deposits	(18)	6	(12)	(1)	-	(1)
Equity and preference securities	5	(1)	4	-	-	-

Method of fair valuation:

(In ₹ crore)

Class of investment	Method	Fair value as at	
		June 30, 2018	March 31, 2018
Liquid mutual fund units	Quoted price	1,405	-
Fixed maturity plan securities	Market observable inputs	377	376
Tax free bonds and government bonds	Quoted price and market observable inputs	2,066	2,079
Non-convertible debentures	Quoted price and market observable inputs	3,155	3,580
Certificate of deposits	Market observable inputs	4,166	4,901
Commercial paper	Market observable inputs	299	293
Unquoted equity and preference securities	Discounted cash flows method, Market multiples method, Option pricing model, etc.	133	117
Others	Discounted cash flows method, Market multiples method, Option pricing model, etc.	7	7

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

2.2.1 Business transfer- Noah

On July 14, 2017, the Board of Directors of Infosys authorized the Company to execute a Business Transfer Agreement and related documents with Noah Consulting LLC, a wholly owned subsidiary, to transfer the business of Noah Consulting LLC to Infosys Limited, subject to securing the requisite regulatory approvals for a consideration based on an independent valuation. Subsequently on October 17, 2017 , the company entered into a business transfer agreement to transfer the business for a consideration of $41 million (₹ 266 crore) and the transfer was with effect from October 25, 2017.

The transaction was between a holding company and a wholly owned subsidiary, the resultant impact on account of business transfer was recorded in 'Business Transfer Adjustment Reserve' during the year ended March 31, 2018. The table below details out the assets and liabilities taken over upon business transfer:

(In ₹ crore)

Particulars	Amount
Goodwill	29
Trade name	16
Customer contracts	80
Other intangibles	16
Deferred tax assets	13
Net assets / (liabilities), others	(117)
Total	**37**
Less: Consideration paid	266
Business transfer reserve	**(229)**

Subsequently, in November 2017, Noah Consulting LLC has been liquidated and the Company received ₹316 crore as proceeds on liquidation.

2.2.2 Brilliant Basics Holdings Limited.

On September 8, 2017, Infosys acquired 100% of the voting interests in Brilliant Basics Holdings Limited., UK, (Brilliant Basics) a product design and customer experience innovator with experience in executing global programs. The business acquisition was conducted by entering into a share purchase agreement for cash consideration of ₹29 crore, contingent consideration of up to ₹20 crore and an additional consideration of upto ₹13 crore, referred to as retention bonus, payable to the employees of Brilliant Basics at each anniversary year over the next two years, subject to their continuous employment with the group at each anniversary. The fair value of contingent consideration on the date of acquisition is ₹17 crore.

2.2.3 Wongdoody Holding Company Inc

On May 22, 2018, Infosys acquired 100% of the voting interests in WongDoody Holding Company Inc., (WongDoody) an US-based, full-service creative and consumer insights agency. The business acquisition was conducted by entering into a share purchase agreement for a total consideration of up to $75 million (approximately ₹514 crore on acquisition date), which includes a cash consideration of $38 million (approximately ₹261 crore), contingent consideration of up to $28 million (approximately ₹192 crore on acquisition date) and an additional consideration of up to $9 million (approximately ₹61 crore on acquisition date), referred to as retention bonus, payable to the employees of WongDoody over the next three years, subject to their continuous employment with the group. The fair value of contingent consideration on the date of acquisition is ₹89 crore.

2.2.4 Assets held for sale

Accounting policy

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

In the quarter ended March 2018, on conclusion of a strategic review of the portfolio businesses, the company had evaluated its portfolio of businesses and had planned for the sale of its investment in subsidiaries, Kallidus and Skava (together herein referred to as 'Skava') and Panaya. The Company anticipates completion of the sale by March, 2019. On reclassification, investments in these subsidiaries had been reclassified as 'Assets held for sale' and measured at the lower of carrying amount and fair value less cost to sell. Consequently, the Company had recognized a reduction in the fair value of investment of ₹589 crore during the three months ended March 31, 2018, in respect of Panaya in the standalone books of Infosys Limited.

During the three months ended June 30, 2018, on remeasurement, including consideration of progress in negotiations on offers from prospective buyers for Panaya, the Company has recorded a reduction in the fair value of investment of ₹265 crore in respect of Panaya.

2.3 LOANS

(In ₹ crore)

Particulars	As at	
	June 30, 2018	**March 31, 2018**
Non- Current		
Unsecured, considered good		
Other Loans		
Loans to employees	17	19
	17	**19**
Unsecured, considered doubtful		
Other Loans		
Loans to employees	14	12
	31	**31**
Less: Allowance for doubtful loans to employees	14	12
Total non - current loans	**17**	**19**
Current		
Unsecured, considered good		
Loans to subsidiaries *(Refer note no.2.20)*	191	185
Other Loans		
Loans to employees	214	208
Total current loans	**405**	**393**
Total Loans	**422**	**412**

2.4 OTHER FINANCIAL ASSETS

(In ₹ crore)

Particulars	As at	
	June 30, 2018	**March 31, 2018**
Non-current		
Security deposits [(1)]	49	48
Rental deposits [(1)]	126	129
Total non-current other financial assets	**175**	**177**
Current		
Security deposits [(1)]	2	2
Rental deposits [(1)]	24	6
Restricted deposits [(1)]	1,422	1,415
Unbilled revenues [(1)(5)#]	1,245	3,573
Interest accrued but not due [(1)]	710	739
Foreign currency forward and options contracts [(2)(3)]	35	16
Others [(1)(4)]	217	155
Total current other financial assets	**3,655**	**5,906**
Total other financial assets	**3,830**	**6,083**
[(1)] Financial assets carried at amortized cost	3,795	6,067
[(2)]Financial assets carried at fair value through other comprehensive income	23	12
[(3)]Financial assets carried at fair value through Profit or Loss	12	4
[(4)] Includes dues from subsidiaries (Refer note no. 2.20)	37	40
[(5)] Includes dues from subsidiaries (Refer note no. 2.20)	-	32

Restricted deposits represent deposit with financial institutions to settle employee related obligations as and when they arise during the normal course of business.

Classified as financial asset as right to consideration is unconditional upon passage of time.

2.5 TRADE RECEIVABLES

(In ₹ crore)

Particulars	As at	
	June 30, 2018	**March 31, 2018**
Current		
Unsecured		
Considered good[(2)]	12,607	12,151
Considered doubtful	388	315
	12,995	12,466
Less: Allowances for credit losses	388	315
Total trade receivables[(1)]	**12,607**	**12,151**
[(1)] Includes dues from companies where directors are interested	-	-
[(2)] Includes dues from subsidiaries (refer note no. 2.20)	291	335

2.6 CASH AND CASH EQUIVALENTS

(In ₹ crore)

Particulars	As at	
	June 30, 2018	**March 31, 2018**
Balances with banks		
In current and deposit accounts	6,606	10,789
Cash on hand	-	-
Others		
Deposits with financial institutions	6,785	5,981
Total Cash and cash equivalents	**13,391**	**16,770**
Balances with banks in unpaid dividend accounts	22	22
Deposit with more than 12 months maturity	4,828	6,187
Balances with banks held as margin money deposits against guarantees	220	353

Cash and cash equivalents as at June 30, 2018 and March 31, 2018 include restricted cash and bank balances of ₹242 crore and ₹375 crore, respectively. The restrictions are primarily on account of bank balances held as margin money deposits against guarantees and balances held in unpaid dividend bank accounts.

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

The table below provides details of cash and cash equivalents:

(In ₹ crore)

Particulars	As at	
	June 30, 2018	**March 31, 2018**
In current accounts		
ANZ Bank, Taiwan	1	9
Bank of America, USA	305	814
Bank of Baroda, Mauritius	-	1
Bank of tokyo, Japan	1	-
BNP Paribas Bank, Norway	52	88
Citibank N.A., Australia	66	184
Citibank N.A., Dubai	2	5
Citibank N.A., EEFC (U.S. Dollar account)	1	4
Citibank N.A., Hungary	8	6
Citibank N.A., India	3	3
Citibank N.A., Japan	15	18
Citibank N.A., New Zealand	6	8
Citibank N.A., South Africa	36	33
Citibank N.A., South Korea	5	2
Deutsche Bank, Belgium	17	27
Deutsche Bank, EEFC (Australian Dollar account)	1	2
Deutsche Bank, EEFC (Euro account)	6	14
Deutsche Bank, EEFC (Swiss Franc account)	2	2
Deutsche Bank, EEFC (U.S. Dollar account)	33	27
Deutsche Bank, EEFC (United Kingdom Pound Sterling account)	4	8
Deutsche Bank, France	6	19
Deutsche Bank, Germany	75	70
Deutsche Bank, India	28	40
Deutsche Bank, Malaysia	1	5
Deutsche Bank, Netherlands	8	8
Deutsche Bank, Philippines	3	14
Deutsche Bank, Russia	3	3
Deutsche Bank, Russia (U.S. Dollar account)	4	5
Deutsche Bank, Singapore	14	17
Deutsche Bank, Spain	1	1
Deutsche Bank, Switzerland	8	18
Deutsche Bank, United Kingdom	51	74
HSBC Bank, Hong Kong	2	2
ICICI Bank, EEFC (U.S. Dollar account)	28	5
ICICI Bank, India	10	33
Nordbanken, Sweden	12	26
Punjab National Bank, India	76	12
Royal Bank of Canada, Canada	14	9
Splitska Banka D.D., Société Générale Group, Croatia	9	8
	917	**1,624**

(In ₹ crore)

Particulars	As at	
	June 30, 2018	**March 31, 2018**
In deposit accounts		
Barclays Bank	200	200
HDFC Bank	473	2,423
ICICI Bank	3,274	3,467
IDFC Bank	1,500	1,500
IndusInd Bank	-	1,000
South Indian Bank	-	200
	5,447	**8,790**
In unpaid dividend accounts		
Axis Bank - Unpaid dividend account	1	1
HDFC Bank - Unpaid dividend account	1	1
ICICI Bank - Unpaid dividend account	20	20
	22	**22**
In margin money deposits against guarantees		
Canara Bank	148	151
ICICI Bank	72	202
	220	**353**
Deposits with financial institution		
HDFC Limited	5,585	4,781
LIC Housing Finance Limited	1,200	1,200
	6,785	**5,981**
Total cash and cash equivalents	**13,391**	**16,770**

2.7 OTHER ASSETS

(In ₹ crore)

Particulars	As at	
	June 30, 2018	**March 31, 2018**
Non-current		
Capital advances	419	420
Advances other than capital advance		
Prepaid gratuity	8	23
Others		
Prepaid expenses	51	49
Deferred contract cost	258	262
Withholding taxes and others	990	1,407
Total non-current other assets	**1,726**	**2,161**
Current		
Advances other than capital advance		
Payment to vendors for supply of goods	83	103
Others		
Unbilled revenues [(1)#]	2,680	-
Prepaid expenses [(2)]	522	449
Deferred contract cost	44	44
Withholding taxes and others	1,196	843
Total current other assets	**4,525**	**1,439**
Total other assets	**6,251**	**3,600**
[(1)] Includes dues from subsidiaries (Refer note no. 2.20)	31	-
[(2)] Includes dues from subsidiaries (Refer note no. 2.20)	148	115

Deferred contract costs are upfront costs incurred for the contract and are amortized over the term of the contract. Withholding taxes and others primarily consist of input tax credits.

Classified as non financial asset as the contractual right to consideration is dependent on completion of contractual milestones.

2.8 FINANCIAL INSTRUMENTS

Accounting Policy

2.8.1 Initial recognition

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

2.8.2 Subsequent measurement

a. Non-derivative financial instruments

(i) Financial assets carried at amortized cost

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

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

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

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

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

(iv) Financial liabilities

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

(v) Investment in subsidiaries

Investment in subsidiaries is carried at cost in the separate financial statements.

b. Derivative financial instruments

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

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

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

Although the Company believes that these derivatives constitute hedges from an economic perspective, they may not qualify for hedge accounting under Ind AS 109, Financial Instruments. Any derivative that is either not designated as hedge, or is so designated but is ineffective as per Ind AS 109, is categorized as a financial asset or financial liability, at fair value through profit or loss.

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

(ii) Cash flow hedge

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

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

c. Share capital

Ordinary Shares

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

2.8.3 Derecognition of financial instruments

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition under Ind AS 109. A financial liability (or a part of a financial liability) is derecognized from the Company's Balance Sheet when the obligation specified in the contract is discharged or cancelled or expires.

2.8.4 Fair value of financial instruments

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

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

2.8.5 Impairment

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

Financial instruments by category

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

(In ₹ crore)

Particulars	Amortized cost	Financial assets/ liabilities at fair value through profit or loss		Financial assets/liabilities at fair value through OCI		Total carrying value	Total fair value	
		Designated upon initial recognition	Mandatory	Equity instruments designated upon initial recognition	Mandatory			
Assets:								
Cash and cash equivalents (Refer Note no. 2.6)	13,391	-	-	-	-	13,391	13,391	
Investments (Refer note no.2.2)								
Preference securities, Equity instruments and others	-	-	7	133	-	140	140	
Tax free bonds and government bonds	1,841	-	-	-	-	1,841	2,066	*
Liquid mutual fund units	-	-	1,405	-	-	1,405	1,405	
Redeemable, non-convertible debentures [(1)]	1,780	-	-	-	-	1,780	1,780	
Fixed maturity plan securities	-	-	377	-	-	377	377	
Certificates of deposit	-	-	-	-	4,166	4,166	4,166	
Non convertible debentures	-	-	-	-	3,155	3,155	3,155	
Commercial paper	-	-	-	-	299	299	299	
Trade receivables (Refer Note no. 2.5)	12,607	-	-	-	-	12,607	12,607	
Loans (Refer note no. 2.3)	422	-	-	-	-	422	422	
Other financial assets (Refer Note no. 2.4)	3,795	-	12	-	23	3,830	3,742	**
Total	**33,836**	**-**	**1,801**	**133**	**7,643**	**43,413**	**43,550**	
Liabilities:								
Trade payables (Refer Note no. 2.11)	887	-	-	-	-	887	887	
Other financial liabilities (Refer Note no. 2.10)	4,785	-	234	-	3	5,022	5,022	
Total	**5,672**	**-**	**234**	**-**	**3**	**5,909**	**5,909**	

[(1)] The carrying value of debentures approximates fair value as the instruments are at prevailing market rates

** On account of fair value changes including interest accrued*

*** Excludes interest accrued on tax free bonds*

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

(In ₹ crore)

Particulars	Amortized cost	Financial assets/ liabilities at fair value through profit or loss		Financial assets/liabilities at fair value through OCI		Total carrying value	Total fair value	
		Designated upon initial recognition	Mandatory	Equity instruments designated upon initial recognition	Mandatory			
Assets:								
Cash and cash equivalents (Refer Note no. 2.6)	16,770	-	-	-	-	16,770	16,770	
Investments (Refer Note no. 2.2)								
Preference securities, Equity instruments and others	-	-	7	117	-	124	124	
Tax free bonds and government bonds	1,832	-	-	-	-	1,832	2,079	*
Redeemable, non-convertible debentures [(1)]	1,780	-	-	-	-	1,780	1,780	
Fixed maturity plan securities	-	-	376	-	-	376	376	
Certificates of deposit	-	-	-	-	4,901	4,901	4,901	
Non convertible debentures	-	-	-	-	3,580	3,580	3,580	
Commercial paper	-	-	-	-	293	293	293	
Trade receivables (Refer Note no. 2.5)	12,151	-	-	-	-	12,151	12,151	
Loans (Refer note no. 2.3)	412	-	-	-	-	412	412	
Other financial assets (Refer Note no. 2.4)	6,067	-	4	-	12	6,083	6,001	**
Total	**39,012**	**-**	**387**	**117**	**8,786**	**48,302**	**48,467**	
Liabilities:								
Trade payables (Refer note no. 2.11)	738	-	-	-	-	738	738	
Other financial liabilities (Refer Note no. 2.10)	4,241	-	91	-	3	4,335	4,335	
Total	**4,979**	**-**	**91**	**-**	**3**	**5,073**	**5,073**	

[(1)] The carrying value of debentures approximates fair value as the instruments are at prevailing market rates

** On account of fair value changes including interest accrued*

*** Excludes interest accrued on tax free bonds*

Fair value hierarchy

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3 - Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The fair value hierarchy of assets and liabilities as at June 30, 2018 is as follows:

(In ₹ crore)

Particulars	June 30, 2018	Fair value measurement at end of the reporting period using		
		Level 1	Level 2	Level 3
Assets				
Investments in tax free bonds (Refer note no. 2.2)	2,054	1,117	937	-
Investments in government bonds (Refer note no. 2.2)	12	12	-	-
Investments in liquid mutual fund units (Refer note no. 2.2)	1,405	1,405	-	-
Investments in equity instruments (Refer note no. 2.2)	1	-	-	1
Investments in preference securities (Refer note no. 2.2)	132	-	-	132
Investments in fixed maturity plan securities (Refer note no. 2.2)	377	-	377	-
Investments in certificates of deposit (Refer note no. 2.2)	4,166	-	4,166	-
Investments in non convertible debentures (Refer note no. 2.2)	3,155	1,595	1,560	-
Investments in commercial paper (Refer note no. 2.2)	299	-	299	-
Other investments (Refer note no. 2.2)	7	-	-	7
Derivative financial instruments - gain on outstanding foreign currency forward and option contracts (Refer note no. 2.4)	35	-	35	-
Liabilities				
Derivative financial instruments - loss on outstanding foreign currency forward and option contracts (Refer note no. 2.10)	127	-	127	-
Liability towards contingent consideration (Refer note no. 2.10)[(1)(2)(3)]	110	-	-	110

[(1)] Pertains to contingent consideration payable to selling shareholders of Wongdoody and Brilliant Basics Holding Limited as per the share purchase agreement.
[(2)] Discounted ₹21 crore at 10%, pertaining to Brilliant Basics
[(3)] Discounted ₹119 crore at 16%, pertaining to Wongdoody

During the three months ended June 30, 2018, tax free bonds and non-convertible debentures of ₹313 crore were transferred from Level 2 to Level 1 of fair value hierarchy, since these were valued based on Quoted price, and ₹1,642 crore were transferred from Level 1 to Level 2 of fair value hierarchy, since these were valued based on market observable inputs.

The fair value hierarchy of assets and liabilities as at March 31, 2018 was as follows:

(In ₹ crore)

Particulars	March 31, 2018	Fair value measurement at end of the reporting year using		
		Level 1	Level 2	Level 3
Assets				
Investments in tax free bonds (Refer Note no. 2.2)	2,078	1,806	272	-
Investments in government bonds (Refer Note no. 2.2)	1	1	-	-
Investments in equity instruments (Refer Note no. 2.2)	1	-	-	1
Investments in preference securities (Refer Note no. 2.2)	116	-	-	116
Investments in fixed maturity plan securities (Refer Note no. 2.2)	376	-	376	-
Investments in certificates of deposit (Refer Note no. 2.2)	4,901	-	4,901	-
Investments in non convertible debentures (Refer Note no. 2.2)	3,580	2,493	1,087	-
Investments in commercial paper (Refer Note no. 2.2)	293	-	293	-
Other investments (Refer Note no. 2.2)	7	-	-	7
Derivative financial instruments - gain on outstanding foreign currency forward and option contracts (Refer Note no. 2.4)	16	-	16	-
Liabilities				
Derivative financial instruments - loss on outstanding foreign currency forward and option contracts (Refer note 2.10)	40	-	40	-
Liability towards contingent consideration (Refer note no. 2.10)[(1)(2)]	54	-	-	54

[(1)] Pertains to contingent consideration payable to selling shareholders of Kallidus and Brilliant Basics Holding Limited as per the share purchase agreement.
[(2)] Discounted ₹21 crore at 10%, pertaining to Brilliant Basics.

A one percentage point change in the unobservable inputs used in fair valuation of Level 3 assets and liabilities does not have a significant impact in its value.

Financial risk management

Financial risk factors

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

Market risk

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

The following table analyses the foreign currency risk from monetary assets and liabilities as at June 30, 2018:

(In ₹ crore)

Particulars	U.S. dollars	Euro	United Kingdom Pound Sterling	Australian dollars	Other currencies	Total
Cash and cash equivalents	374	112	56	66	193	801
Trade receivables	8,190	1,636	847	725	591	11,989
Other financials assets, loans and other current assets	2,814	768	348	190	327	4,447
Trade payables	(366)	(64)	(174)	(66)	(23)	(693)
Other financial liabilities	(2,604)	(280)	(160)	(229)	(178)	(3,451)
Net assets / (liabilities)	**8,408**	**2,172**	**917**	**686**	**910**	**13,093**

The following table analyses the foreign currency risk from monetary assets and liabilities as at March 31, 2018:

(In ₹ crore)

Particulars	U.S. dollars	Euro	United Kingdom Pound Sterling	Australian dollars	Other currencies	Total
Cash and cash equivalents	858	139	82	186	271	1,536
Trade Receivables	7,776	1,522	871	743	550	11,462
Other financials assets (including loans)	2,196	597	335	159	305	3,592
Trade payables	(312)	(60)	(168)	(36)	(22)	(598)
Other financial liabilities	(1,962)	(252)	(148)	(220)	(162)	(2,744)
Net assets / (liabilities)	**8,556**	**1,946**	**972**	**832**	**942**	**13,248**

Sensitivity analysis between Indian Rupee and USD

Particulars	Three months ended June 30,	
	2018	2017
Impact on the Company's incremental Operating Margins	0.49%	0.52%

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

Derivative financial instruments

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

The details in respect of outstanding foreign currency forward and option contracts are as follows :

Particulars	As at June 30, 2018		As at March 31, 2018	
	In million	In ₹ crore	In million	In ₹ crore
Derivatives designated as cash flow hedges				
Option Contracts				
In Australian dollars	150	758	60	300
In Euro	155	1,236	100	808
In United Kingdom Pound Sterling	30	270	20	184
Other derivatives				
Forward contracts				
In Australian dollars	71	361	-	-
In Canadian dollars	20	102	20	99
In Euro	151	1,205	86	695
In Japanese Yen	550	34	550	34
In New Zealand dollars	16	74	16	76
In Norwegian Krone	80	67	40	34
In South African Rand	25	13	25	14
In Singapore dollars	10	50	5	25
In Swedish Krona	50	38	50	40
In Swiss Franc	21	146	21	146
In U.S. dollars	769	5,262	556	3,624
In United Kingdom Pound Sterling	70	630	45	415
Option Contracts				
In Australian dollars	40	202	20	100
In Canadian dollars	13	69	-	-
In Euro	65	519	45	363
In Swiss Franc	10	68	5	33
In U.S. dollars	240	1,643	320	2,086
In United Kingdom Pound Sterling	-	-	25	231
Total forwards and option contracts		**12,747**		**9,307**

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

(In ₹ crore)

Particulars	As at June 30, 2018	As at March 31, 2018
Not later than one month	3,543	2,693
Later than one month and not later than three months	6,020	4,274
Later than three months and not later than one year	3,184	2,340
	12,747	**9,307**

During the three months ended June 30, 2018, the Company has designated certain foreign exchange forward and option contracts as cash flow hedges to mitigate the risk of foreign exchange exposure on highly probable forecast cash transactions. The related hedge transactions for balance in cash flow hedge reserve as at June 30, 2018 are expected to occur and reclassified to statement of profit or loss within 3 months.

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

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

The reconciliation of effective portion of cash flow hedges for the three months ended June 30, 2018 and June 30, 2017 is as follows :

(In ₹ crore)

Particulars	Three months ended June 30, 2018	Three months ended June 30, 2017
Gain / (Loss)		
Balance at the beginning of the period	-	39
Gain / (Loss) recognized in other comprehensive income during the period	30	(41)
Amount reclassified to profit and loss during the period	(18)	(47)
Tax impact on above	(3)	22
Balance at the end of the period	**9**	**(27)**

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

The quantitative information about offsetting of derivative financial assets and derivative financial liabilities is as follows:

(In ₹ crore)

Particulars	As at June 30, 2018		As at March 31, 2018	
	Derivative financial asset	Derivative financial liability	Derivative financial asset	Derivative financial liability
Gross amount of recognized financial asset / liability	66	(158)	20	(44)
Amount set off	(31)	31	(4)	4
Net amount presented in Balance Sheet	**35**	**(127)**	**16**	**(40)**

Credit risk

Credit risk refers to the risk of default on its obligation by the counterparty resulting in a financial loss. The maximum exposure to the credit risk at the reporting date is primarily from trade receivables amounting to ₹12,607 crore and ₹12,151 crore as at June 30, 2018 and March 31, 2018, respectively and unbilled revenue amounting to ₹3,925 crore and ₹3,573 crore as at June 30, 2018 and March 31, 2018, respectively. Trade receivables and unbilled revenue are typically unsecured and are derived from revenue earned from customers primarily located in the United States. Credit risk has always been managed by the Company through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business. As per Ind AS 109, the Company uses expected credit loss model to assess the impairment loss or gain. The Company uses a provision matrix to compute the expected credit loss allowance for trade receivables and unbilled revenues. The provision matrix takes into account available external and internal credit risk factors such as credit default swap quotes, credit ratings from international credit rating agencies and the Company's historical experience for customers.

The details in respect of percentage of revenues generated from top customer and top 10 customers are as follows:

(In %)

Particulars	Three months ended June 30,	
	2018	2017
Revenue from top customer	4.2	3.8
Revenue from top 10 customers	20.7	21.8

Credit risk exposure

The allowance for lifetime expected credit loss on customer balances for the three months ended June 30, 2018 is ₹66 crore and the reversal for the three months ended June 30, 2017 was ₹8 crore.

Movement in credit loss allowance:

(In ₹ crore)

Particulars	Three months ended June 30,	
	2018	2017
Balance at the beginning	401	379
Impairment loss recognized/ (reversed)	66	(8)
Amounts written off	-	(3)
Translation differences	8	1
Balance at the end	**475**	**369**

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

Liquidity risk

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

As at June 30, 2018, the Company had a working capital of ₹26,934 crore including cash and cash equivalents of ₹13,391 crore and current investments of ₹6,315 crore. As at March 31, 2018, the Company had a working capital of ₹30,903 crore including cash and cash equivalents of ₹16,770 crore and current investments of ₹5,906 crore.

As at June 30, 2018 and March 31, 2018, the outstanding compensated absences were ₹1,326 crore and ₹1,260 crore, respectively, which have been substantially funded. Accordingly, no liquidity risk is perceived.

The details regarding the contractual maturities of significant financial liabilities as at June 30, 2018 are as follows:

(In ₹ crore)

Particulars	Less than 1 year	1-2 years	2-4 years	4-7 years	Total
Trade payables	887	-	-	-	887
Other financial liabilities (excluding liability towards acquisition) (Refer Note no. 2.10)	4,785	-	-	-	4,785
Liability towards acquisitions on an undiscounted basis (including contingent consideration)	29	66	45	-	140

The details regarding the contractual maturities of significant financial liabilities as at March 31, 2018 were as follows:

(In ₹ crore)

Particulars	Less than 1 year	1-2 years	2-4 years	4-7 years	Total
Trade payables	738	-	-	-	738
Other financial liabilities (excluding liability towards acquisition) (Refer Note no. 2.10)	4,241	-	-	-	4,241
Liability towards acquisitions on an undiscounted basis (including contingent consideration)	41	7	7	-	55

2.9 EQUITY

EQUITY SHARE CAPITAL

(In ₹ crore, except as otherwise stated)

Particulars	As at	
	June 30, 2018	**March 31, 2018**
Authorized		
Equity shares, ₹5/- par value		
2,40,00,00,000 (2,40,00,00,000) equity shares	1,200	1,200
Issued, Subscribed and Paid-Up		
Equity shares, ₹5/- par value [(1)]	1,092	1,092
2,18,41,27,091 (2,18,41,14,257) equity shares fully paid-up		
	1,092	**1,092**

[(1)] *Refer note no. 2.18 for details of basic and diluted shares*
Forfeited shares amounted to ₹1,500/- (₹1,500/-)

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 equity shares represented by American Depository Shares (ADS) carry similar rights to voting and dividends as the other equity shares. Each ADS represents one underlying equity share

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 in proportion to the number of equity shares held by the shareholders, after distribution of all preferential amounts.

Buyback

The Board, at its meeting on August 19, 2017, approved a proposal for the Company to buyback its fully paid-up equity shares of face value of ₹5/- each from the eligible equity shareholders of the Company for an amount not exceeding ₹13,000 crore. The shareholders approved the said proposal of buyback of Equity Shares through the postal ballot that concluded on October 7, 2017. The Buyback offer comprised a purchase of 11,30,43,478 Equity Shares aggregating 4.92% of the paid-up equity share capital of the Company at a price of ₹1,150/- per Equity share. The buyback was offered to all eligible equity shareholders (including those who became equity shareholders as on the Record date by cancelling American Depository Shares and withdrawing underlying Equity shares) of the Company as on the Record Date (i.e November 1, 2017) on a proportionate basis through the "Tender offer" route. The Company concluded the buyback procedures on December 27, 2017 and 11,30,43,478 equity shares were extinguished. The company has utilized its securities premium and general reserve for the buyback of its equity shares. In accordance with section 69 of the Companies Act, 2013, the company has created 'Capital Redemption Reserve' of ₹56 crore equal to the nominal value of the shares bought back as an appropriation from general reserve during the year ended March 31, 2018.

Dividends

Final dividends on shares are recorded as a liability on the date of approval by the shareholders and interim dividends are recorded as a liability on the date of declaration by the Company's Board of Directors.

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

The amount of per share dividend recognized as distribution to equity shareholders is as follows: *(in ₹)*

Particulars	Three months ended June 30,	
	2018	**2017**
Final Dividend for fiscal 2018	20.50	-
Special dividend for fiscal 2018	10.00	-
Final Dividend for fiscal 2017	-	14.75

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

The Board of Directors recommended a final dividend of ₹20.50/- per equity share for the financial year ended March 31, 2018 and a special dividend of ₹10/- per equity share and the same was approved by the shareholders in the Annual General Meeting of the Company held on June 23, 2018. This results in a cash outflow of ₹7,982 crore, including dividend distribution tax.

Bonus issue

The Board in its meeting held on July 13, 2018 has considered, approved and recommended a bonus issue of one equity share for every equity share held and a stock dividend of one American Depositary Share (ADS) for every ADS held, as on a record date to be determined. Consequently, the ratio of equity shares underlying the ADSs held by an American Depositary Receipt holder would remain unchanged. The Board approved and recommended the issue to celebrate 25th year of public listing in India and to further increase the liquidity of its shares. The bonus issue of equity shares and ADSs will be subject to approval by the shareholders, and any other applicable statutory and regulatory approvals.

The bonus shares once allotted shall rank pari passu in all respects and carry the same rights as the existing equity shareholders and shall be entitled to participate in full, in any dividend and other corporate action, recommended and declared after the new equity shares are allotted.

The Company's objective when managing capital is to safeguard its ability to continue as a going concern and to maintain an optimal capital structure so as to maximize shareholder value. In order to maintain or achieve an optimal capital structure, the Company may adjust the amount of dividend payment, return capital to shareholders, issue new shares or buy back issued shares. As of June 30, 2018, the Company has only one class of equity shares and has no debt. Consequent to the above capital structure there are no externally imposed capital requirements.

The reconciliation of the number of shares outstanding and the amount of share capital as at June 30, 2018 and March 31, 2018 is set out below:

in ₹ crore, except as stated otherwise

Particulars	As at June 30, 2018		As at March 31, 2018	
	Number of shares	**Amount**	**Number of shares**	**Amount**
Number of shares at the beginning of the period	2,18,41,14,257	1,092	2,29,69,44,664	1,148
Add: Shares issued on exercise of employee stock options	12,834	-	213,071	-
Less: Shares bought back	-	-	113,043,478	56
Number of shares at the end of the period	**2,18,41,27,091**	**1,092**	**2,18,41,14,257**	**1,092**

Employee Stock Option Plan (ESOP):

Accounting Policy

The Company recognizes compensation expense relating to share-based payments in net profit using fair-value in accordance with Ind AS 102, Share-Based Payment. The estimated fair value of awards is charged to income on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was in-substance, multiple awards with a corresponding increase to share options outstanding account.

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

On March 31, 2016, pursuant to the approval by the shareholders through postal ballot, the Board has been authorized to introduce, offer, issue and allot share-based incentives to eligible employees of the Company and its subsidiaries under the 2015 Stock Incentive Compensation Plan (the 2015 Plan). The maximum number of shares under the 2015 plan shall not exceed 2,40,38,883 equity shares (this includes 1,12,23,576 equity shares which are held by the trust towards the 2011 Plan as at March 31, 2016). Out of this 1,70,38,883 equity shares will be issued as RSUs at par value and 70,00,000 equity shares will be issued as stock options at market price on the date of the grant. These instruments will generally vest over a period of 4 years and the Company expects to grant the instruments under the 2015 Plan over the period of 4 to 7 years.

Controlled trust holds 1,07,90,750 and 1,08,01,956 shares as at June 30, 2018 and March 31, 2018, respectively under the 2015 plan, out of which 1,00,000 equity shares have been earmarked for welfare activities of the employees.

The following is the summary of grants during the three months ended June 30, 2018 and June 30, 2017 under the 2015 Plan:

Particulars	**Three months ended**	
	June 30, 2018	**June 30, 2017**
RSU		
Salil Parekh, CEO and MD - *Refer note 1 below*	108,600	-
U.B. Pravin Rao, COO	-	27,250
Dr. Vishal Sikka*	-	270,224
Employees other than KMP	-	37,090
	108,600	**334,564**
ESOP		
U.B. Pravin Rao, COO	-	43,000
Dr. Vishal Sikka*	-	330,525
Employees other than KMP	-	73,600
	-	**447,125**
Total grants	**108,600**	**781,689**

** Upon Dr. Vishal Sikka's resignation from the roles of the company, the unvested RSUs and ESOPs have been forfeited*

1. Stock incentives granted to Salil Parekh, CEO and MD

Pursuant to the approval of the shareholders through a postal ballot on February 20, 2018, Salil Parekh (CEO & MD) is eligible to receive under the 2015 Plan:

a) an annual grant of RSUs of fair value ₹3.25 crore which will vest over time in 3 equal annual installments upon completion of each year of service from the respective grant date

b) a one-time grant of RSUs of fair value ₹9.75 crore which will vest over time in 2 equal annual installments upon completion of each year of service from the grant date and

c) annual grant of performance based RSUs of fair value ₹13 crore which will vest after completion of three years the first of which concludes on March 31, 2021, subject to achievement of performance targets set by the Board or its committee.

The Board based on the recommendations of the Nomination and Remuneration committee approved on February 27, 2018, the annual time based grant for fiscal 2018 of 28,256 RSUs and the one-time time based grant of 84,768 RSUs. The grants were made effective February 27, 2018.

Further, the Board, based on the recommendations of the Nomination and Remuneration Committee, granted 108,600 performance based RSUs to Salil Parekh with an effective date of May 2, 2018. The grants would vest upon successful completion of three full fiscal years with the Company concluding on March 31, 2021 and will be determined based on achievement of certain performance targets for the said three-year period.

Though the annual time based grants for the remaining employment term ending on March 31, 2023 have not been granted as of June 30, 2018, since the service commencement date precedes the grant date, the company has recorded employment stock compensation expense in accordance with Ind AS 102, Share based payments.

The RSUs and stock options would vest generally over a period of 4 years and shall be exercisable within the period as approved by the Committee. The exercise price of the RSUs will be equal to the par value of the shares and the exercise price of the stock options would be the market price as on the date of grant.

As at June 30, 2018 and March 31, 2018, incentive units outstanding (net of forfeitures) were 96,538 and 1,11,757, respectively.

Break-up of employee stock compensation expense

(in ₹ crore)

	Three months ended June 30,	
	2018	**2017**
Granted to:		
KMP	9	12
Employees other than KMP	30	31
Total [(1)]	**39**	**43**
[(1)] Cash settled stock compensation expense included in the above	-	-

The carrying value of liability towards cash settled share based payments was ₹8 crore and ₹6 crore as at June 30, 2018 and March 31, 2018, respectively.

The activity in the 2015 Plan (formerly 2011 RSU Plan) for equity-settled share based payment transactions during the three months June 30, 2018 and June 30, 2017 is set out below:

Particulars	Three months ended June 30, 2018		Three months ended June 30, 2017	
	Shares arising out of options	Weighted average exercise price (₹)	Shares arising out of options	Weighted average exercise price (₹)
2015 Plan: RSU				
Outstanding at the beginning	3,750,409	5	2,961,373	5
Granted	108,600	5	334,564	5
Exercised	23,078	5	24,812	5
Forfeited and expired	55,453	5	45,120	5
Outstanding at the end	**3,780,478**	**5**	**3,226,005**	**5**
Exercisable at the end	9,062	5	-	-
2015 Plan: Employee Stock Options (ESOPs)				
Outstanding at the beginning	966,913	986	1,197,650	998
Granted	-	-	447,125	919
Exercised	962	998	-	-
Forfeited and expired	9,600	1,030	-	-
Outstanding at the end	**956,351**	**1,025**	**1,644,775**	**987**
Exercisable at the end	206,100	1,020	-	-

During the three months ended June 30, 2018 and June 30, 2017 the weighted average share price of options exercised under the 2015 Plan on the date of exercise was ₹1,174 and ₹943 respectively.

The following table summarizes information about equity settled RSUs and ESOPs outstanding as at June 30, 2018

Range of exercise prices per share (₹)	Options outstanding		
	No. of shares arising out of options	Weighted average remaining contractual life	Weighted average exercise price (₹)
2015 Plan:			
0 - 5 (RSU)	3,780,478	1.68	5
900 - 1100 (ESOP)	956,351	5.95	1,025
	4,736,829	**2.54**	**211**

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

Range of exercise prices per share (₹)	Options outstanding		
	No. of shares arising out of options	Weighted average remaining contractual life	Weighted average exercise price (₹)
2015 Plan:			
0 - 5 (RSU)	3,750,409	1.89	5
900 - 1100 (ESOP)	966,913	6.60	993
	4,717,322	**2.57**	**207**

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

Particulars	For options granted in
	Fiscal 2019- Equity Shares-RSU
Weighted average share price (₹) / ($- ADS)	1,197
Exercise price (₹)/ ($- ADS)	5
Expected volatility (%)	24
Expected life of the option (years)	3
Expected dividends (%)	2.82
Risk-free interest rate (%)	7
Weighted average fair value as on grant date (₹) / ($- ADS)	1,096

Particulars	For options granted in			
	Fiscal 2018- Equity Shares-RSU	Fiscal 2018- Equity shares ESOP	Fiscal 2018- ADS-RSU	Fiscal 2018- ADS- ESOP
Weighted average share price (₹) / ($- ADS)	1,144	923	16.61	14.65
Exercise price (₹)/ ($- ADS)	5	919	0.08	14.67
Expected volatility (%)	20-25	25-28	21-26	25-31
Expected life of the option (years)	1 - 4	3 - 7	1 - 4	3 - 7
Expected dividends (%)	2.78	2.78	2.74	2.74
Risk-free interest rate (%)	6 - 7	6 - 7	1 - 2	1 - 2
Weighted average fair value as on grant date (₹) / ($- ADS)	1,066	254	15.47	2.93

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

2.10 OTHER FINANCIAL LIABILITIES

(In ₹ crore)

Particulars	As at	
	June 30, 2018	**March 31, 2018**
Non-current		
Others		
Compensated absences	37	42
Payable for acquisition of business- Contingent consideration	83	13
Total non-current other financial liabilities	**120**	**55**
Current		
Unpaid dividends	22	22
Others		
Accrued compensation to employees	2,192	2,048
Accrued expenses [(1)]	2,129	1,776
Retention monies	56	63
Payable for acquisition of business - Contingent consideration	27	41
Capital creditors	93	148
Compensated absences	1,289	1,218
Other payables [(2)]	293	184
Foreign currency forward and options contracts	127	40
Total current other financial liabilities	**6,228**	**5,540**
Total other financial liabilities	6,348	**5,595**
Financial liability carried at amortized cost	4,785	4,241
Financial liability carried at fair value through profit or loss	234	91
Financial liability carried at fair value through other comprehensive income	3	3
Liability towards acquisition of business on undiscounted basis	140	55
[(1)] Includes dues to subsidiaries (Refer note no. 2.20)	-	9
[(2)] Includes dues to subsidiaries (Refer note no. 2.20)	21	19

2.11 TRADE PAYABLES

(In ₹ crore)

Particulars	As at	
	June 30, 2018	**March 31, 2018**
Trade payables[(1)]	887	738
Total trade payables	**887**	**738**
[(1)] Includes dues to subsidiaries (refer note no. 2.20)	236	178

2.12 OTHER LIABILITIES

(In ₹ crore)

Particulars	As at	
	June 30, 2018	**March 31, 2018**
Non current		
Others		
Deferred income	35	36
Deferred rent	109	117
Total non - current other liabilities	**144**	**153**
Current		
Unearned revenue	1,909	1,887
Client deposits	183	32
Others		
Tax on dividend	1,320	-
Withholding taxes and others	1,009	1,029
Deferred rent	21	24
Total current other liabilities	**4,442**	**2,972**
Total other liabilities	**4,586**	**3,125**

2.13 PROVISIONS

Accounting Policy

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that is reasonably estimable, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

a. Post sales client support

The Company provides its clients with a fixed-period post sales support for corrections of errors and support on all its fixed-price, fixed-timeframe contracts. Costs associated with such support services are accrued at the time related revenues are recorded in the Statement of Profit and Loss. The Company estimates such costs based on historical experience and estimates are reviewed on a periodic basis for any material changes in assumptions and likelihood of occurrence.

b. Onerous contracts

Provisions for onerous contracts are recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable costs of meeting the future obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognizes any impairment loss on the assets associated with that contract.

Provision for post-sales client support and others

(In ₹ crore)

Particulars	As at	
	June 30, 2018	**March 31, 2018**
Current		
Others		
Post-sales client support and others	458	436
Total provisions	**458**	**436**

The movement in the provision for post-sales client support and others is as follows : *(In ₹ crore)*

Particulars	Three months ended June 30, 2018
Balance at the beginning	436
Provision recognized/(reversed)	38
Provision utilized	(38)
Exchange difference	22
Balance at the end	**458**

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

2.14 INCOME TAXES

Accounting Policy

Income tax expense comprises current and deferred income tax. Income tax expense is recognized in net profit in the Statement of Profit and Loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in other comprehensive income. Current income tax for current and prior periods is recognized at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred income tax assets and liabilities are recognized for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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

Income tax expense in the statement of profit and loss comprises: *(In ₹ crore)*

Particulars	**Three months ended June 30,**	
	2018	**2017**
Current taxes	1,329	1,394
Deferred taxes	(50)	(93)
Income tax expense	**1,279**	**1,301**

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

In accordance with the APA, the company had reversed income tax expense provision of $225 million (₹1,432 crore) which pertained to previous periods which are no longer required. The Company had to pay an amount of approximately ₹1,488 crore due to the difference between the taxes payable for prior periods as per the APA and the actual taxes paid for such periods. The company has paid ₹912 crore till June 30, 2018.

Further, the "Tax Cuts and Jobs Act (H.R. 1)" was signed into law on December 22, 2017 ("US Tax Reforms"). The US tax reforms has reduced federal tax rates from 35% to 21% effective January 1, 2018 amongst other measures.

Income tax expense for the three months ended June 30, 2018 and June 30, 2017 includes reversal (net of provisions) of ₹56 crore and ₹15 crore, respectively, pertaining to prior periods on account of adjudication of certain disputed matters in favor of the company across various jurisdictions.

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

Infosys is subject to a 15% Branch Profit Tax (BPT) in the U.S. to the extent its U.S. branch's net profit during the year is greater than the increase in the net assets of the U.S. branch during the year, computed in accordance with the Internal Revenue Code. As at March 31, 2018, Infosys' U.S. branch net assets amounted to approximately ₹5,030 crore. As at June 30, 2018, the Company has a deferred tax liability for branch profit tax of ₹144 crore (net of credits), as the Company estimates that these branch profits are expected to be distributed in the foreseeable future.

Entire deferred income tax for the three months ended June 30, 2018 and June 30, 2017, relates to origination and reversal of temporary differences.

2.15 REVENUE FROM OPERATIONS

Accounting Policy

The company derives revenues primarily from business IT services comprising of software development and related services, consulting and package implementation and from the licensing of software products and platforms across our core and digital offerings ("together called as software related services").

Effective April 1, 2018, the Company adopted Ind AS 115 "Revenue from Contracts with Customers" using the cumulative catch-up transition method, applied to contracts that were not completed as of April 1, 2018. In accordance with the cumulative catch-up transition method , the comparatives have not been retrospectively adjusted. The following is a summary of new and/or revised significant accounting policies related to revenue recognition. Refer Note 1 "Significant Accounting Policies," in the Company's 2018 Annual Report for the policies in effect for revenue prior to April 1, 2018. The effect on adoption of Ind AS 115 was insignificant.

Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration we expect to receive in exchange for those products or services.

Arrangements with customers for software related services are either on a fixed-price, fixed-timeframe or on a time-and-material basis.

Revenue on time-and-material contracts are recognized as the related services are performed and revenue from the end of the last invoicing to the reporting date is recognized as unbilled revenue. Revenue from fixed-price, fixed-timeframe contracts, where the performance obligations are satisfied over time and where there is no uncertainty as to measurement or collectability of consideration, is recognized as per the percentage-of-completion method. When there is uncertainty as to measurement or ultimate collectability, revenue recognition is postponed until such uncertainty is resolved. Efforts or costs expended have been used to measure progress towards completion as there is a direct relationship between input and productivity. Maintenance revenue is recognized ratably over the term of the underlying maintenance arrangement.

Revenues in excess of invoicing are classified as contract assets (which we refer as unbilled revenue) while invoicing in excess of revenues are classified as contract liabilities (which we refer to as unearned revenues).

In arrangements for software development and related services and maintenance services, the company has applied the guidance in Ind AS 115, Revenue from contract with customer, by applying the revenue recognition criteria for each distinct performance obligation. The arrangements with customers generally meet the criteria for considering software development and related services as distinct performance obligations. For allocating the transaction price, the company has measured the revenue in respect of each performance obligation of a contract at its relative standalone selling price. The price that is regularly charged for an item when sold separately is the best evidence of its standalone selling price. In cases where the company is unable to determine the standalone selling price, the company uses the expected cost plus margin approach in estimating the standalone selling price. For software development and related services, the performance obligations are satisfied as and when the services are rendered since the customer generally obtains control of the work as it progresses.

Revenue from licenses where the customer obtains a "right to use" the licenses is recognized at the time the license is made available to the customer. Revenue from licenses where the customer obtains a "right to access" is recognized over the access period. Arrangements to deliver software products generally have three elements: license, implementation and Annual Technical Services (ATS). The company has applied the principles under Ind AS 115 to account for revenues from these performance obligations. When implementation services are provided in conjunction with the licensing arrangement and the license and implementation have been identified as two separate performance obligations, the transaction price for such contracts are allocated to each performance obligation of the contract based on their relative standalone selling prices. In the absence of standalone selling price for implementation, the performance obligation is estimated using the expected cost plus margin approach. Where the license is required to be substantially customized as part of the implementation service the entire arrangement fee for license and implementation is considered to be a single performance obligation and the revenue is recognized using the percentage-of-completion method as the implementation is performed. Revenue from client training, support and other services arising due to the sale of software products is recognized as the performance obligations are satisfied. ATS revenue is recognized ratably over the period in which the services are rendered.

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

Deferred contract costs are incremental costs of obtaining a contract which are recognized as assets and amortized over the term of the contract.

Contract modifications are accounted for when additions, deletions or changes are approved either to the contract scope or contract price. The accounting for modifications of contracts involves assessing whether the services added to an existing contract are distinct and whether the pricing is at the standalone selling price. Services added that are not distinct are accounted for on a cumulative catch up basis, while those that are distinct are accounted for prospectively, either as a separate contract, if the additional services are priced at the standalone selling price, or as a termination of the existing contract and creation of a new contract if not priced at the standalone selling price.

The Company presents revenues net of indirect taxes in its condensed statement of Profit and loss.

Revenue from operations for the three months ended June 30, 2018 and June 30, 2017 is as follows: *(In ₹ crore)*

Particulars	**Three months ended June 30,**	
	2018	**2017**
Revenue from software services	16,999	14,909
Revenue from products and platforms	57	62
Total revenue from operations	**17,056**	**14,971**

Disaggregate revenue information

The table below presents disaggregated revenues from contracts with customers for the three months ended June 30, 2018 by geography, offerings and contract-type. The Company believe that this disaggregation best depicts how the nature, amount, timing and uncertainty of our revenues and cash flows are affected by industry, market and other economic factors.

(In ₹ crore)

Particulars	Total
Revenues by Geography	
North America	10,563
Europe	4,088
India	439
Rest of the world	1,966
Total	**17,056**
Revenue by offerings	
Digital	5,093
Core	11,963
Total	**17,056**
Revenues by contract type	
Fixed Price	8,896
Time & Materials	8,160
Total	**17,056**

Digital Services

Digital Services comprise of service and solution offerings of the company that enable our clients to transform their businesses. These include offerings that enhance customer experience, leverage AI-based analytics and big data, engineer digital products and IoT, modernize legacy technology systems, migrate to cloud applications and implement advanced cyber security systems.

Core Services

Core Services comprise traditional offerings of the company that have scaled and industrialized over a number of years. These primarily include application management services, proprietary application development services, independent validation solutions, product engineering and management, infrastructure management services, traditional enterprise application implementation, support and integration services.

Products & platforms

The Company also derives revenues from the sale of products and platforms including Finacle – core banking solution and Infosys Nia - Artificial Intelligence (AI) platform which applies next-generation AI and machine learning.

Trade receivables and Contract Balances

The company classifies the right to consideration in exchange for deliverables as either a receivable or as unbilled revenue.

A receivable is a right to consideration that is unconditional upon passage of time. Revenue for time and material contracts are recognized as related service are performed. Revenue for fixed price maintenance contracts is recognized on a straight line basis over the period of the contract. Revenues in excess of billings is recorded as unbilled revenue and is classified as a financial asset for these cases as right to consideration is unconditional upon passage of time .

Revenue recognition for fixed price development contracts is based on percentage of completion method. Invoicing to the clients is based on milestones as defined in the contract. This would result in the timing of revenue recognition being different from the timing of billing the customers. Unbilled revenue for fixed price development contracts is classifed as non financial asset as the contractual right to consideration is dependent on completion of contractual milestones.

Invoicing in excess of earnings are classified as unearned revenue.

Trade receivable and unbilled revenues are presented net of impairment in the statement of financial position.

The impact on account of applying the erstwhile Ind AS 18 Revenue instead of Ind AS 115 Revenue from contract with customers on the financials results of the company for the three months ended and as of June 30, 2018 is insignificant. On account of adoption of Ind AS 115, unbilled revenues of ₹2,680 crore as of June 30, 2018 has been considered as a non financial asset.

2.16 OTHER INCOME, NET

2.16.1 Other income - Accounting Policy

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

2.16.2 Foreign currency - Accounting Policy

Functional currency

The functional currency of the Company is the Indian rupee. These financial statements are presented in Indian rupees (rounded off to crore; one crore equals ten million).

Transactions and translations

Foreign-currency denominated monetary assets and liabilities are translated into the relevant functional currency at exchange rates in effect at the Balance Sheet date. The gains or losses resulting from such translations are included in net profit 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 the transaction.

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

During the three months ended June 30, 2018, the company has adopted Appendix B to Ind AS 21- Foreign Currency Transactions and Advance Consideration which clarifies the date of transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income when an entity has received or paid advance consideration in a foreign currency. The effect on account of adoption of this amendment was insignificant.

Other income for the three months ended June 30, 2018 and June 30, 2017 is as follows: *(In ₹ crore)*

Particulars	**Three months ended June 30,**	
	2018	**2017**
Interest income on financial assets carried at amortized cost		
Tax free bonds and government bonds	34	34
Deposit with Bank and others	354	386
Interest income on financial assets fair valued through other comprehensive income		
Non-convertible debentures, commercial paper and certificates of deposit	153	194
Income on investments carried at fair value through profit or loss		
Dividend income on liquid mutual funds	-	1
Gain / (loss) on liquid mutual funds	28	63
Write down of investment in subsidiary (refer note no 2.2)	-	(94)
Exchange gains/(losses) on foreign currency forward and options contracts	(167)	18
Exchange gains/(losses) on translation of assets and liabilities	210	65
Miscellaneous income, net	104	56
Total other income	**716**	**723**

2.17 EXPENSES

Accounting Policy

2.17.1 Gratuity

The Company provides for gratuity, a defined benefit retirement plan ('the Gratuity Plan') covering eligible employees. 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 Company.

Liabilities with regard to the Gratuity Plan are determined by actuarial valuation, performed by an independent actuary, at each Balance Sheet date using the projected unit credit method. The Company fully contributes all ascertained liabilities to the Infosys Limited Employees' Gratuity Fund Trust (the Trust). Trustees administer contributions made to the Trusts and contributions are invested in a scheme with Life Insurance Corporation of India as permitted by Indian law.

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

2.17.2 Provident fund

Eligible employees of Infosys receive benefits from a provident fund, which is a defined benefit plan. Both the eligible employee and the Company make monthly contributions to the provident fund plan equal to a specified percentage of the covered employee's salary. The Company contributes a portion 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.

2.17.3 Superannuation

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

2.17.4 Compensated absences

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

(In ₹ crore)

Particulars	**Three months ended June 30,**	
	2018	**2017**
Employee benefit expenses		
Salaries including bonus	8,571	7,527
Contribution to provident and other funds	188	168
Share based payments to employees (Refer note no. 2.9)	39	43
Staff welfare	28	14
	8,826	**7,752**
Cost of software packages and others		
For own use	188	190
Third party items bought for service delivery to clients	227	124
	415	**314**
Other expenses		
Power and fuel	48	39
Brand and Marketing	80	78
Operating lease payments	71	81
Rates and taxes	24	36
Repairs and Maintenance	224	247
Consumables	7	6
Insurance	14	12
Provision for post-sales client support and others	(1)	6
Commission to non-whole time directors	2	3
Impairment loss recognized / (reversed) under expected credit loss model	67	(7)
Auditor's remuneration		
Statutory audit fees	-	1
Tax matters	-	-
Other services	-	-
Contributions towards Corporate Social Responsibility	69	43
Others	38	31
	643	**576**

2.18 RECONCILIATION OF BASIC AND DILUTED SHARES USED IN COMPUTING EARNING PER SHARE

Accounting Policy

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

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

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

Particulars	**Three months ended June 30,**	
	2018	**2017**
Basic earnings per equity share - weighted average number of equity shares outstanding	2,18,41,25,117	2,29,69,44,664
Effect of dilutive common equivalent shares - share options outstanding	7,22,034	5,47,014
Diluted earnings per equity share - weighted average number of equity shares and common equivalent shares outstanding	**2,18,48,47,151**	**2,29,74,91,678**

For the three months ended June 30, 2018, no options to purchase equity shares that had an anti-dilutive effect.
For the three months ended June 30, 2017, 169,984 number of options to purchase equity shares that had an anti-dilutive effect.

2.19 CONTINGENT LIABILITIES AND COMMITMENTS

(In ₹ crore)

Particulars	**As at**	
	June 30, 2018	**March 31, 2018**
Contingent liabilities :		
Claims against the Company, not acknowledged as debts[(1)]	3,169	4,627
[Amount paid to statutory authorities ₹6,486 crore (*₹6,486 crore*)]		
Commitments :		
Estimated amount of contracts remaining to be executed on capital contracts and not provided for (net of advances and deposits)	1,357	1,405
Other Commitments*	25	36

**Uncalled capital pertaining to investments*

(1) As at June 30, 2018, claims against the company not acknowledged as debts in respect of income tax matters amounted to ₹3,003 crore. These matters are pending before various Appellate Authorities and the management including its tax advisors expect that its position will likely be upheld on ultimate resolution and will not have a material adverse effect on the Company's financial position and results of operations.

Amount paid to statutory authorities against the above tax claims amounted to ₹6,475 crore.

Subsequent to March 31, 2018, the Supreme Court of India ruled favorably in respect of certain income tax claims which have been given effect in the above disclosure of claims as of June 30, 2018.

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.

2.20 RELATED PARTY TRANSACTIONS

Refer to the Company's Annual Report for the year ended March 31, 2018 for the full names and other details of the Company's subsidiaries, associate and controlled trusts.

Changes in Subsidiaries

During the three months ended June 30, 2018, the following are the changes in the subsidiaries:

- Lodestone Management Consultants Inc has been liquidated effective May 17, 2018
- On May 22, 2018, Infosys acquired 100% voting rights in WongDoody Holding Company Inc., along with its two subsidiaries, WDW Communications, Inc and WongDoody, Inc. *(Refer note 2.2.3)*

The details of amounts due to or due from related parties as at June 30, 2018 and March 31, 2018 are as follows:

(In ₹ crore)

Particulars	As at	
	June 30, 2018	**March 31, 2018**
Investment in debentures		
EdgeVerve[(1)]	1,780	1,780
	1,780	**1,780**
Trade receivables		
Infosys China	15	29
Infosys Mexico	2	4
Infosys Brasil	-	1
Infosys BPM	7	5
Infy Consulting Company Ltd.	75	77
Infosys Public Services	60	53
Infosys Shanghai	4	7
Infosys Sweden	-	1
Kallidus	10	13
Infosys McCamish Systems LLC	33	70
Panaya Ltd	85	75
	291	**335**
Loans		
Infosys China [(2)]	78	73
Infosys Consulting Holding AG[(3)]	106	104
Brilliant Basics Holdings Limited [(4)]	7	8
	191	**185**
Prepaid expense and other assets		
Panaya Ltd.	148	114
Brilliant Basics Limited	-	1
	148	**115**
Other financial assets		
Infosys BPM	7	10
Panaya Ltd.	3	2
Infosys Consulting GmbH	2	1
Infosys China	2	2
Infy Consulting Company Ltd.	10	9
Infosys Consulting AG	1	1
Infosys Public Services	2	6
Infosys Consulting Pte Ltd.	2	1
Kallidus	1	1
Infosys Consulting Ltda.	1	1
Skava Systems Pvt. Ltd.	1	1
Lodestone Management Consultants Co., Ltd	-	1
Infosys Brasil	1	-
Edgeverve	3	3
Infosys Mexico	1	1
	37	**40**
Unbilled revenues		
EdgeVerve	31	32
	31	**32**
Trade payables		
Infosys China	7	7
Infosys BPM	54	54
Infosys (Czech Republic) Limited s.r.o.	4	3
Infosys Mexico	5	6
Infosys Sweden	4	5
Infosys Shanghai	5	6
Infosys Management Consulting Pty Limited	8	8
Infosys Consulting Pte Ltd.	3	2
Infy Consulting Company Ltd.	63	67
Infosys Brasil	1	2
Brilliant Basics Limited	7	7
McCamish Systems Limited	1	-
Panaya Ltd.	53	6
Infosys Public Services	7	2
Kallidus	10	-
Portland Group Pty Ltd	2	-
Infosys Poland Sp Z.o.o	2	3
	236	**178**

Other financial liabilities		
Infosys BPM	-	2
EdgeVerve	10	-
Infosys Mexico	1	1
Infosys Public Services	-	5
Infosys China	1	1
Infosys Consulting GmbH	1	1
Infosys Middle East FZ-LLC	7	8
Infosys Consulting AG	1	1
	21	**19**
Accrued expenses		
Infosys BPM	-	9
	-	**9**

(1) At an interest rate of 8.39% per annum.

(2) The above loan carries an interest of 6% per annum and shall be repayable on demand

(3) The above loan carries an interest of 2.5% per annum and shall be repayable on demand.

(4) The above loan carries an interest rate of 3.5% per annum repayable in full no later than 12 months or such later date as the parties may agree

The details of the related parties transactions entered into by the Company for the three months ended June 30, 2018 and June 30, 2017 are as follows:

(In ₹ crore)

Particulars	**Three months ended June 30,**	
	2018	**2017**
Capital transactions:		
Financing transactions		
Equity		
Panaya Ltd.	-	38
Infosys China	-	97
Infosys Shanghai	-	74
Infosys Chile SpA	7	-
Wongdoody Holding Company Inc(1)	257	-
	264	**209**
Loans (net of repayment)		
Infosys China	-	1
	-	**1**
Revenue transactions:		
Purchase of services		
Infosys China	20	25
Infosys Management Consulting Pty Limited	24	26
Infy Consulting Company Limited	186	169
Infosys Consulting Pte Ltd.	7	14
Portland Group Pty Ltd	3	1
Infosys (Czech Republic) Limited s.r.o.	11	10
Infosys BPM	149	108
Infosys Sweden	11	15
Infosys Shanghai	19	10
Infosys Mexico	12	6
Infosys Public Services	7	8
Panaya Ltd.	21	21
Infosys Brasil	3	3
Infosys Poland Sp Z.o.o	6	2
Kallidus	14	13
Noah Consulting, LLC(2)	-	47
McCamish Systems LLC	2	-
Brilliant Basics Limited	20	-
Noah Information Management Consulting Inc	-	1
Infosys Middle East FZ-LLC	22	-
	537	**479**

Purchase of shared services including facilities and personnel		
Infosys BPM	4	3
Kallidus	1	-
Infosys Mexico	-	1
Infosys Consulting AG	1	-
	6	**4**
Interest income		
Infosys China	1	1
Infosys Consulting Holding AG	1	-
EdgeVerve	37	41
	39	**42**
Sale of services		
Infosys China	7	5
Infosys Mexico	6	5
Infy Consulting Company Limited	11	10
Infosys Brasil	1	2
Infosys BPM	19	17
McCamish Systems LLC	48	7
Infosys Sweden	2	4
Infosys Shanghai	2	1
EdgeVerve	107	96
Infosys Public Services	181	169
	384	**316**
Sale of shared services including facilities and personnel		
EdgeVerve	9	10
Panaya Ltd.	13	12
Infy Consulting Company Limited	1	1
Infy Consulting B.V	-	1
Infosys BPM	18	16
Infosys Public Services	-	2
	41	**42**

(1) *Excludes contingent consideration*

(2) *Refer Note 2.2*

Changes in Key Management personnel

The following were the changes in key management personnel:-

• Ravi Venkatesan resigned from his position as Co-Chairman effective August 24, 2017 and resigned as member of the Board effective May 11, 2018

Transactions with key management personnel

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

(In ₹ crore)

Particulars	**Three months ended June 30,**	
	2018	**2017**
Salaries and other employee benefits to whole-time directors and executive officers [1]	24	27
Commission and other benefits to non-executive/independent directors	2	3
Total	**26**	**30**

(1) *Total employee stock compensation expense for the three months ended June 30, 2018 and June 30, 2017 includes a charge of ₹9 crore and ₹12 crore, respectively towards key managerial personnel.(Refer to note 2.9)*

2.21 SEGMENT REPORTING

The Company publishes this financial statement along with the interim consolidated financial statements. In accordance with Ind AS 108, Operating Segments, the Company has disclosed the segment information in the interim consolidated financial statements.

2.22 FUNCTION-WISE CLASSIFICATION OF STATEMENT OF PROFIT AND LOSS

(In ₹ crore)

Particulars	Note No.	Three months ended June 30,	
		2018	2017
Revenue from operations	2.15	17,056	14,971
Cost of sales		10,892	9,389
Gross Profit		**6,164**	**5,582**
Operating expenses			
Selling and marketing expenses		802	684
General and administration expenses		1,031	905
Total operating expenses		1,833	1,589
Operating profit		**4,331**	**3,993**
Reduction in the fair value of assets held for sale	2.2.4	(265)	-
Other income, net	2.16	716	723
Profit before tax		**4,782**	**4,716**
Tax expense:			
Current tax	2.14	1,329	1,394
Deferred tax	2.14	(50)	(93)
Profit for the period		**3,503**	**3,415**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of the net defined benefit liability/asset, net		(1)	(2)
Equity instruments through other comprehensive income, net		4	-
Items that will be reclassified subsequently to profit or loss			
Fair value changes on derivatives designated as cash flow hedge, net		9	(66)
Fair value changes on investments, net	2.2	(41)	25
Total other comprehensive income, net of tax		**(29)**	**(43)**
Total comprehensive income for the period		**3,474**	**3,372**

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

Nandan M. Nilekani
Chairman

Salil Parekh
Chief Executive officer and Managing Director

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

D. Sundaram
Director

M. D. Ranganath
Chief Financial Officer

A. G. S. Manikantha
Company Secretary

Bengaluru
July 13, 2018

INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF DIRECTORS OF
INFOSYS LIMITED

Report on the Interim Condensed Standalone Financial Statements

Opinion

We have audited the accompanying interim condensed standalone financial statements of Infosys Limited ("the Company"), which comprise the Condensed Balance Sheet as at June 30, 2018, the Condensed Statement of Profit and Loss (including Other Comprehensive Income), the Condensed Statement of Changes in Equity and the Condensed Statement of Cash Flows for the three months period ended on that date, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the interim condensed standalone financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid interim condensed standalone financial statements give a true and fair view in conformity with Indian Accounting Standard 34" Interim Financial Reporting ("Ind AS 34') and other accounting principles generally accepted in India, of the state of affairs of the Company as at June 30, 2018, the profit, total comprehensive income, changes in equity and its cash flows for the three months period ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Interim Condensed Standalone Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India, and we have fulfilled our other ethical responsibilities in accordance with the provisions of the Companies Act, 2013. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Management and Those Charged with Governance for the Interim Condensed Standalone Financial Statements

The Company's Board of Directors is responsible for the preparation and presentation of these interim condensed standalone financial statements that give a true and fair view of the financial position, financial performance, total comprehensive income, changes in equity and cash flows of the Company in accordance with Ind AS 34 prescribed under Section 133 of the Companies Act, 2013 ("the Act"), read with relevant rules issued thereunder and other accounting principles generally accepted in India. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the interim condensed standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the interim condensed standalone financial statements, management is responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Interim Condensed Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the interim condensed standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these interim condensed standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the interim condensed standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the interim condensed standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the interim condensed standalone financial statements, including the disclosures, and whether the interim condensed standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the interim condensed standalone financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

Based on our professional judgment, we determined materiality for the financial statements as a whole at Rs. 239 crores. The basis for determining materiality was 5% of profits before tax. Profits before tax was used as a benchmark for materiality because it is one of the main measures used by users of financial statements to monitor the performance of the Company.

We also communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

For **DELOITTE HASKINS & SELLS LLP**
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

P. R. RAMESH
Partner
(Membership No.70928)

Bengaluru, July 13, 2018

INFOSYS LIMITED AND SUBSIDIARIES

Consolidated Financial Statements under Indian Accounting Standards (Ind AS) for the three months ended June 30, 2018

Index

Consolidated Balance Sheet
Consolidated Statement of Profit and Loss
Consolidated Statement of changes in Equity
Consolidated Statement of Cash Flows
Overview and notes to the consolidated financial statements

1. Overview

- 1.1 Company overview
- 1.2 Basis of preparation of financial statements
- 1.3 Basis of consolidation
- 1.4 Use of estimates and judgements
- 1.5 Critical accounting estimates

2. Notes to the consolidated financial statements

- 2.1 Business combinations and disposal group held for sale
- 2.2 Property, plant and equipment
- 2.3 Goodwill and other intangible assets
- 2.4 Investments
- 2.5 Loans
- 2.6 Other financial assets
- 2.7 Trade receivables
- 2.8 Cash and cash equivalents
- 2.9 Other assets
- 2.10 Financial instruments
- 2.11 Equity
- 2.12 Other financial liabilities
- 2.13 Other liabilities
- 2.14 Provisions
- 2.15 Income taxes
- 2.16 Revenue from operations
- 2.17 Other income, net
- 2.18 Expenses
- 2.19 Leases
- 2.20 Employee benefits
- 2.21 Reconciliation of basic and diluted shares used in computing earnings per share
- 2.22 Contingent liabilities and commitments
- 2.23 Related party transactions
- 2.24 Segment reporting
- 2.25 Function wise classification of Consolidated Statement Of Profit and Loss

INFOSYS LIMITED AND SUBSIDIARIES

(In ₹ crore)

Consolidated Balance Sheet as at	Note No.	June 30, 2018	March 31, 2018
ASSETS			
Non-current assets			
Property, plant and equipment	2.2	10,148	10,116
Capital work-in-progress		1,625	1,606
Goodwill	2.3.1 and 2.1	2,394	2,211
Other intangible assets	2.3.2	370	247
Investment in associate	2.23	-	-
Financial assets:			
Investments	2.4	5,623	5,756
Loans	2.5	28	36
Other financial assets	2.6	253	284
Deferred tax assets (net)	2.15	1,300	1,282
Income tax assets (net)	2.15	6,056	6,070
Other non-current assets	2.9	1,826	2,265
Total non-current assets		**29,623**	**29,873**
Current assets			
Financial assets:			
Investments	2.4	6,876	6,407
Trade receivables	2.7	13,699	13,142
Cash and cash equivalents	2.8	16,506	19,818
Loans	2.5	247	239
Other financial assets	2.6	4,156	6,684
Other current assets	2.9	5,129	1,667
		46,613	**47,957**
Assets held for sale	2.1	1,867	2,060
Total current assets		**48,480**	**50,017**
Total assets		**78,103**	**79,890**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	2.11	1,088	1,088
Other equity		59,597	63,835
Total equity attributable to equity holders of the Company		60,685	64,923
Non-controlling interests		1	1
Total equity		**60,686**	**64,924**
Liabilities			
Non-current liabilities			
Financial Liabilities			
Other financial liabilities	2.12	128	61
Deferred tax liabilities (net)	2.15	505	541
Other non-current liabilities	2.13	250	259
Total non-current liabilities		**883**	**861**
Current liabilities			
Financial Liabilities			
Trade payables		798	694
Other financial liabilities	2.12	7,718	6,946
Other current liabilities	2.13	5,118	3,606
Provisions	2.14	523	492
Income tax liabilities (net)	2.15	2,032	2,043
		16,189	**13,781**
Liabilities directly associated with assets held for sale	2.1	345	324
Total current liabilities		**16,534**	**14,105**
Total equity and liabilities		**78,103**	**79,890**

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

As per our report of even date attached

for Deloitte Haskins & Sells LLP
Chartered Accountants
Firm's Registration No :
117366W/ W-100018

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

P. R. Ramesh
Partner
Membership No. 70928

Nandan M. Nilekani
Chairman

Salil Parekh
Chief Executive officer and Managing Director

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

Bengaluru
July 13, 2018

D. Sundaram
Director

M. D. Ranganath
Chief Financial Officer

A. G. S. Manikantha
Company Secretary

INFOSYS LIMITED AND SUBSIDIARIES

(in ₹ crore, except equity share and per equity share data)

Consolidated Statement of Profit and Loss for the		**Three months ended June 30,**	
	Note No.	**2018**	**2017**
Revenue from operations	2.16	19,128	17,078
Other income, net	2.1 and 2.17	726	814
Total income		**19,854**	**17,892**
Expenses			
Employee benefit expenses	2.18	10,462	9,366
Cost of technical sub-contractors		1,291	1,061
Travel expenses		603	527
Cost of software packages and others	2.18	545	440
Communication expenses		122	125
Consultancy and professional charges		305	246
Depreciation and amortisation expenses	2.2 and 2.3.2	436	450
Other expenses	2.18	827	752
Reduction in the fair value of Disposal Group held for sale	2.1	270	-
Total expenses		**14,861**	**12,967**
Profit before non-controlling interests/share in net profit/(loss) of associate		**4,993**	**4,925**
Share in net profit/(loss) of associate, including impairment	2.23	-	(71)
Profit before tax		**4,993**	**4,854**
Tax expense:			
Current tax	2.15	1,450	1,499
Deferred tax	2.15	(69)	(128)
Profit for the period		**3,612**	**3,483**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of the net defined benefit liability/asset, net	2.20 and 2.15	1	(3)
Equity instruments through other comprehensive income, net	2.4 and 2.15	4	-
		5	**(3)**
Items that will be reclassified subsequently to profit or loss			
Fair value changes on derivatives designated as cash flow hedge, net	2.10 and 2.15	9	(66)
Exchange differences on translation of foreign operations		87	107
Fair value changes on investments, net	2.4 and 2.15	(45)	27
		51	**68**
Total other comprehensive income/ (loss), net of tax		**56**	**65**
Total comprehensive income for the period		**3,668**	**3,548**
Profit attributable to:			
Owners of the Company		3,612	3,483
Non-controlling interests		-	-
		3,612	**3,483**
Total comprehensive income attributable to:			
Owners of the Company		3,668	3,548
Non-controlling interests		-	-
		3,668	**3,548**
Earnings per Equity share			
Equity shares of par value ₹5/- each			
Basic (₹)		16.62	15.24
Diluted (₹)		16.60	15.23
Weighted average equity shares used in computing earnings per equity share	2.21		
Basic		2,173,328,621	2,285,657,604
Diluted		2,175,355,178	2,287,058,148

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

As per our report of even date attached

for Deloitte Haskins & Sells LLP
Chartered Accountants
Firm's Registration No :
117366W/ W-100018

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

P. R. Ramesh	Nandan M. Nilekani	Salil Parekh	U. B. Pravin Rao
Partner	*Chairman*	*Chief Executive officer*	*Chief Operating Officer*
Membership No. 70928		*and Managing Director*	*and Whole-time Director*
Bengaluru	D. Sundaram	M. D. Ranganath	A. G. S. Manikantha
July 13, 2018	*Director*	*Chief Financial Officer*	*Company Secretary*

INFOSYS LIMITED AND SUBSIDIARIES

Consolidated Statement of Changes in Equity

(In ₹ crore)

Particulars	OTHER EQUITY													
		RESERVES & SURPLUS								Other comprehensive income				
	Equity Share capital [1]	Securities Premium reserve	Retained earnings	Capital reserve	General reserve	Share Options Outstanding Account	Special Economic Zone Re-investment reserve [2]	Other reserves[3]	Capital redemption reserve	Equity instruments through other comprehensive income	Exchange differences on translating the financial statements of a foreign operation	Effective portion of Cash Flow Hedges	Other items of other comprehensive income / (loss)	Total equity attributable to equity holders of the Company
Balance as at April 1, 2017	**1,144**	**2,216**	**52,882**	**54**	**12,135**	**120**	**-**	**5**	**-**	**-5**	**458**	**39**	**(66)**	**68,982**
Changes in equity for the three months ended June 30, 2017														
Profit for the period	-	-	3,483	-	-	-	-	-	-	-	-	-	-	3,483
Remeasurement of the net defined benefit liability/asset* (refer note no. 2.20.1 and 2.15)	-	-	-	-	-	-	-	-	-	-	-	-	(3)	(3)
Equity instruments through other comprehensive income* (refer to note no.2.4)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fair value changes on derivatives designated as cash flow hedge*(refer note no. 2.10)	-	-	-	-	-	-	-	-	-	-	-	(66)	-	(66)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	-	-	107	-	-	107
Fair value changes on investments, net* (refer to note no.2.4)	-	-	-	-	-	-	-	-	-	-	-	-	27	27
Total Comprehensive income for the period	**-**	**-**	**3,483**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**107**	**(66)**	**24**	**3,548**
Exercise of stock options (refer note no. 2.11)	-	2	-	-	-	(2)	-	-	-	-	-	-	-	-
Dividends (including dividend distribution tax)	-	-	(4,061)	-	-	-	-	-	-	-	-	-	-	(4,061)
Transfer to general reserve	-	-	(1,382)	-	1,382	-	-	-	-	-	-	-	-	-
Transferred to Special Economic Zone Re-investment reserve	-	-	(483)	-	-	-	483	-	-	-	-	-	-	-
Transferred from Special Economic Zone Re-investment reserve on utilization	-	-	154	-	-	-	(154)	-	-	-	-	-	-	-
Share based payments to employees (refer note no. 2.11)	-	-	-	-	-	45	-	-	-	-	-	-	-	45
Balance as at June 30, 2017	**1,144**	**2,218**	**50,593**	**54**	**13,517**	**163**	**329**	**5**	**-**	**(5)**	**565**	**(27)**	**(42)**	**68,514**

Consolidated Statement of Changes in Equity (contd.)

(In ₹ crore)

Particulars	OTHER EQUITY													
		RESERVES & SURPLUS								Other comprehensive income				
	Equity Share capital [1]	Securities Premium reserve	Retained earnings	Capital reserve	General reserve	Share Options Outstanding Account	Special Economic Zone Re-investment reserve [2]	Other reserves[3]	Capital redemption reserve	Equity instruments through Other comprehensive income	Exchange differences on translating the financial statements of a foreign operation	Effective portion of Cash Flow Hedges	Other items of other comprehensive income / (loss)	Total equity attributable to equity holders of the Company
Balance as at April 1, 2018	**1,088**	**36**	**58,477**	**54**	**2,725**	**130**	**1,583**	**5**	**56**	**2**	**779**	**-**	**(12)**	**64,923**
Changes in equity for the three months ended June 30, 2018														
Profit for the period	-	-	3,612	-	-	-	-	-	-	-	-	-	-	3,612
Remeasurement of the net defined benefit liability/asset* (refer note no. 2.20.1 and 2.15)	-	-	-	-	-	-	-	-	-	-	-	-	1	1
Equity instruments through other comprehensive income* (refer to note no.2.4)	-	-	-	-	-	-	-	-	-	4	-	-	-	4
Fair value changes on derivatives designated as cash flow hedge* (refer note no. 2.10)	-	-	-	-	-	-	-	-	-	-	-	9	-	9
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	-	-	87	-	-	87
Fair value changes on investments, net* (refer to note no.2.4)	-	-	-	-	-	-	-	-	-	-	-	-	(45)	(45)
Total Comprehensive income for the period	**-**	**-**	**3,612**	**-**	**-**	**-**	**-**	**-**	**-**	**4**	**87**	**9**	**(44)**	**3,668**
Share based payments to employees (refer to note no. 2.11)	-	-	-	-	-	43	-	-	-	-	-	-	-	43
Dividends (including dividend distribution tax)	-	-	(7,949)	-	-	-	-	-	-	-	-	-	-	(7,949)
Transfer to general reserve	-	-	(1,615)	-	1,615	-	-	-	-	-	-	-	-	-
Transferred to Special Economic Zone Re-investment reserve	-	-	(553)	-	-	-	553	-	-	-	-	-	-	-
Transferred from Special Economic Zone Re-investment reserve on utilization	-	-	216	-	-	-	(216)	-	-	-	-	-	-	-
Balance as at June 30, 2018	**1,088**	**36**	**52,188**	**54**	**4,340**	**173**	**1,920**	**5**	**56**	**6**	**866**	**9**	**(56)**	**60,685**

** Net of tax*

[1] Net of treasury shares

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

[3] Under the Swiss Code of Obligation, few subsidiaries of Infosys Lodestone are required to appropriate a certain percentage of the annual profit to legal reserve which 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.

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

As per our report of even date attached
for Deloitte Haskins & Sells LLP
Chartered Accountants
Firm's Registration No :
117366W/ W-100018

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

P. R. Ramesh
Partner
Membership No. 70928

Nandan M. Nilekani
Chairman

Salil Parekh
Chief Executive officer
and Managing Director

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

Bengaluru
July 13, 2018

D. Sundaram
Director

M. D. Ranganath
Chief Financial Officer

A. G. S. Manikantha
Company Secretary

INFOSYS LIMITED AND SUBSIDIARIES

Consolidated Statement of Cash Flows

Accounting policy

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

(In ₹ crore)

Particulars	Note No.	Three months ended June 30, 2018	2017
Cash flow from operating activities			
Profit for the period		3,612	3,483
Adjustments to reconcile net profit to net cash provided by operating activities:			
Income tax expense	2.15	1,381	1,371
Depreciation and amortization	2.2 and 2.3.2	436	450
Interest and dividend income		(549)	(631)
Impairment loss recognized / (reversed) under expected credit loss model		69	(4)
Exchange differences on translation of assets and liabilities		62	(3)
Reduction in the fair value of Disposal Group held for sale	2.1	270	-
Share in net profit/(loss) of associate, including impairment		-	71
Stock compensation expense	2.11	44	46
Other adjustments		(56)	(52)
Changes in assets and liabilities			
Trade receivables and unbilled revenue		(984)	(459)
Loans, other financial assets and other assets		(106)	103
Trade payables		96	(107)
Other financial liabilities, other liabilities and provisions		1,049	964
Cash generated from operations		**5,324**	**5,232**
Income taxes paid		(1,428)	(1,205)
Net cash generated by operating activities		**3,896**	**4,027**
Cash flows from investing activities			
Expenditure on property, plant and equipment		(537)	(553)
Loans to employees		-	23
Deposits placed with corporation		22	(9)
Interest and dividend received		556	210
Payment towards acquisition of business, net of cash acquired		(206)	-
Payment of contingent consideration for acquisition of business		-	(33)
Payments to acquire Investments			
Preference and equity securities		(10)	(13)
Tax free bonds and government bonds		(17)	(1)
Liquid mutual fund units and fixed maturity plan securities		(23,922)	(16,472)
Non convertible debentures		-	-
Certificates of deposit		-	(281)
Commercial paper		-	-
Others		(5)	(9)
Proceeds on sale of Investments			
Tax free bonds and government bonds		1	4
Non-convertible debentures		302	-
Certificates of deposit		800	150
Liquid mutual fund units and fixed maturity plan securities		22,499	16,774
Preference and equity securities		-	-
Net cash from/(used) in investing activities		**(517)**	**(210)**

(In ₹ crore)

Particulars	Note No.	Three months ended June 30, 2018	2017
Cash flows from financing activities:			
Payment of dividends		(6,629)	(3,363)
Net cash used in financing activities		**(6,629)**	**(3,363)**
Net increase / (decrease) in cash and cash equivalents		(3,250)	454
Cash and cash equivalents at the beginning of the period	2.8	19,871	22,625
Effect of exchange rate changes on cash and cash equivalents		(41)	38
Cash and cash equivalents at the end of the period	2.8	**16,580**	**23,117**
Supplementary information:			
Restricted cash balance	2.8	433	601

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

As per our report of even date attached
for Deloitte Haskins & Sells LLP
Chartered Accountants
Firm's Registration No :
117366W/ W-100018

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

P. R. Ramesh
Partner
Membership No. 70928

Nandan M. Nilekani
Chairman

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Chief Operating Officer and Whole-time Director

Bengaluru
July 13, 2018

D. Sundaram
Director

M. D. Ranganath
Chief Financial Officer

A. G. S. Manikantha
Company Secretary

INFOSYS LIMITED AND SUBSIDIARIES

Notes to the interim consolidated financial statements

1. Overview

1.1 Company overview

Infosys Limited ('the Company' or Infosys) is a leading provider of consulting, technology, outsourcing and next-generation digital services, enabling clients to execute strategies for their digital transformation. Infosys strategic objective is to build a sustainable organization that remains relevant to the agenda of clients, while creating growth opportunities for employees and generating profitable returns for investors. Infosys strategy is to be a navigator for our clients as they ideate, plan and execute on their journey to a digital future.

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

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

Further, the company's ADS were also listed on the Euronext London and Euronext Paris. On July 5, 2018, the company voluntarily delisted its ADS from the said exchanges due to low average daily trading volume of its ADS on these exchanges.

The Group's interim consolidated financial statements are approved for issue by the Company's Board of Directors on July 13, 2018.

1.2 Basis of preparation of financial statements

These interim consolidated financial statements are prepared in accordance with Indian Accounting Standards (Ind AS), under the historical cost convention on the accrual basis except for certain financial instruments which are measured at fair values, the provisions of the Companies Act, 2013 ('the Act') (to the extent notified) and guidelines issued by the Securities and Exchange Board of India (SEBI). The Ind AS are prescribed under Section 133 of the Act read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and relevant amendment rules issued thereafter.

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.

1.3 Basis of consolidation

Infosys consolidates entities which it owns or controls. The interim consolidated financial statements comprise the financial statements of the Company, its controlled trusts and its subsidiaries, as disclosed in Note no. 2.23. Control exists when the parent has power over the entity, is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns by using its power over the entity. Power is demonstrated through existing rights that give the ability to direct relevant activities, those which significantly affect the entity's returns. Subsidiaries are consolidated from the date control commences until the date control ceases.

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

1.4 Use of estimates and judgements

The preparation of the financial statements in conformity with Ind AS requires the management to make estimates, judgements and assumptions. These estimates, judgements and assumptions affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Application of accounting policies that require critical accounting estimates involving complex and subjective judgements and the use of assumptions in these financial statements have been disclosed in Note no. 1.5. Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the consolidated financial statements.

1.5 Critical accounting estimates

a. Revenue recognition

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

Further, the company uses significant judgements while determining the transaction price allocated to performance obligations using the expected cost plus margin approach.

Provisions for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the expected contract estimates at the reporting date.

b. Income taxes

The Company's two major tax jurisdictions are India and the U.S., though the Company also files tax returns in other overseas jurisdictions. Significant judgements are involved in determining the provision for income taxes, including amount expected to be paid/recovered for uncertain tax positions. Also refer to Note no. 2.15 and 2.22

In assessing the realizability of deferred income tax assets, management considers whether some portion or all of the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. Management considers the scheduled reversals of deferred income tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based on the level of historical taxable income and projections for future taxable income over the periods in which the deferred income tax assets are deductible, management believes that the group will realize the benefits of those deductible differences. The amount of the deferred income tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carry forward period are reduced.

c. Business combinations and intangible assets

Business combinations are accounted for using Ind AS 103, Business Combinations. Ind AS 103 requires the identifiable intangible assets and contingent consideration to be fair valued in order to ascertain the net fair value of identifiable assets, liabilities and contingent liabilities of the acquiree. Significant estimates are required to be made in determining the value of contingent consideration and intangible assets. These valuations are conducted by independent valuation experts (Refer to Note no 2.1 and 2.3).

d. Property, plant and equipment

Property, plant and equipment represent a significant proportion of the asset base of the Group. The charge in respect of periodic depreciation is derived after determining an estimate of an asset’s expected useful life and the expected residual value at the end of its life. The useful lives and residual values of Group's assets are determined by management at the time the asset is acquired and reviewed periodically, including at each financial year end. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology (Refer to Note no 2.2).

e. Impairment of Goodwill

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

Market related information and estimates are used to determine the recoverable amount. Key assumptions on which management has based its determination of recoverable amount include estimated long term growth rates, weighted average cost of capital and estimated operating margins. Cash flow projections take into account past experience and represent management’s best estimate about future developments (Refer to Note no 2.3).

f. Non-current assets and Disposal Group held for sale

Assets and liabilities of Disposal Groups held for sale are measured at the lower of carrying amount and fair value less costs to sell. The determination of fair value less costs to sell includes use of management estimates and assumptions. The fair value of the Disposal Groups have been estimated using valuation techniques (including income and market approach) which includes unobservable inputs (Refer to Note no 2.1).

2.1 BUSINESS COMBINATIONS AND DISPOSAL GROUP HELD FOR SALE

2.1.1 Business combinations

Accounting policy

Business combinations have been accounted for using the acquisition method under the provisions of Ind AS 103, Business Combinations.

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

Business combinations between entities under common control is accounted for at carrying value.

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

Brilliant Basics Holdings Limited.

On September 8, 2017, Infosys acquired 100% of the voting interests in Brilliant Basics Holdings Limited., UK, (Brilliant Basics) a product design and customer experience innovator with experience in executing global programs. The business acquisition was conducted by entering into a share purchase agreement for cash consideration of ₹ 29 crore a contingent consideration of up to ₹20 crore and an additional consideration of upto ₹13 crore, referred to as retention bonus, payable to the employees of Brilliant Basics at each anniversary year over the next two years, subject to their continuous employment with the group at each anniversary.

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

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

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

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

(In ₹ crore)

Component	Acquiree's carrying amount	Fair value adjustments	Purchase price allocated
Net assets(*)	1	–	1
Intangible assets - customer relationships	–	12	12
Deferred tax liabilities on intangible assets	–	(2)	(2)
	1	**10**	**11**
Goodwill			35
Total purchase price			**46**

*Includes cash and cash equivalents acquired of *₹2 crore*

The goodwill is not tax deductible.

The gross amount of trade receivables acquired and its fair value is ₹3 crore and the amount has been largely recovered.

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

(In ₹ crore)

Component	Consideration settled
Cash paid	29
Fair value of contingent consideration	17
Total purchase price	**46**

The transaction costs of ₹2 crore related to the acquisition have been included under administrative expenses in the statement of profit and loss for the year ended March 31, 2018.

Wongdoody Holding Company Inc

On May 22, 2018, Infosys acquired 100% of the voting interests in WongDoody Holding Company Inc., (WongDoody) an US-based, full-service creative and consumer insights agency. The business acquisition was conducted by entering into a share purchase agreement for a total consideration of up to $75 million (approximately ₹514 crore on acquisition date), which includes a cash consideration of $38 million (approximately ₹261 crore), contingent consideration of up to $28 million(approximately ₹192 crore on acquisition date) and an additional consideration of up to $9 million (approximately ₹61 crore on acquisition date), referred to as retention bonus, payable to the employees of WongDoody over the next three years, subject to their continuous employment with the group.

WongDoody, brings to Infosys the creative talent and marketing and brand engagement expertise. Further the acquisition is expected to strengthen Infosys' creative, branding and customer experience capabilities to bring innovative thinking, talent and creativity to clients.

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

(in ₹ crore)

Component	Acquiree's carrying amount	Fair value adjustments	Purchase price allocated
Net assets[*]	37	-	37
Intangible assets - customer relationships	-	132	132
Intangible assets - trade name	-	8	8
	37	140	177
Goodwill			173
Total purchase price			**350**

** Includes cash and cash equivalents acquired of ₹51 crore.*

Goodwill is tax deductible

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

(in ₹ crore)

Component	Consideration settled
Cash consideration	261
Fair value of contingent consideration	89
Total purchase price	**350**

The gross amount of trade receivables acquired and its fair value is ₹12 crore and the amounts are substantially collected.

The payment of contingent consideration to sellers of WondDoody is dependent upon the achievement of certain financial targets by WongDoody. At the acquisition date, the key inputs used in determination of the fair value of contingent consideration are the discount rate of 16% and the probabilities of achievement of the financial targets. The undiscounted value of contingent consideration as of June 30, 2018 is ₹119 crore ($17 million).

The transaction costs of ₹3 crore related to the acquisition have been included under administrative expenses in the statement of profit and loss for the three months ended June 30, 2018.

2.1.2. Disposal group held for sale

Accounting policy

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

In the quarter ended March 2018, on conclusion of a strategic review of the portfolio businesses, the Company had initiated identification and evaluation of potential buyers for its subsidiaries, Kallidus and Skava (together referred to as "Skava") and Panaya (collectively referred to as the "Disposal Group"). The Company anticipates completion of the sale by March 2019. On reclassification, assets and liabilities in respect of the Disposal Group had been reclassified as "held for sale" and measured at the lower of carrying amount and fair value less cost to sell. Consequently, a reduction in the fair value of Disposal Group held for sale amounting to ₹118 crore in respect of Panaya had been recognized in the Consolidated Profit and Loss for the year ended March 31, 2018.

During the three months ended June 30, 2018, on remeasurement, including consideration of progress in negotiations on offers from prospective buyers for Panaya, the Company has recorded a reduction in the fair value of Disposal Group held for sale amounting to ₹270 crore in respect of Panaya.

As of June 30, 2018 assets amounting to ₹1,867 crore and liabilities amounting to ₹345 crore in respect of the Disposal Group have been classified as "held for sale".

2.2 PROPERTY, PLANT AND EQUIPMENT

Accounting policy

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

Buildings [(1)]	22-25 years
Plant and machinery [(1)]	5 years
Office equipment	5 years
Computer equipment [(1)]	3-5 years
Furniture and fixtures [(1)]	5 years
Vehicles[(1)]	5 years
Leasehold improvements	Over lease term

[(1)] Based on technical evaluation, the management believes that the useful lives as given above best represent the period over which management expects to use these assets. Hence, the useful lives for these assets is different from the useful lives as prescribed under Part C of Schedule II of the Companies Act 2013.

Depreciation methods, useful lives and residual values are reviewed periodically, including at each financial year end.

Advances paid towards the acquisition of property, plant and equipment outstanding at each Balance Sheet date is classified as capital advances under other non-current assets and the cost of assets not ready to use before such date are disclosed under 'Capital work-in-progress'. Subsequent expenditures relating to property, plant and equipment is capitalized only when it is probable that future economic benefits associated with these will flow to the Group and the cost of the item can be measured reliably. Repairs and maintenance costs are recognized in the Consolidated Statement of Profit and Loss when incurred. The cost and related accumulated depreciation are eliminated from the financial statements upon sale or retirement of the asset and the resultant gains or losses are recognized in the Consolidated Statement of Profit and Loss.

Impairment

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

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

The changes in the carrying value of property, plant and equipment for the three months ended June 30, 2018 are as follows:

(In ₹ crore)

Particulars	Land-Freehold	Land- Leasehold	Buildings [(1)]	Plant and machinery	Office Equipment	Computer equipment	Furniture and fixtures	Leasehold Improvements	Vehicles	Total
Gross carrying value as at April 1, 2018	**1,229**	**673**	**8,130**	**2,306**	**1,002**	**4,884**	**1,393**	**531**	**31**	**20,179**
Additions	67	-	89	22	12	232	29	9	2	462
Additions - Business Combination	-	-	-	-	2	1	2	2	-	7
Deletions	-	(21)	-	(1)	(5)	(13)	(5)	(2)	-	(47)
Translation difference	-	-	1	-	-	(2)	(2)	1	-	(2)
Gross carrying value as at June 30, 2018	**1,296**	**652**	**8,220**	**2,327**	**1,011**	**5,102**	**1,417**	**541**	**33**	**20,599**
Accumulated depreciation as at April 1, 2018	**-**	**(31)**	**(2,719)**	**(1,597)**	**(719)**	**(3,632)**	**(1,017)**	**(330)**	**(18)**	**(10,063)**
Depreciation	-	(1)	(75)	(73)	(31)	(174)	(43)	(19)	(1)	(417)
Accumulated depreciation on deletions	-	-	-	1	5	13	5	1	-	25
Translation difference	-	-	-	-	-	2	2	-	-	4
Accumulated depreciation as at June 30, 2018	**-**	**(32)**	**(2,794)**	**(1,669)**	**(745)**	**(3,791)**	**(1,053)**	**(348)**	**(19)**	**(10,451)**
Carrying value as at June 30, 2018	**1,296**	**620**	**5,426**	**658**	**266**	**1,311**	**364**	**193**	**14**	**10,148**
Carrying value as at April 1, 2018	**1,229**	**642**	**5,411**	**709**	**283**	**1,252**	**376**	**201**	**13**	**10,116**

The changes in the carrying value of property, plant and equipment for the three months ended June 30, 2017 were as follows:

(In ₹ crore)

Particulars	Land-Freehold	Land- Leasehold	Buildings [(1)]	Plant and machinery	Office Equipment	Computer equipment	Furniture and fixtures	Leasehold Improvements	Vehicles	Total
Gross carrying value as at April 1, 2017	**1,095**	**671**	**7,279**	**2,048**	**922**	**4,540**	**1,277**	**469**	**31**	**18,332**
Additions	-	-	52	31	24	159	24	19	1	310
Deletions	-	-	-	(1)	(1)	(31)	(1)	(1)	(2)	(37)
Translation difference	-	-	10	1	1	5	1	4	-	22
Gross carrying value as of June 30, 2017	**1,095**	**671**	**7,341**	**2,079**	**946**	**4,673**	**1,301**	**491**	**30**	**18,627**
Accumulated depreciation as at April 1, 2017	**-**	**(27)**	**(2,440)**	**(1,337)**	**(599)**	**(3,053)**	**(869)**	**(239)**	**(17)**	**(8,581)**
Depreciation	-	(1)	(67)	(66)	(33)	(169)	(40)	(24)	(1)	(401)
Accumulated depreciation on deletions	-	-	-	-	1	31	1	1	1	35
Translation difference	-	-	-	-	(1)	(4)	(1)	(3)	-	(9)
Accumulated depreciation as of June 30, 2017	**-**	**(28)**	**(2,507)**	**(1,403)**	**(632)**	**(3,195)**	**(909)**	**(265)**	**(17)**	**(8,956)**
Carrying value as of June 30, 2017	**1,095**	**643**	**4,834**	**676**	**314**	**1,478**	**392**	**226**	**13**	**9,671**
Carrying value as of April 1, 2017	**1,095**	**644**	**4,839**	**711**	**323**	**1,487**	**408**	**230**	**14**	**9,751**

The changes in the carrying value of property, plant and equipment for the year ended March 31, 2018 were as follows:

(In ₹ crore)

Particulars	Land-Freehold	Land- Leasehold	Buildings [1]	Plant and machinery	Office Equipment	Computer equipment	Furniture and fixtures	Leasehold Improvements	Vehicles	Total
Gross carrying value as at April 1, 2017	**1,095**	**671**	**7,279**	**2,048**	**922**	**4,540**	**1,277**	**469**	**31**	**18,332**
Additions	134	2	789	264	86	471	130	74	5	1,955
Deletions	-	-	(1)	(8)	(8)	(109)	(10)	(12)	(5)	(153)
Reclassified as assets held for sale (refer note no 2.1.2)	-	-	-	(1)	(2)	(40)	(8)	(17)	-	(68)
Translation difference	-	-	63	3	4	22	4	17	-	113
Gross carrying value as at March 31, 2018	**1,229**	**673**	**8,130**	**2,306**	**1,002**	**4,884**	**1,393**	**531**	**31**	**20,179**
Accumulated depreciation as at April 1, 2017	**-**	**(27)**	**(2,440)**	**(1,337)**	**(599)**	**(3,053)**	**(869)**	**(239)**	**(17)**	**(8,581)**
Depreciation	-	(4)	(276)	(266)	(125)	(693)	(160)	(105)	(5)	(1,634)
Accumulated depreciation on deletions	-	-	-	7	6	107	9	11	4	144
Reclassified as assets held for sale (refer note no 2.1.2)	-	-	-	1	1	25	5	15	-	47
Translation difference	-	-	(3)	(2)	(2)	(18)	(2)	(12)	-	(39)
Accumulated depreciation as at March 31, 2018	**-**	**(31)**	**(2,719)**	**(1,597)**	**(719)**	**(3,632)**	**(1,017)**	**(330)**	**(18)**	**(10,063)**
Carrying value as at March 31, 2018	**1,229**	**642**	**5,411**	**709**	**283**	**1,252**	**376**	**201**	**13**	**10,116**
Carrying value as at April 1, 2017	**1,095**	**644**	**4,839**	**711**	**323**	**1,487**	**408**	**230**	**14**	**9,751**

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

Gross carrying value of lease hold land represents amounts paid under certain lease-cum-sale agreements to acquire land including agreements where the Company has an option to purchase or renew the properties on expiry of the lease period.

The aggregate depreciation has been included under depreciation and amortisation expense in the consolidated Statement of Profit and Loss.

2.3 GOODWILL AND OTHER INTANGIBLE ASSETS

2.3.1 Goodwill

Accounting policy

Goodwill represents the cost of business acquisition in excess of the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities of the acquiree. When the net fair value of the identifiable assets, liabilities and contingent liabilities acquired exceeds the cost of business acquisition, the bargain purchase excess is recognized after reassessing the fair value of net assets acquired in the capital reserve. Goodwill is measured at cost less accumulated impairment losses.

Impairment

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

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

A summary of changes in the carrying amount of goodwill is as follows:

(In ₹ crore)

Particulars	As at	
	June 30, 2018	**March 31, 2018**
Carrying value at the beginning	2,211	3,652
Goodwill on Brilliant Basics acquisition (refer note no. 2.1)	-	35
Goodwill on WongDoody acquisition (refer note no. 2.1)	173	-
Goodwill reclassified under assets held for sale (refer note no 2.1.2)	-	(1,609)
Translation differences	10	133
Carrying value at the end	**2,394**	**2,211**

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

2.3.2 Other intangible assets

Accounting policy

Intangible assets are stated at cost less accumulated amortization and impairment. Intangible assets are amortized over their respective individual estimated useful lives on a straight-line basis, from the date that they are available for use. The estimated useful life of an identifiable intangible asset is based on a number of factors including the effects of obsolescence, demand, competition, and other economic factors (such as the stability of the industry, and known technological advances). Amortization methods and useful lives are reviewed periodically including at each financial year end.

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

Impairment

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

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

The changes in the carrying value of acquired intangible assets for the three months ended June 30, 2018 are as follows:

(In ₹ crore)

Particulars	Customer related	Software related	Sub-contracting rights related	Intellectual property rights related	Land use- rights related	Brand or Trademark Related	Others	Total
Gross carrying value as at April 1, 2018	**445**	**19**	**-**	**-**	**73**	**26**	**27**	**590**
Additions through business combination (refer note no 2.1)	132	-	-	-	-	8	-	140
Deletions / retirals during the period	-	-	-	-	-	-	-	-
Translation differences	6	1	-	-	-	-	-	7
Gross carrying value as at June 30, 2018	**583**	**20**	**-**	**-**	**73**	**34**	**27**	**737**
Accumulated amortization as at April 1, 2018	**(289)**	**(19)**	**-**	**-**	**(10)**	**(12)**	**(13)**	**(343)**
Amortization expense	(16)	-	-	-	-	(2)	(1)	(19)
Deletions / retirals during the period	-	-	-	-	-	-	-	-
Translation differences	(4)	(1)	-	-	-	-	-	(5)
Accumulated amortization as at June 30, 2018	**(309)**	**(20)**	**-**	**-**	**(10)**	**(14)**	**(14)**	**(367)**
Carrying value as at April 1, 2018	**156**	**-**	**-**	**-**	**63**	**14**	**14**	**247**
Carrying value as at June 30, 2018	**274**	**-**	**-**	**-**	**63**	**20**	**13**	**370**
Estimated Useful Life *(in years)*	1-10	-	-	-	50	5-6	5	
Estimated Remaining Useful Life *(in years)*	0-5	-	-	-	43	2-6	2	

The changes in the carrying value of acquired intangible assets for the three months ended June 30, 2017 were as follows:

In ₹ crore

Particulars	Customer related	Software related	Sub-contracting rights related	Intellectual property rights related	Land use- rights related	Brand or Trademark Related	Others	Total
Gross carrying value as of April 1, 2017	**750**	**405**	**21**	**1**	**66**	**90**	**62**	**1,395**
Additions during the period	-	-	-	-	-	-	-	-
Deletions during the period	-	-	-	-	-	-	-	-
Translation difference	7	(1)	-	-	1	-	-	7
Gross carrying value as of June 30, 2017	**757**	**404**	**21**	**1**	**67**	**90**	**62**	**1,402**
Accumulated amortization as of April 1, 2017	**(382)**	**(121)**	**(21)**	**(1)**	**(7)**	**(49)**	**(38)**	**(619)**
Amortization expense	(22)	(20)	-	-	-	(3)	(4)	(49)
Deletion during the period	-	-	-	-	-	-	-	-
Translation differences	(3)	1	-	-	-	(2)	-	(4)
Accumulated amortization as of June 30, 2017	**(407)**	**(140)**	**(21)**	**(1)**	**(7)**	**(54)**	**(42)**	**(672)**
Carrying value as of April 1, 2017	**368**	**284**	**-**	**-**	**59**	**41**	**24**	**776**
Carrying value as of June 30, 2017	**350**	**264**	**-**	**-**	**60**	**36**	**20**	**730**
Estimated Useful Life *(in years)*	3-10	5-8	-	-	50	3-10	3-5	
Estimated Remaining Useful Life *(in years)*	1-6	3-6	-	-	44	1-8	1-3	

The changes in the carrying value of acquired intangible assets for the year ended March 31, 2018 were as follows:

(In ₹ crore)

Particulars	Customer related	Software related	Sub-contracting rights related	Intellectual property rights related	Land use- rights related	Brand or Trademark Related	Others	Total
Gross carrying value as at April 1, 2017	**750**	**405**	**21**	**1**	**66**	**90**	**62**	**1,395**
Additions through business combination (refer note no 2.1)	12	-	-	-	-	-	-	12
Deletions / retirals during the period	(172)	-	(21)	-	-	(29)	(35)	(257)
Reclassified under assets held for sale (refer note no 2.1.2)	(157)	(388)	-	(1)	-	(37)	-	(583)
Translation differences	12	2	-	-	7	2	-	23
Gross carrying value as at March 31, 2018	**445**	**19**	**-**	**-**	**73**	**26**	**27**	**590**
Accumulated amortization as at April 1, 2017	**(382)**	**(121)**	**(21)**	**(1)**	**(7)**	**(49)**	**(38)**	**(619)**
Amortization expense	(127)	(79)	-	-	(1)	(12)	(10)	(229)
Deletions / retirals during the period	172	-	21	-	-	29	35	257
Reclassified under assets held for sale (refer note no 2.1.2)	56	182	-	1	-	21	-	260
Translation differences	(8)	(1)	-	-	(2)	(1)	-	(12)
Accumulated amortization as at March 31, 2018	**(289)**	**(19)**	**-**	**-**	**(10)**	**(12)**	**(13)**	**(343)**
Carrying value as at April 1, 2017	**368**	**284**	**-**	**-**	**59**	**41**	**24**	**776**
Carrying value as at March 31, 2018	**156**	**-**	**-**	**-**	**63**	**14**	**14**	**247**
Estimated Useful Life *(in years)*	2-10	-	-	-	50	5	5	
Estimated Remaining Useful Life *(in years)*	1-5	-	-	-	43	3	3	

The amortization expense has been included under depreciation and amortization expense in the consolidated Statement of Profit and Loss.

Research and Development Expenditure

Research and development expense recognized in net profit in the consolidated Statement of Profit and Loss for the three months ended June 30, 2018 and June 30, 2017 was ₹187 crore and ₹198 crore respectively.

2.4 INVESTMENTS

(In ₹ crore)

Particulars	As at June 30, 2018	As at March 31, 2018
Non-current		
Unquoted		
Investments carried at fair value through other comprehensive income (*refer note no. 2.4.1*)		
Preference securities	132	116
Equity instruments	22	22
	154	**138**
Investments carried at fair value through profit or loss (*refer note no. 2.4.1*)		
Convertible promissory note	11	12
Others	66	66
	77	**78**
Quoted		
Investments carried at amortized cost *(refer note no. 2.4.2)*		
Tax free bonds	1,895	1,896
	1,895	**1,896**
Investments carried at fair value through profit or loss (*refer note no. 2.4.3*)		
Fixed maturity plan securities	431	429
	431	**429**
Investments carried at fair value through other comprehensive income (*refer note no. 2.4.4*)		
Non convertible debentures	3,066	3,215
	3,066	**3,215**
Total non-current investments	**5,623**	**5,756**
Current		
Unquoted		
Investments carried at fair value through profit or loss *(refer note no. 2.4.3)*		
Liquid mutual fund units	1,535	81
	1,535	**81**
Investments carried at fair value through other comprehensive income		
Commercial Paper *(refer note no. 2.4.4)*	299	293
Certificates of deposit *(refer note no. 2.4.4)*	4,539	5,269
	4,838	**5,562**
Quoted		
Investment carried at amortized cost *(refer note no.2.4.2)*		
Government Bonds	17	1
	17	**1**
Investments carried at fair value through other comprehensive income (*refer note no. 2.4.4*)		
Non-convertible debentures	486	763
	486	**763**
Total current investments	**6,876**	**6,407**
Total investments	**12,499**	**12,163**
Aggregate amount of quoted investments	5,895	6,304
Market value of quoted investments (including interest accrued)	6,170	6,568
Aggregate amount of unquoted investments	6,604	5,859
Aggregate amount of impairment made for non-current unquoted investments (including investment in associate)	-	89
Investments carried at amortized cost	1,912	1,897
Investments carried at fair value through other comprehensive income	8,544	9,678
Investments carried at fair value through profit or loss	2,043	588

Uncalled capital commitments outstanding as at June 30, 2018 and March 31, 2018 was ₹67 crore and ₹81 crore, respectively.

Refer to Note no 2.10 for Accounting policies on Financial Instruments.

Details of amounts recorded in Other comprehensive income:

(In ₹ crore)

	Three months ended Jun			Three months ended June 30, 2017		
	Gross	**Tax**	**Net**	**Gross**	**Tax**	**Net**
Net Gain/(loss) on						
Non-convertible debentures	(36)	4	(32)	30	(2)	28
Certificates of deposit	(20)	7	(13)	(1)	-	(1)
Equity and preference securities	5	(1)	4	-	-	-

Method of fair valuation:

(In ₹ crore)

Class of investment	Method	Fair value as at June 30, 2018	Fair value as at March 31, 2018
Liquid mutual fund units	Quoted price	1,535	81
Fixed maturity plan securities	Market observable inputs	431	429
Tax free bonds and government bonds	Quoted price and market observable inputs	2,144	2,151
Non-convertible debentures	Quoted price and market observable inputs	3,552	3,978
Commercial Papers	Market observable inputs	299	293
Certificate of deposits	Market observable inputs	4,539	5,269
Unquoted equity and preference securities	Discounted cash flows method, Market multiples method, Option pricing model, etc.	154	138
Unquoted convertible promissory note	Discounted cash flows method, Market multiples method, Option pricing model, etc.	11	12
Others	Discounted cash flows method, Market multiples method, Option pricing model, etc.	66	66

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

2.4.1 Details of investments

The details of investments in preference securities, equity instruments and others as at June 30, 2018 and March 31, 2018 are as follows:

(In ₹ crore, except otherwise stated)

Particulars	As at	
	June 30, 2018	**March 31, 2018**
Preference securities		
Airviz Inc.	6	6
2,82,279 (2,82,279) Series A Preferred Stock, fully paid up, par value USD 0.001 each		
Whoop Inc	21	20
16,48,352 (16,48,352) Series B Preferred Stock, fully paid up, par value USD 0.0001 each		
CloudEndure Ltd.	28	26
25,59,290 (25,59,290) Series B Preferred Shares, fully paid up, par value ILS 0.01 each		
Nivetti Systems Private Limited	10	10
2,28,501 (2,28,501) Preferred Stock, fully paid up, par value ₹1/- each		
Waterline Data Science, Inc	35	23
39,33,910 (39,33,910) Series B Preferred Shares, fully paid up, par value USD 0.00001 each		
13,35,707 (Nil) Series C Preferred Shares, fully paid up, par value USD 0.00001 each		
Trifacta Inc.	22	21
11,80,358 (11,80,358) Series C-1 Preferred Stock		
Ideaforge		
5,402 (5,402) Series A compulsorily convertible cumulative Preference shares of ₹10 each, fully paid up	10	10
Total investment in preference securities	**132**	**116**
Equity Instruments		
Merasport Technologies Private Limited	-	-
2,420 (2,420) equity shares at ₹8,052 each, fully paid up, par value ₹10/- each		
Global Innovation and Technology Alliance	1	1
15,000 (15,000) equity shares at ₹1,000 each, fully paid up, par value ₹1,000/- each		
Unsilo A/S	21	21
69,894 (69,894) Equity Shares, fully paid up, par value DKK 1 each		
Ideaforge		
100 (100) equity shares at ₹10/-, fully paid up	-	-
Total investment in equity instruments	**22**	**22**
Others		
Stellaris Venture Partners India	7	7
Vertex Ventures US Fund L.L.P	59	59
Total investment in others	**66**	**66**
Convertible promissory note		
Tidalscale	11	12
Total investment in convertible promissory note	**11**	**12**
Total	**231**	**216**

2.4.2 Details of investments in tax free bonds and government bonds

The balances held in tax free bonds as at June 30, 2018 and March 31, 2018 are as follows:

(In ₹ crore, except as otherwise stated)

Particulars		As at June 30, 2018		As at March 31, 2018	
	Face Value ₹	**Units**	**Amount**	**Units**	**Amount**
7.04% Indian Railway Finance Corporation Limited Bonds 03MAR2026	10,00,000/-	470	50	470	50
7.16% Power Finance Corporation Limited Bonds 17JUL2025	10,00,000/-	1,000	106	1,000	106
7.18% Indian Railway Finance Corporation Limited Bonds 19FEB2023	1,000/-	2,000,000	201	2,000,000	201
7.28% Indian Railway Finance Corporation Limited Bonds 21DEC2030	1,000/-	422,800	42	422,800	42
7.28% National Highways Authority of India Limited Bonds 18SEP2030	10,00,000/-	3,300	343	3,300	343
7.34% Indian Railway Finance Corporation Limited Bonds 19FEB2028	1,000/-	2,100,000	211	2,100,000	211
7.35% National Highways Authority of India Limited Bonds 11JAN2031	1,000/-	571,396	57	571,396	57
7.93% Rural Electrification Corporation Limited Bonds 27MAR2022	1,000/-	200,000	20	200,000	21
8.00% Indian Railway Finance Corporation Limited Bonds 23FEB2022	1,000/-	150,000	15	150,000	15
8.10% Indian Railway Finance Corporation Limited Bonds 23FEB2027	1,000/-	500,000	52	500,000	52
8.20% Power Finance Corporation Limited Bonds 01FEB2022	1,000/-	500,000	50	500,000	50
8.26% India Infrastructure Finance Company Limited Bonds 23AUG2028	10,00,000/-	1,000	100	1,000	100
8.30% National Highways Authority of India Limited 'Bonds 25JAN2027	1,000/-	500,000	53	500,000	53
8.35% National Highways Authority of India Limited Bonds 22NOV2023	10,00,000/-	1,500	150	1,500	150
8.46% India Infrastructure Finance Company Limited Bonds 30AUG2028	10,00,000/-	2,000	200	2,000	200
8.46% Power Finance Corporation Limited Bonds 30AUG2028	10,00,000/-	1,500	150	1,500	150
8.48% India Infrastructure Finance Company Limited Bonds 05SEP2028	10,00,000/-	450	45	450	45
8.54% Power Finance Corporation Limited Bonds 16NOV2028	1,000/-	500,000	50	500,000	50
Total investments in tax-free bonds			**1,895**		**1,896**

The balances held in government bonds as at June 30, 2018 and March 31, 2018 are as follows:

(In ₹ crore, except as otherwise stated)

Particulars	Face Value	As at June 30, 2018		As at March 31, 2018	
	PHP	**Units**	**Amount**	**Units**	**Amount**
Treasury Notes Phillippines Govt. 29MAY2019	100	45,000	6	-	-
Treasury Notes PIBL1217E082 MAT DATE 09 May 2018	100	-	-	1,00,000	1
Treasury Notes Phillippines Govt. 17APRIL2019	100	95,000	11	-	-
Total investments in government bonds			**17**		**1**

2.4.3 Details of investments in liquid mutual fund units and fixed maturity plan securities

The balances held in liquid mutual fund units as at June 30, 2018 and March 31, 2018 are as follows: *(In ₹ crore, except as otherwise stated)*

Particulars	As at June 30, 2018		As at March 31, 2018	
	Units	Amount	Units	Amount
Aditya Birla Sun liquid fund - Growth-Direct Plan	13,021,104	305	1,631,554	45
HDFC Liquid Fund- Direc Plan- Growth Option	890,226	310	-	-
ICICI Prudential Liquid- Direct Plan- Growth	10,896,241	285	1,365,687	36
Kotak Low Duration Fund- Direct Plan- Growth (Ultra Short Term)	907,213	325	-	-
Reliance Liquid Fund Direct Plan- Growth Option	718,689	310	-	-
Total investments in liquid mutual fund units		**1,535**		**81**

The balances held in fixed maturity plan securities as at June 30, 2018 and March 31, 2018 are as follows: *(In ₹ crore, except as otherwise stated)*

Particulars	As at June 30, 2018		As at March 31, 2018	
	Units	Amount	Units	Amount
Aditya Birla Sun Life Fixed Term Plan- Series OD 1145 Days- GR Direct	6,00,00,000	65	6,00,00,000	65
Aditya Birla Sun Life Fixed Term Plan- Series OE 1153 Days- GR Direct	2,50,00,000	27	2,50,00,000	27
HDFC FMP 1155D Feb 2017- Direct Growth- Series 37	3,80,00,000	41	3,80,00,000	41
HDFC FMP 1169D Feb 2017- Direct- Quarterly Dividend- Series 37	4,50,00,000	45	4,50,00,000	45
ICICI FMP Series 80-1194 D Plan F Div	5,50,00,000	59	5,50,00,000	59
ICICI Prudential Fixed Maturity Plan Series 80- 1187 Days Plan G Direct Plan	4,20,00,000	45	4,20,00,000	45
ICICI Prudential Fixed Maturity Plan Series 80- 1253 Days Plan J Direct Plan	3,00,00,000	32	3,00,00,000	32
IDFC Fixed Term Plan Series 129 Direct Plan- Growth 1147 Days	1,00,00,000	11	1,00,00,000	11
IDFC Fixed Term Plan Series 131 Direct Plan- Growth 1139 Days	1,50,00,000	16	1,50,00,000	16
Kotak FMP Series 199 Direct- Growth	3,50,00,000	38	3,50,00,000	37
Reliance Fixed Horizon Fund- XXXII Series 8- Dividend Plan	5,00,00,000	52	5,00,00,000	51
Total investments in fixed maturity plan securities		**431**		**429**

2.4.4 Details of investments in non-convertible debentures, certificates of deposit and commercial paper

The balances held in non-convertible debenture units as at June 30, 2018 and March 31, 2018 is as follows: *(In ₹ crore, except as otherwise stated)*

Particulars		As at June 30, 2018		As at March 31, 2018	
	Face Value ₹	Units	Amount	Units	Amount
7.48% Housing Development Finance Corporation Ltd 18NOV2019	1,00,00,000/-	50	52	50	51
7.58% LIC Housing Finance Ltd 28FEB2020	10,00,000/-	1,000	101	1,000	101
7.58% LIC Housing Finance Ltd 11JUN2020	10,00,000/-	500	52	500	52
7.59% LIC Housing Finance Ltd 14OCT2021	10,00,000/-	3,000	306	3,000	306
7.75% LIC Housing Finance Ltd 27AUG2021	10,00,000/-	1,250	129	1,250	129
7.78% Housing Development Finance Corporation Ltd 24MAR2020	1,00,00,000/-	100	101	100	99
7.79% LIC Housing Finance Ltd 19JUN2020	10,00,000/-	500	49	500	53
7.80% Housing Development Finance Corporation Ltd 11NOV2019	1,00,00,000/-	150	156	150	153
7.81% LIC Housing Finance Ltd 27APR2020	10,00,000/-	2,000	200	2,000	214
7.95% Housing Development Finance Corporation Ltd 23SEP2019	1,00,00,000/-	50	53	50	53
8.02% LIC Housing Finance Ltd 18FEB2020	10,00,000/-	500	51	500	50
8.26% Housing Development Finance Corporation Ltd 12AUG2019	1,00,00,000/-	100	107	100	105
8.34% Housing Development Finance Corporation Ltd 06MAR2019	1,00,00,000/-	200	202	200	215
8.37% LIC Housing Finance Ltd 03OCT2019	10,00,000/-	2,000	202	2,000	216
8.37% LIC Housing Finance Ltd 10MAY2021	10,00,000/-	500	50	500	54
8.43% IDFC Bank Ltd 30JAN2018	10,00,000/-	-	-	-	-
8.46% Housing Development Finance Corporation Ltd 11MAR2019	1,00,00,000/-	50	50	50	54
8.47% LIC Housing Finance Ltd 21JAN2020	10,00,000/-	500	52	500	51
8.49% Housing Development Finance Corporation Ltd 27APR2020	5,00,000/-	900	45	900	49
8.50% Housing Development Finance Corporation Ltd 31AUG2020	1,00,00,000/-	100	106	100	108
8.54% IDFC Bank Ltd 30MAY2018	10,00,000/-	-	-	1,500	194
8.59% Housing Development Finance Corporation Ltd 14JUN2019	1,00,00,000/-	50	52	50	51
8.60% LIC Housing Finance Ltd 22JUL2020	10,00,000/-	1,000	107	1,000	107
8.60% LIC Housing Finance Ltd 29JUL2020	10,00,000/-	1,750	189	1,750	188
8.61% LIC Housing Finance Ltd 11DEC2019	10,00,000/-	1,000	105	1,000	104
8.66% IDFC Bank Ltd 25JUN2018	10,00,000/-	-	-	1520	196
8.66% IDFC Bank Ltd 27DEC2018	10,00,000/-	400	53	400	52
8.72% Housing Development Finance Corporation Ltd 15APR2019	1,00,00,000/-	75	77	75	76
8.75% Housing Development Finance Corporation Ltd 13JAN2020	5,00,000/-	5,000	260	5,000	256
8.75% LIC Housing Finance Ltd 14JAN2020	10,00,000/-	1,070	111	1,070	112
8.75% LIC Housing Finance Ltd 21DEC2020	10,00,000/-	1,000	102	1,000	102
8.97% LIC Housing Finance Ltd 29OCT2019	10,00,000/-	500	53	500	52
9.45% Housing Development Finance Corporation Ltd 21AUG2019	10,00,000/-	3,000	327	3,000	323
9.65% Housing Development Finance Corporation Ltd 19JAN2019	10,00,000/-	500	52	500	52
Total investments in non-convertible debentures			**3,552**		**3,978**

The balances held in certificates of deposit as at June 30, 2018 and March 31, 2018 are as follows: *(In ₹ crore, except as otherwise stated)*

Particulars		As at June 30, 2018		As at March 31, 2018	
	Face Value ₹	Units	Amount	Units	Amount
Axis Bank	1,00,000/-	158,000	1,511	208,000	1,985
HDFC Bank	1,00,000/-	15,000	150	15,000	147
ICICI Bank	1,00,000/-	126,000	1,202	126,000	1,186
IndusInd Bank	1,00,000/-	135,000	1,289	135,000	1,271
Kotak Bank	1,00,000/-	40,000	387	70,000	680
Total investments in certificates of deposit			**4,539**		**5,269**

The balances held in commercial paper as at June 30, 2018 and March 31, 2018 are as follows: *(In ₹ crore, except as otherwise stated)*

Particulars		As at June 30, 2018		As at March 31, 2018	
	Face Value ₹	Units	Amount	Units	Amount
LIC	5,00,000/-	6,000	299	6,000	293
Total investments in commercial paper			**299**		**293**

2.5 LOANS

(In ₹ crore)

Particulars	As at	
	June 30, 2018	**March 31, 2018**
Non Current		
Unsecured, considered good		
Other loans		
Loans to employees	28	36
	28	**36**
Unsecured, considered doubtful		
Other loans		
Loans to employees	19	17
	47	**53**
Less: Allowance for doubtful loans to employees	19	17
Total non-current loans	**28**	**36**
Current		
Unsecured, considered good		
Other loans		
Loans to employees	247	239
Total current loans	**247**	**239**
Total loans	**275**	**275**

2.6 OTHER FINANCIAL ASSETS

(In ₹ crore)

Particulars	As at	
	June 30, 2018	**March 31, 2018**
Non Current		
Security deposits [(1)]	54	53
Rental deposits [(1)]	169	171
Restricted deposits[(1)]	30	60
Total non-current other financial assets	**253**	**284**
Current		
Security deposits [(1)]	7	9
Rental deposits [(1)]	30	13
Restricted deposits [(1)]	1,543	1,535
Unbilled revenues [(1)#]	1,615	4,261
Interest accrued but not due [(1)]	751	766
Foreign currency forward and options contracts [(2) (3)]	36	16
Others [(1)]	174	84
Total current other financial assets	**4,156**	**6,684**
Total other financial assets	**4,409**	**6,968**
[(1)] Financial assets carried at amortized cost	4,373	6,952
[(2)] Financial assets carried at fair value through other comprehensive income	23	12
[(3)] Financial assets carried at fair value through profit or loss	13	4

Restricted deposits represent deposits with financial institutions to settle employee-related obligations as and when they arise during the normal course of business.
Classified as financial asset as right to consideration is unconditional upon passage of time .

2.7 TRADE RECEIVABLES

(In ₹ crore)

Particulars	As at	
	June 30, 2018	**March 31, 2018**
Current		
Unsecured		
Considered good	13,699	13,142
Considered doubtful	434	354
	14,133	13,496
Less: Allowances for credit loss	434	354
Total trade receivables [(1)]	**13,699**	**13,142**
[(1)] Includes dues from Companies where directors are interested	-	-

2.8 CASH AND CASH EQUIVALENTS

(In ₹ crore)

Particulars	As at	
	June 30, 2018	**March 31, 2018**
Balances with banks		
In current and deposit accounts	9,034	13,168
Cash on hand	-	-
Others		
Deposits with financial institutions	7,472	6,650
Total cash and cash equivalents	**16,506**	**19,818**
Cash and cash equivalents included under assets classified under held for sale (refer note no 2.1.2)	74	53
	16,580	**19,871**
Balances with banks in unpaid dividend accounts	22	22
Deposit with more than 12 months maturity	4,974	6,332
Balances with banks held as margin money deposits against guarantees	222	356

Cash and cash equivalents as at June 30, 2018 and March 31, 2018 include restricted cash and bank balances of ₹433 crore and ₹533 crore, respectively. The restrictions are primarily on account of cash and bank balances held by irrevocable trusts controlled by the Company, bank balances held as margin money deposits against guarantees and balances held in unpaid dividend bank accounts.

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

The table below provides details of cash and cash equivalents:

(In ₹ crore)

Particulars	As at	
	June 30, 2018	**March 31, 2018**
Current accounts		
ANZ Bank, Taiwan	1	9
Banamex Bank, Mexico	2	2
Banamex Bank, Mexico (U.S. Dollar account)	14	13
Bank of America, Mexico	27	25
Bank of America, USA	569	1,172
Bank of Baroda, Mauritius	-	1
Bank of Tokyo-Mitsubishi UFJ Ltd., Japan	1	1
Bank Zachodni WBK S.A, Poland	8	17
Bank of Phillipines, Manila Island	1	-
Barclays Bank, UK	42	40
BNP Paribas Bank, Norway	52	88
China Merchants Bank, China	8	6
Citibank N.A., Australia	124	223
Citibank N.A., Brazil	16	14
Citibank N.A., China	75	116
Citibank N.A., China (U.S. Dollar account)	8	9
Citibank N.A., Costa Rica	3	1
Citibank N.A., Dubai	6	6
Citibank N.A., EEFC (U.S. Dollar account)	1	4
Citibank N.A., Hungary	8	6
Citibank N.A., India	3	3
Citibank N.A., Japan	15	18
Citibank N.A., New Zealand	6	11
Citibank N.A., Philippines (U.S. Dollar account)	-	-
Citibank N.A., Portugal	8	8
Citibank N.A., Romania	4	2
Citibank N.A., Singapore	7	4
Citibank N.A., South Africa	36	33
Citibank N.A., South Africa (Euro account)	1	1
Citibank N.A., South Korea	5	2
Citibank N.A., USA	4	3
Danske Bank, Sweden	1	1
Deutsche Bank, Belgium	17	27
Deutsche Bank, Czech Republic	5	16
Deutsche Bank, Czech Republic (Euro account)	3	3
Deutsche Bank, Czech Republic (U.S. Dollar account)	8	2
Deutsche Bank, EEFC (Australian Dollar account)	1	2
Deutsche Bank, EEFC (Euro account)	36	34
Deutsche Bank, EEFC (Swiss Franc account)	2	2
Deutsche Bank, EEFC (U.S. Dollar account)	42	32
Deutsche Bank, EEFC (United Kingdom Pound Sterling account)	8	9
Deutsche Bank, France	6	19
Deutsche Bank, Germany	121	100
Deutsche Bank, Hong Kong	2	1
Deutsche Bank, India	30	44

Deutsche Bank, Malaysia	1	5
Deutsche Bank, Netherlands	12	15
Deutsche Bank, Philippines	6	25
Deutsche Bank, Philippines (U.S. Dollar account)	3	3
Deutsche Bank, Poland	7	18
Deutsche Bank, Poland (Euro account)	6	8
Deutsche Bank, Russia	3	3
Deutsche Bank, Russia (U.S. Dollar account)	4	5
Deutsche Bank, Singapore	14	17
Deutsche Bank, Spain	1	1
Deutsche Bank, Switzerland	21	29
Deutsche Bank, United Kingdom	54	79
Deutsche Bank, USA	20	2
HSBC Bank, (U.S. Dollar account)	2	-
HSBC Bank, Dubai	-	2
HSBC Bank, Hong Kong	2	2
HSBC Bank, United Kingdom	8	6
ICICI Bank, EEFC (Euro account)	5	1
ICICI Bank, EEFC (U.S. Dollar account)	51	40
ICICI Bank, EEFC (United Kingdom Pound Sterling account)	2	11
ICICI Bank, India	54	52
Nordbanken, Sweden	32	50
Punjab National Bank, India	76	12
Raiffeisen Bank, Czech Republic	1	5
Raiffeisen Bank, Romania	-	3
Royal Bank of Canada, Canada	195	166
Santander Bank, Argentina	-	1
Splitska Banka D.D., Société Générale Group, Croatia	9	8
State Bank of India, India	2	1
The Saudi British Bank, Saudi Arabia	3	3
Washington Trust	45	-
	1,976	**2,703**

(In ₹ crore)

Particulars	**As at**	
	June 30, 2018	**March 31, 2018**
Deposit accounts		
Axis Bank	100	-
Bank BGZ BNP Paribas S.A.	320	144
Barclays Bank	200	200
Canara Bank	85	84
Citibank	124	224
Deutsche Bank, AG	23	24
Deutsche Bank, Poland	66	211
HDFC Bank	523	2,498
ICICI Bank	3,304	3,497
IDBI Bank	-	250
IDFC Bank	1,750	1,500
IndusInd Bank	-	1,000
South Indian Bank	250	450
National Bank of Mexico,SA(CITI-Banamex)	64	-
Yes Bank	5	5
	6,814	**10,087**
Unpaid dividend accounts		
Axis Bank - Unpaid dividend account	1	1
HDFC Bank - Unpaid dividend account	1	1
ICICI Bank - Unpaid dividend account	20	20
	22	**22**
Margin money deposits against guarantees		
Canara Bank	148	151
Citibank	2	3
ICICI Bank	72	202
	222	**356**
Deposits with financial institutions		
HDFC Limited	6,272	5,450
LIC Housing Finance Limited	1,200	1,200
	7,472	**6,650**
Total cash and cash equivalents	**16,506**	**19,818**

2.9 OTHER ASSETS

(In ₹ crore)

Particulars	As at	
	June 30, 2018	**March 31, 2018**
Non Current		
Capital advances	419	421
Advances other than capital advances		
Prepaid gratuity (*refer note no. 2.20.1*)	32	43
Others		
Withholding taxes and others	1,011	1,428
Prepaid expenses	106	111
Deferred Contract Cost	258	262
Total non-current other assets	**1,826**	**2,265**
Current		
Advances other than capital advances		
Payment to vendors for supply of goods	104	119
Others		
Unbilled revenues #	3,040	-
Withholding taxes and others	1,374	1,032
Prepaid expenses	567	472
Deferred Contract Cost	44	44
Total current other assets	**5,129**	**1,667**
Total other assets	**6,955**	**3,932**

Deferred contract costs are upfront costs incurred for the contract and are amortized over the term of the contract. Withholding taxes and others primarily consist of input tax credits.

Classified as non financial asset as the contractual right to consideration is dependent on completion of contractual milestones.

2.10 FINANCIAL INSTRUMENTS

Accounting policy

2.10.1 Initial recognition

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

2.10.2 Subsequent measurement

a. Non-derivative financial instruments

(i) Financial assets carried at amortized cost

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

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

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

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

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

(iv) Financial liabilities

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

b. Derivative financial instruments

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

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

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

Although the Group believes that these derivatives constitute hedges from an economic perspective, they may not qualify for hedge accounting under Ind AS 109, Financial Instruments. Any derivative that is either not designated as hedge, or is so designated but is ineffective as per Ind AS 109, is categorized as a financial asset or financial liability, at fair value through profit or loss.

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

(ii) Cash flow hedge

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

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

c. Share capital and treasury shares

(i) Ordinary Shares

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

(ii) Treasury Shares

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

2.10.3 Derecognition of financial instruments

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition under Ind AS 109. A financial liability (or a part of a financial liability) is derecognized from the Group's Balance Sheet when the obligation specified in the contract is discharged or cancelled or expires.

2.10.4 Fair value of financial instruments

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

Refer to table 'Financial instruments by category' below for the disclosure on carrying value and fair value of financial assets and liabilities. For financial assets and liabilities maturing within one year from the Balance Sheet date and which are not carried at fair value, the carrying amounts approximates fair value due to the short maturity of those instruments.

2.10.5 Impairment

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

Financial instruments by category

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

(In ₹ crore)

Particulars	Amortized cost	Financial assets/ liabilities at fair value through profit or loss		Financial assets/liabilities at fair value through OCI		Total carrying value	Total fair value	
		Designated upon initial recognition	Mandatory	Equity instruments designated upon initial recognition	Mandatory			
Assets:								
Cash and cash equivalents (Refer Note no. 2.8)	16,506	-	-	-	-	16,506	16,506	
Investments (Refer Note no. 2.4)								
Equity and preference securities	-	-	-	154	-	154	154	
Tax-free bonds and government bonds	1,912	-	-	-	-	1,912	2,144	*
Liquid mutual fund units	-	-	1,535	-	-	1,535	1,535	
Non convertible debentures	-	-	-	-	3,552	3,552	3,552	
Certificates of deposit	-	-	-	-	4,539	4,539	4,539	
Commercial Paper	-	-	-	-	299	299	299	
Convertible promissory note	-	-	11	-	-	11	11	
Other investments	-	-	66	-	-	66	66	
Fixed maturity plan securities	-	-	431	-	-	431	431	
Trade receivables (Refer Note no. 2.7)	13,699	-	-	-	-	13,699	13,699	
Loans (Refer Note no. 2.5)	275	-	-	-	-	275	275	
Other financials assets (Refer Note no. 2.6)	4,373	-	13	-	23	4,409	4,317	**
Total	**36,765**	**-**	**2,056**	**154**	**8,413**	**47,388**	**47,528**	
Liabilities:								
Trade payables	798	-	-	-	-	798	798	
Other financial liabilities (Refer Note no. 2.12)	6,059	-	243	-	3	6,305	6,305	
Total	**6,857**	**-**	**243**	**-**	**3**	**7,103**	**7,103**	

** On account of fair value changes including interest accrued*

*** Excludes interest accrued on tax free bonds and government bonds*

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

(In ₹ crore)

	Amortised cost	Financial assets/ liabilities at fair value through profit or loss		Financial assets/liabilities at fair value through OCI		Total carrying value	Total fair value	
		Designated upon initial recognition	Mandatory	Equity instruments designated upon initial recognition	Mandatory			
Assets:								
Cash and cash equivalents (Refer Note no. 2.8)	19,818	-	-	-	-	19,818	19,818	
Investments (Refer Note no. 2.4)								
Equity and preference securities	-	-	-	138	-	138	138	
Tax-free bonds and government bonds	1,897	-	-	-	-	1,897	2,151	*
Liquid mutual fund units	-	-	81	-	-	81	81	
Non convertible debentures	-	-	-	-	3,978	3,978	3,978	
Certificates of deposit	-	-	-	-	5,269	5,269	5,269	
Commercial Paper	-	-	-	-	293	293	293	
Convertible promissory note	-	-	12	-	-	12	12	
Other investments	-	-	66	-	-	66	66	
Fixed maturity plan securities	-	-	429	-	-	429	429	
Trade receivables (Refer Note no. 2.7)	13,142	-	-	-	-	13,142	13,142	
Loans (Refer Note no. 2.5)	275	-	-	-	-	275	275	
Other financials assets (Refer Note no. 2.6)	6,952	-	4	-	12	6,968	6,884	**
Total	**42,084**	**-**	**592**	**138**	**9,552**	**52,366**	**52,536**	
Liabilities:								
Trade payables	694	-	-	-	-	694	694	
Other financial liabilities (Refer Note no. 2.12)	5,442	-	93	-	3	5,538	5,538	
Total	**6,136**	**-**	**93**	**-**	**3**	**6,232**	**6,232**	

** On account of fair value changes including interest accrued*

*** Excludes interest accrued on tax free bonds and government bonds*

Fair value hierarchy

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

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

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

The fair value hierarchy of assets and liabilities as at June 30, 2018 is as follows:

(In ₹ crore)

	As at June 30, 2018	Fair value measurement at end of the reporting period/year using		
		Level 1	Level 2	Level 3
Assets				
Investments in liquid mutual funds units (Refer Note no. 2.4)	1,535	1,535	-	-
Investments in tax-free bonds (Refer Note no. 2.4)	2,127	1,173	954	-
Investments in government bonds (Refer Note no. 2.4)	17	17	-	-
Investments in equity instruments (Refer Note no. 2.4)	22	-	-	22
Investments in preference securities (Refer Note no. 2.4)	132	-	-	132
Investments in non convertible debentures (Refer Note no. 2.4)	3,552	1,779	1,773	-
Investments in certificates of deposit (Refer Note no. 2.4)	4,539	-	4,539	-
Investments in commercial paper (Refer Note no. 2.4)	299	-	299	-
Investments in fixed maturity plan securities (Refer Note no. 2.4)	431	-	431	-
Investments in convertible promissory note (Refer Note no. 2.4)	11	-	-	11
Other investments (Refer Note no. 2.4)	66	-	-	66
Derivative financial instruments - gain on outstanding foreign currency forward and option contracts (Refer Note no. 2.6)	36	-	36	-
Liabilities				
Derivative financial instruments - loss on outstanding foreign currency forward and option contracts (Refer Note no. 2.12)	136	-	136	-
Liability towards contingent consideration (Refer note no. 2.12)[(1)(2)(3)]	110	-	-	110

[(1)] *Pertains to contingent consideration payable to selling shareholders of WongDoody and Brilliant Basics Holdings Limited as per the share purchase agreement*

[(2)] *Discounted ₹21 crore at 10% pertaining to Brilliant Basics*

[(3)] *Discounted ₹119 crore at 16% pertaining to WongDoody*

During the three months ended June 30, 2018, tax-free bonds and non-convertible debentures of ₹351 crore were transferred from Level 2 to Level 1 of fair value hierarchy, since these were valued based on quoted price and ₹1,711 crore were transferred from Level 1 to Level 2 of fair value hierarchy, since these were valued based on market observable inputs.

The fair value hierarchy of assets and liabilities as at March 31, 2018 was as follows:

(In ₹ crore)

	As at March 31, 2018	Fair value measurement at end of the reporting period/year using		
		Level 1	Level 2	Level 3
Assets				
Investments in liquid mutual funds units (Refer Note no. 2.4)	81	81	-	-
Investments in tax free bonds (Refer Note no. 2.4)	2,150	1,878	272	-
Investments in government bonds (Refer Note no. 2.4)	1	1	-	-
Investments in equity instruments (Refer Note no. 2.4)	22	-	-	22
Investments in preference securities (Refer Note no. 2.4)	116	-	-	116
Investments in non convertible debentures (Refer Note no. 2.4)	3,978	2,695	1,283	-
Investments in certificates of deposit (Refer Note no. 2.4)	5,269	-	5,269	-
Investments in commercial paper (Refer Note no. 2.4)	293	-	293	-
Investments in fixed maturity plan securities (Refer Note no. 2.4)	429	-	429	-
Investments in convertible promissory note (Refer Note no. 2.4)	12	-	-	12
Other investments (Refer Note no. 2.4)	66	-	-	66
Derivative financial instruments - gain on outstanding foreign currency forward and option contracts (Refer Note no. 2.6)	16	-	16	-
Liabilities				
Derivative financial instruments - loss on outstanding foreign currency forward and option contracts (Refer Note no. 2.12)	42	-	42	-
Liability towards contingent consideration (Refer note no. 2.12)[(1)(2)]	54	-	-	54

[(1)] *Pertains to contingent consideration payable to selling shareholders of Kallidus and Brilliant Basics Holdings Limited as per the share purchase agreement*

[(2)] *Discounted ₹21 crore at 10% pertaining to Brilliant Basics*

A one percentage point change in the unobservable inputs used in fair valuation of Level 3 assets and liabilities does not have a significant impact in its value.

Financial risk management

Financial risk factors

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

Market risk

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

The following table analyses the foreign currency risk from monetary assets and liabilities as at June 30, 2018:

(In ₹ crore)

Particulars	U.S. dollars	Euro	United Kingdom Pound Sterling	Australian dollars	Other currencies	Total
Cash and cash equivalents	766	215	117	227	1,087	2,412
Trade receivables	8,821	1,823	811	788	788	13,031
Other financial assets , loans and other current assets	3,358	821	343	196	488	5,206
Trade payables	(296)	(67)	(115)	(58)	(63)	(599)
Other financial liabilities	(3,029)	(448)	(226)	(284)	(522)	(4,509)
Net assets / (liabilities)	**9,620**	**2,344**	**930**	**869**	**1,778**	**15,541**

The following table analyses the foreign currency risk from monetary assets and liabilities as at March 31, 2018:

(In ₹ crore)

Particulars	U.S. dollars	Euro	United Kingdom Pound Sterling	Australian dollars	Other currencies	Total
Cash and cash equivalents	1,287	218	147	353	1,192	3,197
Trade receivables	8,317	1,751	845	788	781	12,482
Other financial assets (including loans)	2,636	663	330	173	470	4,272
Trade payables	(273)	(81)	(114)	(30)	(58)	(556)
Other financial liabilities	(2,289)	(417)	(215)	(273)	(596)	(3,790)
Net assets / (liabilities)	**9,678**	**2,134**	**993**	**1,011**	**1,789**	**15,605**

Sensitivity analysis between Indian rupee and U.S. Dollar

Particulars	Three months ended June 30,	
	2018	2017
Impact on the Group's incremental operating margins	0.48%	0.49%

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

Derivative financial instruments

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

The details in respect of outstanding foreign currency forward and option contracts are as follows:

Particulars	As at June 30, 2018		As at March 31, 2018	
	In million	In ₹ crore	In million	In ₹ crore
Derivatives designated as cash flow hedges				
Option Contracts				
In Australian dollars	150	758	60	300
In Euro	155	1,236	100	808
In United Kingdom Pound Sterling	30	270	20	184
Other derivatives				
Forward contracts				
In Australian dollars	79	398	5	25
In Canadian dollars	20	102	20	99
In Euro	161	1,285	91	735
In Japanese Yen	550	34	550	34
In New Zealand dollars	16	74	16	76
In Norwegian Krone	80	67	40	34
In Singapore dollars	10	50	5	25
In South African Rand	25	13	25	14
In Swedish Krona	50	38	50	40
In Swiss Franc	21	146	21	146
In U.S. dollars	834	5,715	623	4,061
In United Kingdom Pound Sterling	78	702	51	466
Option Contracts				
In Australian dollars	40	202	20	100
In Canadian dollars	13	69	-	-
In Euro	65	519	45	363
In Swiss Franc	10	68	5	33
In U.S. dollars	240	1,643	320	2,086
In United Kingdom Pound Sterling	-	-	25	231
Total forwards and options contracts		**13,389**		**9,860**

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

(In ₹ crore)

Particulars	As at	
	June 30, 2018	**March 31, 2018**
Not later than one month	3,680	2,828
Later than one month and not later than three months	6,361	4,568
Later than three months and not later than one year	3,348	2,464
Total	**13,389**	**9,860**

During the three months ended June 30, 2018 and June 30, 2017, the Group has designated certain foreign exchange forward and option contracts as cash flow hedges to mitigate the risk of foreign exchange exposure on highly probable forecast cash transactions. The related hedge transactions for balance in cash flow hedges as of June 30, 2018 are expected to occur and reclassified to the consolidated statement of profit and loss within 3 months.

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

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

The reconciliation of cash flow hedge reserve for the three months ended June 30, 2018 and June 30, 2017 is as follows:

(In ₹ crore)

Particulars	Three months ended	
	June 30, 2018	**June 30, 2017**
Gain/(loss)		
Balance at the beginning of the period	-	39
Gain / (Loss) recognised in other comprehensive income during the period	30	(41)
Amount reclassified to profit and loss during the period	(18)	(47)
Tax impact on above	(3)	22
Balance at the end of the period	**9**	**(27)**

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

The quantitative information about offsetting of derivative financial assets and derivative financial liabilities is as follows:

(In ₹ crore)

Particulars	As at		As at	
	June 30, 2018		**March 31, 2018**	
	Derivative financial asset	**Derivative financial liability**	**Derivative financial asset**	**Derivative financial liability**
Gross amount of recognized financial asset/liability	67	(167)	20	(46)
Amount set off	(31)	31	(4)	4
Net amount presented in Balance Sheet	**36**	**(136)**	**16**	**(42)**

Credit risk

Credit risk refers to the risk of default on its obligation by the counterparty resulting in a financial loss. The maximum exposure to the credit risk at the reporting date is primarily from trade receivables amounting to ₹13,699 crore and ₹13,142 crore as at June 30, 2018 and March 31, 2018, respectively and unbilled revenues amounting to ₹4,655 crore and ₹4,261 crore as at June 30, 2018 and March 31, 2018, respectively. Trade receivables and unbilled revenues are typically unsecured and are derived from revenue earned from customers primarily located in the United States. Credit risk has always been managed by the Group through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Group grants credit terms in the normal course of business. As per Ind AS 109, the Group uses expected credit loss model to assess the impairment loss or gain. The Group uses a provision matrix to compute the expected credit loss allowance for trade receivables and unbilled revenues. The provision matrix takes into account available external and internal credit risk factors such as credit default swap quotes, credit ratings from international credit rating agencies and the Group's historical experience for customers.

The details in respect of percentage of revenues generated from top customer and top ten customers are as follows:

(In %)

Particulars	Three months ended June 30,	
	2018	2017
Revenue from top customer	3.7	3.3
Revenue from top 10 customers	19.2	20.0

Credit risk exposure

The provision of lifetime ECL on customer balances for the three months ended June 30, 2018 was ₹69 crore and the reversal of provision on lifetime ECL for the three months ended June 30, 2017 was ₹4 crore.

The movement in credit loss allowance on customer balance is as follows:

(In ₹ crore)

Particulars	Three months ended June 30,	
	2018	2017
Balance at the beginning	449	411
Impairment loss recognized / (reversed)	69	-4
Write-offs	-	(3)
Translation differences	11	1
Balance at the end	**529**	**405**

Credit exposure

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

(In ₹crore)

	As at	
	June 30, 2018	March 31, 2018
Trade receivables	13,699	13,142
Unbilled revenues	4,655	4,261

Days sales outstanding was 66 days and 67 days as of June 30, 2018 and March 31, 2018, respectively

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

Liquidity risk

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

As at June 30, 2018, the Group had a working capital of ₹30,424 crore including cash and cash equivalents of ₹16,506 crore and current investments of ₹6,876 crore. As at March 31, 2018, the Group had a working capital of ₹34,176 crore including cash and cash equivalents of ₹19,818 crore and current investments of ₹6,407 crore.

As at June 30, 2018 and March 31, 2018, the outstanding compensated absences were ₹1,541 crore and ₹1,469 crore, respectively, which have been substantially funded. Accordingly no liquidity risk is perceived.

The details regarding the contractual maturities of significant financial liabilities as at June 30, 2018 are as follows:

(In ₹ crore)

Particulars	Less than 1 year	1-2 years	2-4 years	4-7 years	Total
Trade payables	798	-	-	-	798
Other financial liabilities (excluding liability towards acquisition) (Refer Note no. 2.12)	6,057	2	-	-	6,059
Liability towards acquisitions on an undiscounted basis (including contingent consideration) (Refer Note no. 2.12)	29	66	45	-	140

The details regarding the contractual maturities of significant financial liabilities as at March 31, 2018 were as follows:

(In ₹ crore)

Particulars	Less than 1 year	1-2 years	2-4 years	4-7 years	Total
Trade payables	694	-	-	-	694
Other financial liabilities (excluding liability towards acquisition) (Refer Note no. 2.12)	5,442	-	-	-	5,442
Liability towards acquisitions on an undiscounted basis (including contingent consideration) (Refer Note no. 2.12)	41	7	7	-	55

2.11 EQUITY

SHARE CAPITAL *(In ₹ crore, except as otherwise stated)*

Particulars	As at June 30, 2018	As at March 31, 2018
Authorized		
Equity shares, ₹5 par value		
2,40,00,00,000 (2,40,00,00,000) equity shares	1,200	1,200
Issued, Subscribed and Paid-Up		
Equity shares, ₹5 par value [(1)]	1,088	1,088
2,17,33,36,341 (2,17,33,12,301) equity shares fully paid-up[(2)]		
	1,088	**1,088**

Note: Forfeited shares amounted to ₹1,500 (₹1,500)

[(1)] *Refer note no. 2.21 for details of basic and diluted shares*

[(2)] *Net of treasury shares 1,07,90,750 (1,08,01,956)*

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 equity shares represented by American Depositary Shares (ADS) carry similar rights to voting and dividends as the other equity shares. Each ADS represents one underlying equity share.

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 in proportion to the number of equity shares held by the shareholders, after distribution of all preferential amounts. However, no such preferential amounts exist currently, other than the amounts held by irrevocable controlled trusts. For irrevocable controlled trusts, the corpus would be settled in favour of the beneficiaries.

In the period of five years immediately preceding June 30, 2018:

Bonus Issue

The Company has allotted 1,14,84,72,332 and 57,42,36,166 fully paid-up shares of face value ₹5/- each during the quarter ended June 30, 2015 and December 31, 2014, pursuant to bonus issue approved by the shareholders through postal ballot. For both the bonus issues, bonus share of one equity share for every equity share held, and a stock dividend of one ADS for every ADS held, respectively, has been allotted. Consequently, the ratio of equity shares underlying the ADSs held by an American Depositary Receipt holder remains unchanged. Options granted under the restricted stock unit plan (RSU) have been adjusted for bonus shares.

The Board in its meeting held on July 13, 2018 has considered, approved and recommended a bonus issue of one equity share for every equity share held and a stock dividend of one American Depositary Share (ADS) for every ADS held, as on a record date to be determined. Consequently, the ratio of equity shares underlying the ADSs held by an American Depositary Receipt holder would remain unchanged. The Board approved and recommended the issue to celebrate 25th year of public listing in India and to further increase the liquidity of its shares. The bonus issue of equity shares and ADSs will be subject to approval by the shareholders, and any other applicable statutory and regulatory approvals.

The bonus shares once allotted shall rank pari passu in all respects and carry the same rights as the existing equity shareholders and shall be entitled to participate in full, in any dividend and other corporate action, recommended and declared after the new equity shares are allotted.

Buyback

The Board, at its meeting on August 19, 2017, approved a proposal for the Company to buyback its fully paid-up equity shares of face value of ₹5 each from the eligible equity shareholders of the Company for an amount not exceeding ₹13,000 crore. The shareholders approved the said proposal of buyback of Equity Shares through the postal ballot that concluded on October 7, 2017. The Buyback offer comprised a purchase of 11,30,43,478 Equity Shares aggregating 4.92% of the paid-up equity share capital of the Company at a price of ₹1,150 per Equity share. The buyback was offered to all eligible equity shareholders (including those who became equity shareholders as on the Record date by cancelling American Depository Shares and withdrawing underlying Equity shares) of the Company as on the Record Date (i.e November 1, 2017) on a proportionate basis through the "Tender offer" route. The Company concluded the buyback procedures on December 27, 2017 and 11,30,43,478 equity shares were extinguished. The Company has utilized securities premium and general reserve for the buyback of its shares. In accordance with Section 69 of the Companies Act, 2013, the Company has created a Capital Redemption Reserve of ₹56 crore equal to the nominal value of the shares bought back as an appropriation from the general reserve during the year ended March 31, 2018.

The Company's objective when managing capital is to safeguard its ability to continue as a going concern and to maintain an optimal capital structure so as to maximize shareholder value. In order to maintain or achieve an optimal capital structure, the Company may adjust the amount of dividend payment, return capital to shareholders, issue new shares or buy back issued shares. As of June 30, 2018, the Company has only one class of equity shares and has no debt. Consequent to the above capital structure there are no externally imposed capital requirements.

Dividend

The final dividend on shares is recorded as a liability on the date of approval by the shareholders and interim dividends are recorded as a liability on the date of declaration by the Company's Board of Directors.

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

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

(in ₹)

Particulars	Three months ended June 30, 2018	Three months ended June 30, 2017
Final dividend for fiscal 2018	20.50	-
Special dividend for fiscal 2018	10.00	
Final dividend for fiscal 2017	-	14.75

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

The Board of Directors recommended a final dividend of ₹20.50/- per equity share for the financial year ended March 31, 2018 and a special dividend of ₹10/- per equity share and the same was approved by the Shareholders at the Annual General Meeting held on June 23, 2018. It results in a cash outflow of approximately ₹7,949 crore, (excluding dividend paid on treasury shares) including dividend distribution tax.

The details of shareholder holding more than 5% shares as at June 30, 2018 and March 31, 2018 are as follows :

Name of the shareholder	As at June 30, 2018		As at March 31, 2018	
	Number of shares	% held	Number of shares	% held
Deutsche Bank Trust Company Americas (Depository of ADR's - legal ownership)	37,27,88,693	17.07	37,99,05,859	17.39
Life Insurance Corporation of India	14,95,12,017	6.85	14,95,14,017	6.85

The reconciliation of the number of shares outstanding and the amount of share capital as at June 30, 2018 and March 31, 2018 are as follows:

(In ₹ crore, except as stated otherwise)

Particulars	As at June 30, 2018		As at March 31, 2018	
	Number of shares	Amount	Number of shares	Amount
At the beginning of the period	217,33,12,301	1,088	228,56,55,150	1,144
Add: Shares issued on exercise of employee stock options	24,040	-	7,00,629	-
Less: Shares bought back	-	-	113,043,478	56
At the end of the period	**217,33,36,341**	**1,088**	**217,33,12,301**	**1,088**

Employee Stock Option Plan (ESOP):

Accounting policy

The Group recognizes compensation expense relating to share-based payments in net profit using fair value in accordance with Ind AS 102, Share-Based Payment. The estimated fair value of awards is charged to income on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was in-substance, multiple awards with a corresponding increase to share options outstanding account.

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

On March 31, 2016, pursuant to the approval by the shareholders through postal ballot, the Board has been authorized to introduce, offer, issue and allot share-based incentives to eligible employees of the Company and its subsidiaries under the 2015 Stock Incentive Compensation Plan (the 2015 Plan). The maximum number of shares under the 2015 plan shall not exceed 2,40,38,883 equity shares (this includes 1,12,23,576 equity shares which are held by the trust towards the 2011 Plan as at March 31, 2016). Out of this 1,70,38,883 equity shares will be issued as RSUs at par value and 70,00,000 equity shares will be issued as stock options at market price on the date of the grant. These instruments will vest over a period of 4 years and the Company expects to grant the instruments under the 2015 Plan over the period of 4 to 7 years.

Controlled trust holds 1,07,90,750 and 1,08,01,956 shares as at June 30, 2018 and March 31, 2018, respectively under the 2015 plan, out of which 1,00,000 equity shares have been earmarked for welfare activities of the employees.

The following is the summary of grants during the three months ended June 30, 2018 and June 30, 2017 under the 2015 Plan:

Particulars	Three months ended	
	June 30, 2018	June 30, 2017
RSU		
Salil Parekh, CEO and MD - *Refer note 1 below*	108,600	-
U.B. Pravin Rao, COO	-	27,250
Dr. Vishal Sikka*	-	270,224
Employees other than KMP	-	37,090
	108,600	**334,564**
ESOP		
U.B. Pravin Rao, COO	-	43,000
Dr. Vishal Sikka*	-	330,525
Employees other than KMP	-	73,600
	-	**447,125**
Total grants	**108,600**	**781,689**

** Upon Dr. Vishal Sikka's resignation from the roles of the company, the unvested RSUs and ESOPs have been forfeited*

1. Stock incentives granted to Salil Parekh, CEO and MD

Pursuant to the approval of the shareholders through a postal ballot on February 20, 2018, Salil Parekh (CEO & MD) is eligible to receive under the 2015 Plan:

a) an annual grant of RSUs of fair value ₹3.25 crore which will vest over time in 3 equal annual installments upon completion of each year of service from the respective grant date

b) a one-time grant of RSUs of fair value ₹9.75 crore which will vest over time in 2 equal annual installments upon completion of each year of service from the grant date and

c) annual grant of performance based RSUs of fair value ₹13 crore which will vest after completion of three years the first of which concludes on March 31, 2021, subject to achievement of performance targets set by the Board or its committee.

The Board based on the recommendations of the Nomination and Remuneration committee approved on February 27, 2018, the annual time based grant for fiscal 2018 of 28,256 RSUs and the one-time time based grant of 84,768 RSUs. The grants were made effective February 27, 2018.

Further, the Board, based on the recommendations of the Nomination and Remuneration Committee, granted 108,600 performance based RSUs to Salil Parekh with an effective date of May 2, 2018. The grants would vest upon successful completion of three full fiscal years with the Company concluding on March 31, 2021 and will be determined based on achievement of certain performance targets for the said three-year period.

Though the annual time based grants for the remaining employment term ending on March 31, 2023 have not been granted as of June 30, 2018, since the service commencement date precedes the grant date, the company has recorded employment stock compensation expense in accordance with Ind AS 102, Share based payments.

The RSUs and stock options would vest generally over a period of 4 years and shall be exercisable within the period as approved by the Committee. The exercise price of the RSUs will be equal to the par value of the shares and the exercise price of the stock options would be the market price as on the date of grant.

As at June 30, 2018 and March 31, 2018, 96,538 and 1,11,757 incentive units were outstanding (net of forfeitures).

Break-up of employee stock compensation expense:

(in ₹ crore)

Particulars	**Three months ended June 30,**	
	2018	**2017**
Granted to:		
KMP	9	12
Employees other than KMP	35	34
Total [(1)]	**44**	**46**

[(1)] Cash-settled stock compensation expense included above is ₹1 crore in each of the three months ended June 30, 2018 and June 30, 2017, respectively.

The carrying value of liability towards cash settled share based payments was ₹8 crore and ₹6 crore as at June 30, 2018 and March 31, 2018 respectively.

The activity in the 2015 Plan (formerly 2011 RSU Plan) for equity-settled share based payment transactions during the three months ended June 30, 2018 and June 30, 2017 is as follows:

Particulars	**Three months ended June 30, 2018**		**Three months ended June 30, 2017**	
	Shares arising out of options	**Weighted average exercise price (₹)**	**Shares arising out of options**	**Weighted average exercise price (₹)**
2015 Plan: RSU				
Outstanding at the beginning	3,750,409	5	2,961,373	5
Granted	108,600	5	334,564	5
Exercised	23,078	5	24,812	5
Forfeited and expired	55,453	5	45,120	5
Outstanding at the end	**3,780,478**	**5**	**3,226,005**	**5**
Exercisable at the end	9,062	5	-	-
2015 Plan: Employee Stock Options (ESOPs)				
Outstanding at the beginning	966,913	986	1,197,650	998
Granted	-	-	447,125	919
Exercised	962	998	-	-
Forfeited and expired	9,600	1,030	-	-
Outstanding at the end	**956,351**	**1,025**	**1,644,775**	**987**
Exercisable at the end	206,100	1,020	-	-

During the three months ended June 30, 2018, and June 30, 2017, the weighted average share price of options exercised under the 2015 Plan on the date of exercise was ₹1,174 and ₹943, respectively

The summary of information about equity settled RSUs and ESOPs outstanding as at June 30, 2018 is as follows:

Range of exercise prices per share (₹)	**Options outstanding**		
	No. of shares arising out of options	**Weighted average remaining contractual life**	**Weighted average exercise price (₹)**
2015 Plan:			
0 - 5 (RSU)	3,780,478	1.68	5
900 - 1100 (ESOP)	956,351	5.95	1,025
	4,736,829	**2.54**	**211**

The summary of information about equity settled RSUs and ESOPs outstanding as at March 31, 2018 was as follows:

Range of exercise prices per share (₹)	Options outstanding		
	No. of shares arising out of options	Weighted average remaining contractual life	Weighted average exercise price (₹)
2015 Plan:			
0 - 5 (RSU)	3,750,409	1.89	5
900 - 1100 (ESOP)	966,913	6.60	993
	4,717,322	**2.57**	**207**

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

Particulars	For options granted in
	Fiscal 2019-Equity Shares-RSU
Weighted average share price (₹) / ($- ADS)	1,197
Exercise price (₹)/ ($- ADS)	5
Expected volatility (%)	24
Expected life of the option (years)	3
Expected dividends (%)	2.82
Risk-free interest rate (%)	7
Weighted average fair value as on grant date (₹) / ($- ADS)	1,096

Particulars	For options granted in			
	Fiscal 2018-Equity Shares-RSU	Fiscal 2018-Equity shares ESOP	Fiscal 2018-ADS-RSU	Fiscal 2018-ADS- ESOP
Weighted average share price (₹) / ($- ADS)	1,144	923	16.61	14.65
Exercise price (₹)/ ($- ADS)	5	919	0.08	14.67
Expected volatility (%)	20-25	25-28	21-26	25-31
Expected life of the option (years)	1 - 4	3 - 7	1 - 4	3 - 7
Expected dividends (%)	2.78	2.78	2.74	2.74
Risk-free interest rate (%)	6 - 7	6 - 7	1 - 2	1 - 2
Weighted average fair value as on grant date (₹) / ($- ADS)	1,066	254	15.47	2.93

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

2.12 OTHER FINANCIAL LIABILITIES

(In ₹ crore)

Particulars	As at June 30, 2018	As at March 31, 2018
Non-current		
Others		
Accrued compensation to employees [1]	2	-
Compensated absences	43	48
Payable for acquisition of business (refer note no. 2.1) [2]		
Contingent consideration	83	13
Total non-current other financial liabilities	**128**	**61**
Current		
Unpaid dividends [1]	22	22
Others		
Accrued compensation to employees [1]	2,634	2,509
Accrued expenses [1]	2,902	2,452
Retention monies [1]	109	132
Payable for acquisition of business		
Contingent consideration (refer note no. 2.1) [2]	27	41
Payable by controlled trusts [1]	176	139
Compensated absences	1,498	1,421
Foreign currency forward and options contracts [2][3]	136	42
Capital creditors [1]	99	155
Other payables [1]	115	33
Total current other financial liabilities	**7,718**	**6,946**
Total other financial liabilities	**7,846**	**7,007**
[1] Financial liability carried at amortized cost	6,059	5,442
[2] Financial liability carried at fair value through profit or loss	243	93
[3] Financial liability carried at fair value through other comprehensive income	3	3
Contingent consideration on undiscounted basis	140	55

2.13 OTHER LIABILITIES

(In ₹ crore)

Particulars	As at June 30, 2018	As at March 31, 2018
Non-current		
Others		
Deferred income - government grant on land use rights	44	44
Accrued gratuity (refer note no. 2.20.1)	28	28
Deferred rent	143	151
Deferred income	35	36
Total non-current other liabilities	**250**	**259**
Current		
Unearned revenue	2,327	2,295
Client deposit	187	38
Others		
Withholding taxes and others	1,255	1,240
Tax on dividend	1,320	-
Deferred rent	28	32
Deferred income - government grant on land use rights	1	1
Total current other liabilities	**5,118**	**3,606**
Total other liabilities	**5,368**	**3,865**

2.14 PROVISIONS

Accounting policy

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that is reasonably estimable, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

a. Post sales client support

The Group provides its clients with a fixed-period post sales support for corrections of errors and support on all its fixed-price, fixed-timeframe contracts. Costs associated with such support services are accrued at the time related revenues are recorded and included in Consolidated Statement of Profit and Loss. The Group estimates such costs based on historical experience and estimates are reviewed on a periodic basis for any material changes in assumptions and likelihood of occurrence.

b. 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 the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established the Group recognizes any impairment loss on the assets associated with that contract.

Provision for post-sales client support and others *(In ₹ crore)*

Particulars	**As at**	
	June 30, 2018	**March 31, 2018**
Current		
Others		
Post-sales client support and others	523	492
Total provisions	**523**	**492**

The movement in the provision for post-sales client support and others is as follows : *(In ₹ crore)*

Particulars	**Three months ended**
	June 30, 2018
Balance at the beginning	492
Provision recognized	47
Provision utilized	(41)
Exchange difference	25
Balance at the end	**523**

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

2.15 INCOME TAXES

Accounting policy

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

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

Income tax expense in the consolidated Statement of Profit and Loss comprises:

(In ₹ crore)

Particulars	Three months ended June 30,	
	2018	2017
Current taxes	1,450	1,499
Deferred taxes	(69)	(128)
Income tax expense	**1,381**	**1,371**

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

In accordance with the APA, the company had reversed income tax expense provision of $225 million (₹1,432 crore) which pertained to previous periods which are no longer required. The Company had to pay an amount of approximately ₹1,488 crore due to the difference between the taxes payable for prior periods as per the APA and the actual taxes paid for such periods. The company has paid ₹912 crore till June 30, 2018.

Further, the "Tax Cuts and Jobs Act (H.R. 1)" was signed into law on December 22, 2017 ("US Tax Reforms"). The US tax reforms has reduced federal tax rates from 35% to 21% effective January 1, 2018 amongst other measures.

Income tax expense for the three months ended June 30, 2018 and June 30, 2017 includes reversal (net of provisions) of ₹59 crore and ₹15 crore, respectively, pertaining to prior periods on account of adjudication of certain disputed matters in favor of the Company across various jurisdictions.

During the three months ended June 30, 2018 and June 30, 2017, a current tax charge of ₹1 crore and current tax credit ₹1 crore respectively have been recorded in other comprehensive income pertaining to remeasurement of defined benefit plan asset.

During the three months ended June 30, 2018, a deferred tax charge of ₹3 crore and a deferred tax credit of ₹10 crore has been recorded in other comprehensive income pertaining to unrealized gains on derivatives designated as cash flow hedges and unrealized gain on investment in non-convertible debentures, certificates of deposit and equity & preference securities.

During the three months ended June 30, 2017, a deferred tax credit of ₹22 crore and a deferred tax charge of ₹2 crore has been recorded in other comprehensive income pertaining to unrealized gains on derivatives designated as cashflow hedges and unrealized gain on investment in quoted debt securities.

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

(In ₹ crore)

Particulars	Three months ended June 30,	
	2018	2017
Profit before income taxes	4,993	4,854
Enacted tax rates in India	34.94%	34.61%
Computed expected tax expense	1,745	1,680
Tax effect due to non-taxable income for Indian tax purposes	(609)	(597)
Overseas taxes	202	223
Tax provision (reversals)	(59)	(15)
Effect of exempt non-operating income	(25)	(17)
Effect of unrecognized deferred tax assets	38	72
Effect of differential overseas tax rates	(12)	9
Effect of non-deductible expenses	126	33
Branch profit tax (net of credits)	(29)	-
Others	4	(17)
Income tax expense	**1,381**	**1,371**

The foreign tax expense is due to income taxes payable overseas, principally in the United States. In India, the Company has benefited from certain income tax incentives that the Government of India had provided for export of software from the units registered under the Special Economic Zones Act (SEZs), 2005. SEZ units which began the provision of services on or after April 1, 2005 are eligible for a deduction of 100% of profits or gains derived from the export of services for the first five years from the financial year in which the unit commenced the provision of services and 50% of such profits or gains for further five years. Up to 50% of such profits or gains is also available for a further five years subject to creation of a Special Economic Zone re-investment Reserve out of the profit for the eligible SEZ units and utilization of such reserve by the Company for acquiring new plant and machinery for the purpose of its business as per the provisions of the Income Tax Act, 1961.
Entire deferred income tax for the three months ended June 30, 2018 and June 30, 2017, relates to origination and reversal of temporary differences.

Infosys is subject to a 15% BPT in the U.S. to the extent its U.S. branch's net profit during the year is greater than the increase in the net assets of the U.S. branch during the year, computed in accordance with the Internal Revenue Code. As at March 31, 2018, Infosys' U.S. branch net assets amounted to approximately ₹5,030 crore. As at June 30, 2018, the Company has a deferred tax liability for branch profit tax of ₹144 crore (net of credits), as the Company estimates that these branch profits are expected to be distributed in the foreseeable future.

Deferred income tax liabilities have not been recognized on temporary differences amounting to ₹5,158 crore and ₹5,045 crore as at June 30, 2018 and March 31, 2018, respectively, associated with investments in subsidiaries and branches as it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets have not been recognized on accumulated losses of ₹1,906 crore and ₹1,936 crore as of June 30, 2018 and March 31, 2018, respectively, as it is probable that future taxable profit will be not available against which the unused tax losses can be utilized in the foreseeable future. The balances as of June 30, 2018 and March 31, 2018 excludes the accumulated losses of Disposal Groups classified as held for sale. (Refer note 2.9)

The following table provides details of expiration of unused tax losses:

(In ₹ crore)

Year	**As at**
	June 30, 2018
2019	91
2020	240
2021	81
2022	140
2023	200
Thereafter	1,154
Total	**1,906**

The following table provides the details of income tax assets and income tax liabilities as at June 30, 2018 and March 31, 2018:

(In ₹ crore)

Particulars	**As at**	
	June 30, 2018	**March 31, 2018**
Income tax assets	6,056	6,070
Current income tax liabilities	2,032	2,043
Net current income tax asset/ (liability) at the end	**4,024**	**4,027**

The gross movement in the current income tax asset/ (liability) for the three months ended June 30, 2018 and June 30, 2017 is as follows:

(In ₹ crore)

Particulars	**Three months ended June 30,**	
	2018	**2017**
Net current income tax asset/ (liability) at the beginning	4,027	1,831
Translation differences	(2)	(1)
Income tax paid	1,428	1,205
Current income tax expense	(1,450)	(1,499)
Income tax on other comprehensive income	(1)	1
Reclassified under assets held for sale (refer note no 2.1.2)	22	-
Net current income tax asset/ (liability) at the end	**4,024**	**1,537**

The movement in gross deferred income tax assets and liabilities (before set off) for the three months ended June 30, 2018 is as follows:

(In ₹ crore)

Particulars	Carrying value as of April 1, 2018	Changes through profit and loss	Changes through OCI	Reclassified as Held for Sale	Translation difference	Carrying value as of June 30, 2018
Deferred income tax assets						
Property, plant and equipment	215	4	-	-	-	219
Accrued compensation to employees	12	10	-	(3)	1	20
Trade receivables	141	6	-	-	-	147
Compensated absences	366	5	-	-	(1)	370
Post sales client support	98	2	-	-	-	100
Derivative financial instruments	13	8	-	-	-	21
Intangibles	9	-	-	-	1	10
Credits related to branch profits	341	(33)	-	-	17	325
Others	117	9	11	(5)	(9)	123
Total Deferred income tax assets	**1,312**	**11**	**11**	**(8)**	**9**	**1,335**
Deferred income tax liabilities						
Intangible assets	(38)	-	-	-	(1)	(39)
Branch profit tax	(505)	62	-	-	(26)	(469)
Derivative financial instruments	(2)	(1)	-	-	-	(3)
Others	(26)	(3)	(4)	(1)	5	(29)
Total Deferred income tax liabilities	**(571)**	**58**	**(4)**	**(1)**	**(22)**	**(540)**

The movement in gross deferred income tax assets and liabilities (before set off) for the three months ended June 30, 2017 is as follows:

(In ₹ crore)

Particulars	Carrying value as of April 1, 2017	Changes through profit and loss	Changes through OCI	Reclassified as Held for Sale	Translation difference	Carrying value as of June 30, 2017
Deferred income tax assets						
Property, plant and equipment	138	9	-	-	-	147
Computer software	40	1	-	-	-	41
Accrued compensation to employees	57	21	-	-	-2	76
Trade receivables	136	-4	-	-	-	132
Compensated absences	374	11	-	-	3	388
Post sales client support	97	-3	-	-	-	94
Intangibles	22	1	-	-	1	24
Others	143	-5	9	-	-1	146
Total Deferred income tax assets	**1,007**	**31**	**9**	**-**	**1**	**1,048**
Deferred income tax liabilities						
Intangible assets	(206)	12	-	-	-2	(196)
Branch profit tax	(327)	-	-	-	1	(326)
Others	(141)	85	11	-	1	(44)
Total Deferred income tax liabilities	**(674)**	**97**	**11**	**-**	**-**	**(566)**

The tax effects of significant temporary differences that resulted in deferred income tax assets and liabilities are as follows:

(In ₹ crore)

Particulars	As at	
	June 30, 2018	March 31, 2018
Deferred income tax assets after set off	1,300	1,282
Deferred income tax liabilities after set off	(505)	(541)

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.

In assessing the reliability of deferred income tax assets, the management considers whether some portion or all of the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. The management considers the scheduled reversals of deferred income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based on the level of historical taxable income and projections for future taxable income over the periods in which the deferred income tax assets are deductible, management believes that the Group will realize the benefits of those deductible differences. The amount of the deferred income tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carry forward period are reduced.

2.16 REVENUE FROM OPERATIONS

Accounting policy

The company derives revenues primarily from business IT services comprising of software development and related services, consulting and package implementation and from the licensing of software products and platforms across our core and digital offerings ("together called as software related services").

Effective April 1, 2018, the Company adopted Ind AS 115 "Revenue from Contracts with Customers" using the cumulative catch-up transition method, applied to contracts that were not completed as of April 1, 2018. In accordance with the cumulative catch-up transition method , the comparitives have not been retrospectively adjusted. The following is a summary of new and/or revised significant accounting policies related to revenue recognition. Refer Note 1 "Significant Accounting Policies," in the Company's 2018 Annual Report for the policies in effect for revenue prior to April 1, 2018. The effect on adoption of Ind AS 115 was insignificant.

Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration we expect to receive in exchange for those products or services.

Arrangements with customers for software related services are either on a fixed-price, fixed-timeframe or on a time-and-material basis.

Revenue on time-and-material contracts are recognized as the related services are performed and revenue from the end of the last invoicing to the reporting date is recognized as unbilled revenue. Revenue from fixed-price, fixed-timeframe contracts, where the performance obligations are satisfied over time and where there is no uncertainty as to measurement or collectability of consideration, is recognized as per the percentage-of-completion method. When there is uncertainty as to measurement or ultimate collectability, revenue recognition is postponed until such uncertainty is resolved. Efforts or costs expended have been used to measure progress towards completion as there is a direct relationship between input and productivity.Maintenance revenue is recognized ratably over the term of the underlying maintenance arrangement.

Revenues in excess of invoicing are classified as contract assets (which we refer as unbilled revenue) while invoicing in excess of revenues are classified as contract liabilities (which we refer to as unearned revenues).

In arrangements for software development and related services and maintenance services, the company has applied the guidance in Ind AS 115, Revenue from contract with customer, by applying the revenue recognition criteria for each distinct performance obligation. The arrangements with customers generally meet the criteria for considering software development and related services as distinct performance obligations. For allocating the transaction price, the company has measured the revenue in respect of each performance obligation of a contract at its relative standalone selling price. The price that is regularly charged for an item when sold separately is the best evidence of its standalone selling price. In cases where the company is unable to determine the standalone selling price, the company uses the expected cost plus margin approach in estimating the standalone selling price. For software development and related services, the performance obligations are satisfied as and when the services are rendered since the customer generally obtains control of the work as it progresses.

Revenue from licenses where the customer obtains a "right to use" the licenses is recognized at the time the license is made available to the customer. Revenue from licenses where the customer obtains a "right to access" is recognized over the access period. Arrangements to deliver software products generally have three elements: license, implementation and Annual Technical Services (ATS). The company has applied the principles under Ind AS 115 to account for revenues from these performance obligations. When implementation services are provided in conjunction with the licensing arrangement and the license and implementation have been identified as two separate performance obligations, the transaction price for such contracts are allocated to each performance obligation of the contract based on their relative standalone selling prices. In the absence of standalone selling price for implementation, the performance obligation is estimated using the expected cost plus margin approach. Where the license is required to be substantially customized as part of the implementation service the entire arrangement fee for license and implementation is considered to be a single performance obligation and the revenue is recognized using the percentage-of-completion method as the implementation is performed. Revenue from client training, support and other services arising due to the sale of software products is recognized as the performance obligations are satisfied. ATS revenue is recognized ratably over the period in which the services are rendered.

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

Deferred contract costs are incremental costs of obtaining a contract which are recognied as assets and amortized over the term of the contract.

Contract modifications are accounted for when additions, deletions or changes are approved either to the contract scope or contract price. The accounting for modifications of contracts involves assessing whether the services added to an existing contract are distinct and whether the pricing is at the standalone selling price. Services added that are not distinct are accounted for on a cumulative catch up basis, while those that are distinct are accounted for prospectively, either as a separate contract, if the additional services are priced at the standalone selling price, or as a termination of the existing contract and creation of a new contract if not priced at the standalone selling price.

The Group presents revenues net of indirect taxes in its statement of Profit and loss.

Revenues for the three months ended June 30, 2018 and June 30, 2017 are as follows:

(In ₹ crore)

Particulars	**Three months ended June 30,**	
	2018	**2017**
Revenue from software services	18,203	16,161
Revenue from products and platforms	925	917
Total revenue from operations	**19,128**	**17,078**

Disaggregate revenue information

The table below presents disaggregated revenues from contracts with customers for the three months ended June 30, 2018 by geography, offerings and contract-type for each of our business segments. The Company believes that this disaggregation best depicts how the nature, amount, timing and uncertainty of our revenues and cash flows are affected by industry, market and other economic factors.

(In ₹ crore)

Particulars	Financial Services [1]	Retail[2]	Communication [3]	Energy , Utilities, Resources and Services	Manufacturing	Hi Tech	Life Sciences[4]	Others [5]	Total
Revenues by Geography									
North America	3,664	2,072	1,195	1,369	982	1,370	742	81	11,475
Europe	1,162	892	482	793	791	17	486	34	4,657
India	276	7	12	1	21	35	2	142	496
Rest of the world	973	198	740	211	43	-	30	305	2,500
Total	**6,075**	**3,169**	**2,429**	**2,374**	**1,837**	**1,422**	**1,260**	**562**	**19,128**
Revenue by offerings									
Services									
Digital	1,598	925	715	628	451	454	261	61	5,093
Core	3,874	2,159	1,677	1,697	1,326	963	929	485	13,110
Subtotal	***5,472***	***3,084***	***2,392***	***2,325***	***1,777***	***1,417***	***1,190***	***546***	***18,203***
Products and platforms									
Digital	116	72	35	13	39	4	42	10	331
Core	487	13	2	36	21	1	28	6	594
Subtotal	***603***	***85***	***37***	***49***	***60***	***5***	***70***	***16***	***925***
Total	**6,075**	**3,169**	**2,429**	**2,374**	**1,837**	**1,422**	**1,260**	**562**	**19,128**
Digital	**1,714**	**997**	**750**	**641**	**490**	**458**	**303**	**71**	**5,424**
Core	**4,361**	**2,172**	**1,679**	**1,733**	**1,347**	**964**	**957**	**491**	**13,704**
Revenues by contract type									
Fixed Price	2,590	1,997	1,350	1,430	920	769	580	266	9,902
Time & Materials	3,485	1,172	1,079	944	917	653	680	296	9,226
Total	**6,075**	**3,169**	**2,429**	**2,374**	**1,837**	**1,422**	**1,260**	**562**	**19,128**

[1] *Financial Services include enterprises in Financial Services and Insurance*
[2] *Retail includes enterprises in Retail, Consumer Packaged Goods and Logistics*
[3] *Communication includes enterprises in Communication, Telecom OEM and Media*
[4] *Life Sciences includes enterprises in Life sciences and Health care*
[5] *Others include operating segments of businesses in India, Japan, China, Infosys Public Services & other enterprises in Public Services*

Digital Services

Digital Services comprise of service and solution offerings of the company that enable our clients to transform their businesses. These include offerings that enhance customer experience, leverage AI-based analytics and big data, engineer digital products and IoT, modernize legacy technology systems, migrate to cloud applications and implement advanced cyber security systems.

Core Services

Core Services comprise traditional offerings of the company that have scaled and industrialized over a number of years. These primarily include application management services, proprietary application development services, independent validation solutions, product engineering and management, infrastructure management services, traditional enterprise application implementation, support and integration services.

Products & platforms

The Group also derives revenues from the sale of products and platforms including Finacle – core banking solution, Edge Suite of products, Infosys Nia - Artificial Intelligence (AI) platform which applies next-generation AI and machine learning and Infosys McCamish- insurance platform

Trade Receivables and Contract Balances

The company classifies the right to consideration in exchange for deliverables as either a receivable or as unbilled revenue.

A receivable is a right to consideration that is unconditional upon passage of time. Revenue for time and material contracts are recognised as related service are performed. Revenue for fixed price maintenance contracts is recognized on a straight line basis over the period of the contract. Revenues in excess of billings is recorded as unbilled revenue and is classified as a financial asset for these cases as right to consideration is unconditional upon passage of time .

Revenue recognition for fixed price development contracts is based on percentage of completion method. Invoicing to the clients is based on milestones as defined in the contract. This would result in the timing of revenue recognition being different from the timing of billing the customers. Unbilled revenue for fixed price development contracts is classifed as non financial asset as the contractual right to consideration is dependent on completion of contractual milestones.

Invoicing in excess of earnings are classified as unearned revenue.

Trade receivable and unbilled revenues are presented net of impairment in the consolidated statements of financial position.

The following table discloses the movement in unbilled revenue on fixed price development contracts during the three months ended June 30, 2018

(In ₹ crore)

Particulars	For the three months ended June 30, 2018
Balance as of April 1, 2018	**2,798**
Add : Revenue recognized during the period	1,891
Less : Invoiced during the period	1,807
Less : Impairment / (reversal) during the period	(8)
Add : Translation gain/(Loss)	150
Balance as of June 30, 2018	**3,040**

The following table discloses the movement in unearned revenue balances during the three months ended June 30, 2018

(In ₹ crore)

Particulars	For the three months ended June 30, 2018
Balance as of April 1, 2018	**2,295**
Less: Revenue recognized during the period	997
Add: Invoiced during the period but not recognized as revenues	914
Add: Translation loss / (gain)	115
Balance as of June 30, 2018	**2,327**

Performance obligations and remaining performance obligations

The remaining performance obligation disclosure provides the aggregate amount of the transaction price yet to be recognized as of the end of the reporting period and an explanation as to when the company expects to recognize these amounts in revenue. Applying the practical expedient as given in Ind AS 115, the company has not disclosed the remaining performance obligation related disclosures for contracts where the revenue recognized corresponds directly with the value to the customer of the entity's performance completed to date, typically those contracts where invoicing is on time and material basis. Remaining performance obligation estimates are subject to change and are affected by several factors, including terminations, changes in the scope of contracts, periodic revalidations, adjustment for revenue that has not materialized and adjustments for currency.

The aggregate value of performance obligations that are completely or partially unsatisfied as of June 30, 2018, other than those meeting the exclusion criteria mentioned above, is ₹40,936 crore. Out of this, the company expects to recognize revenue of around 50% within the next one year and the remaining thereafter. This includes contracts that can be terminated for convenience without a substantive penalty since, based on current assessment, the occurrence of the same is expected to be remote.

The impact on account of applying the erstwhile Ind AS 18 Revenue standard instead of Ind AS 115 Revenue from contract with customers on the financials results of the company for the three months ended and as of June 30, 2018 is insignificant. On account of adoption of Ind AS 115, unbilled revenues of ₹3,040 crore as of June 30, 2018 has been considered as a non financial asset.

2.17 OTHER INCOME, NET

Accounting policy

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

Foreign currency

Accounting policy

Functional currency

The functional currency of Infosys, Infosys BPM, controlled trusts, EdgeVerve and Skava is the Indian rupee. The functional currencies for other subsidiaries are their respective local currencies. These financial statements are presented in Indian rupees (rounded off to crore; one crore equals ten million).

Transactions and translations

Foreign-currency denominated monetary assets and liabilities are translated into the relevant functional currency at exchange rates in effect at the Balance Sheet date. The gains or losses resulting from such translations are included in net profit in the Consolidated 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.

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

The translation of financial statements of the foreign subsidiaries to the presentation currency is performed for assets and liabilities using the exchange rate in effect at the Balance Sheet date and for revenue, expense and cash-flow items using the average exchange rate for the respective periods. The gains or losses resulting from such translation are included in currency translation reserves under other components of equity. When a subsidiary is disposed off, in full, the relevant amount is transferred to net profit in the Consolidated Statement of Profit and Loss. However when a change in the parent's ownership does not result in loss of control of a subsidiary, such changes are recorded through equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rate in effect at the Balance Sheet date.

During the three months ended June 30, 2018, the company has adopted Appendix B to Ind AS 21- Foreign Currency Transactions and Advance Consideration which clarifies the date of transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income when an entity has received or paid advance consideration in a foreign currency. The effect on account of adoption of this amendment was insignificant.

Government grant

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 assets are treated as deferred income and are recognized in net profit 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 net profit 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.

Other income for the three months ended June 30, 2018 and June 30, 2017 is as follows:

(In ₹ crore)

Particulars	Three months ended June 30,	
	2018	**2017**
Interest income on financial assets carried at amortized cost:		
Tax free bonds and government bonds	36	36
Deposit with Bank and others	347	391
Interest income on financial assets carried at fair value through other comprehensive income:		
Non-convertible debentures, certificates of deposit and commercial paper	167	203
Income on investments carried at fair value through profit or loss		
Dividend income on liquid mutual fund units	-	1
Gain / (loss) on liquid mutual fund units	32	69
Exchange gains/ (losses) on foreign currency forward and options contracts	(185)	21
Exchange gains/ (losses) on translation of assets and liabilities	225	51
Miscellaneous Income, net	104	42
Total other income	**726**	**814**

2.18 EXPENSES

(In ₹ crore)

Particulars	Three months ended June 30,	
	2018	**2017**
Employee benefit expenses		
Salaries including bonus	10,133	9,074
Contribution to provident and other funds	226	201
Share based payments to employees *(Refer note no. 2.11)*	44	46
Staff welfare	59	45
	10,462	**9,366**
Cost of software packages and others		
For own use	212	219
Third party items bought for service delivery to clients	333	221
	545	**440**
Other expenses		
Repairs and maintenance	272	295
Power and fuel	60	49
Brand and marketing	96	93
Operating lease payments (refer to note 2.19)	126	129
Rates and taxes	36	49
Consumables	10	8
Insurance	17	15
Provision for post-sales client support	1	10
Commission to non-whole time directors	2	3
Impairment loss recognized / (reversed) under expected credit loss model	71	(2)
Contributions towards Corporate Social responsibility	74	47
Others	62	56
	827	**752**

2.19 LEASES

Accounting policy

Leases under which the group assumes substantially all the risks and rewards of ownership are classified as finance leases. When acquired, such assets are capitalized at fair value or present value of the minimum lease payments at the inception of the lease, whichever is lower. Lease payments under operating leases are recognized as an expense on a straight line basis in net profit in the Consolidated Statement of Profit and Loss over the lease term.

The lease rentals charged during the period is as follows:

(In ₹ crore)

Particulars	Three months ended June 30,	
	2018	**2017**
Lease rentals recognized during the period	126	129

The obligations on long-term, non-cancellable operating leases payable as per the rentals stated in the respective agreements are as follows:

(In ₹ crore)

	As at	
Future minimum lease payable	**June 30, 2018**	**March 31, 2018**
Not later than 1 year	477	456
Later than 1 year and not later than 5 years	1,426	1,388
Later than 5 years	904	874

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 relates to rented premises. Some of these lease agreements have price escalation clauses.

2.20 EMPLOYEE BENEFITS

Accounting policy

Gratuity

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

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

The Group recognizes the net obligation of a defined benefit plan in its Balance Sheet as an asset or liability. Gains and losses through re-measurements of the net defined benefit liability/(asset) are recognized in other comprehensive income and are not reclassified to Consolidated Statement of Profit or Loss in subsequent periods. The actual return of the portfolio of plan assets, in excess of the yields computed by applying the discount rate used to measure the defined benefit obligation is recognized in other comprehensive income. The effect of any plan amendments is recognized in the Consolidated Statement of Profit and Loss.

Provident fund

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

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

Superannuation

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

Compensated absences

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

2.20.1 Gratuity

The following tables set out the funded status of the gratuity plans and the amounts recognized in the Group's financial statements as at June 30, 2018 and March 31, 2018:

(In ₹ crore)

Particulars	As at	
	June 30, 2018	**March 31, 2018**
Change in benefit obligations		
Benefit obligations at the beginning	1,201	1,117
Service cost	39	150
Interest expense	22	73
Remeasurements - Actuarial (gains)/ losses	(1)	(59)
Transfer in	-	28
Benefits paid	(31)	(107)
Reclassified under held for sale (refer note no 2.1.2)	-	(1)
Benefit obligations at the end	**1,230**	**1,201**
Change in plan assets		
Fair value of plan assets at the beginning	1,216	1,195
Interest income	23	80
Remeasurements- Return on plan assets excluding amounts included in interest income	1	13
Contributions	23	35
Benefits paid	(29)	(107)
Fair value of plan assets at the end	**1,234**	**1,216**
Funded status	4	15
Prepaid gratuity benefit	32	43
Accrued gratuity	(28)	(28)

Amount for the three months ended June 30, 2018 and June 30, 2017 recognized in the consolidated statement of Profit and Loss under employee benefit expense:

(In ₹ crore)

Particulars	Three months ended June 30,	
	2018	**2017**
Service cost	39	38
Net interest on the net defined benefit liability/asset	(1)	(2)
Curtailment gain	-	-
Net gratuity cost	**38**	**36**

Amount for the three months ended June 30, 2018 and June 30, 2017 recognized in the consolidated statement of other comprehensive income:

(In ₹ crore)

Particulars	Three months ended June 30,	
	2018	**2017**
Remeasurements of the net defined benefit liability/ (asset)		
Actuarial (gains) / losses	(1)	7
(Return) / loss on plan assets excluding amounts included in the net interest on the net defined benefit liability/(asset)	(1)	(3)
	(2)	**4**

(In ₹ crore)

Particulars	Three months ended June 30,	
	2018	**2017**
(Gain)/loss from change in demographic assumptions	(4)	-
(Gain)/loss from change in financial assumptions	(27)	20
(Gain)/loss from experience adjustment	30	(13)
	(1)	**7**

The weighted-average assumptions used to determine benefit obligations as at June 30, 2018 and March 31, 2018 are set out below:

Particulars	As at	
	June 30, 2018	**March 31, 2018**
Discount rate	7.9%	7.5%
Weighted average rate of increase in compensation levels	8.0%	8.0%

The weighted-average assumptions used to determine net periodic benefit cost for the three months ended June 30, 2018 and June 30, 2017 are set out below:

Particulars	Three months ended June 30,	
	2018	**2017**
Discount rate	7.5%	6.9%
Weighted average rate of increase in compensation levels	8.0%	8.0%
Weighted average duration of defined benefit obligation	6.1 years	6.1 years

Assumptions regarding future mortality experience are set in accordance with the published statistics by the Life Insurance Corporation of India.

The Company assesses these assumptions with its projected long-term plans of growth and prevalent industry standards. The discount rate is based on the government securities yield.

Sensitivity of significant assumptions used for valuation of defined benefit obligation:

(in ₹ crore)

Impact from percentage point increase / decrease in	**As at June 30, 2018**
Discount rate	59
Weighted average rate of increase in compensation levels	51

Sensitivity to significant actuarial assumptions is computed by varying one actuarial assumption used for the valuation of the defined benefit obligation by one percentage, keeping all other actuarial assumptions constant. In practice, this is not probable, and changes in some of the assumptions may be correlated.

Gratuity is applicable only to employees drawing a salary in Indian rupees and there are no other significant foreign defined benefit gratuity plans.

The Company contributes all ascertained liabilities towards gratuity to the Infosys Limited Employees' Gratuity Fund Trust. In case of Infosys BPM and EdgeVerve, contributions are made to the Infosys BPM Employees' Gratuity Fund Trust and EdgeVerve Systems Limited Employees Gratuity Fund Trust, respectively. Trustees administer contributions made to the trust. As at June 30, 2018 and March 31, 2018, the plan assets have been primarily invested in insurer managed funds.

Actual return on assets for the three months ended June 30, 2018 and June 30, 2017 were ₹24 crore and ₹24 crore, respectively.

The Group expects to contribute ₹141 crore to the gratuity trusts during the remainder of fiscal 2019.

Maturity profile of defined benefit obligation:

(In ₹ crore)

Within 1 year	187
1-2 year	193
2-3 year	207
3-4 year	218
4-5 year	225
5-10 years	1,101

2.20.2 Provident fund

Infosys has an obligation to fund any shortfall on the yield of the trust's investments over the administered interest rates on an annual basis. These administered rates are determined annually predominantly considering the social rather than economic factors and in most cases the actual return earned by the Company has been higher in the past years. The actuary has provided a valuation for provident fund liabilities on the basis of guidance issued by Actuarial Society of India and based on the assumptions provided below there is no shortfall as at June 30, 2018 and March 31, 2018, respectively.

The details of fund and plan asset position are as follows:

(In ₹ crore)

Particulars	As at	
	June 30, 2018	**March 31, 2018**
Plan assets at period end, at fair value	5,265	5,160
Present value of benefit obligation at period end	5,265	5,160
Asset recognized in Balance Sheet	-	-

The plan assets have been primarily invested in government securities.
Assumptions used in determining the present value obligation of the interest rate guarantee under the Deterministic Approach:

Particulars	As at	
	June 30, 2018	**March 31, 2018**
Government of India (GOI) bond yield	7.90%	7.50%
Remaining term to maturity of portfolio	6.2 years	5.9 years
Expected guaranteed interest rate	8.55%	8.55%

The Group contributed ₹129 crore and ₹116 crore during the three months ended June 30, 2018 and June 30, 2017, respectively. The same has been recognized in the Consolidated Statement of Profit and Loss under the head employee benefit expense.

2.20.3 Superannuation

The Group contributed ₹49 crore and ₹42 crore during the three months ended June 30, 2018 and June 30, 2017, respectively and the same has been recognized in the Consolidated Statement of Profit and Loss under the head employee benefit expense.

The provident plans are applicable only to employees drawing a salary in Indian rupees and there are no other significant foreign defined benefit plans.

2.20.4 Employee benefit costs include:

(In ₹ crore)

Particulars	Three months ended June 30,	
	2018	**2017**
Salaries and bonus[(1)]	10,284	9,172
Defined contribution plans	71	63
Defined benefit plans	107	131
	10,462	**9,366**

[(1)] Includes a employee stock compensation expense of ₹44 crore and ₹46 crore for the three months ended June 30, 2018 and June 30, 2017, respectively.

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

Accounting policy

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

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

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

Particulars	**Three months ended June 30,**	
	2018	**2017**
Basic earnings per equity share - weighted average number of equity shares outstanding[(1)]	2,173,328,621	2,285,657,604
Effect of dilutive common equivalent shares - share options outstanding	2,026,557	1,400,544
Diluted earnings per equity share - weighted average number of equity shares and common equivalent shares outstanding	**217,53,55,178**	**228,70,58,148**

[(1)] *Excludes treasury shares*

For the three months ended June 30, 2018, no options to purchase equity shares had an anti-dilutive effect.
For the three months ended June 30, 2017, 2,64,886 number of options to purchase equity shares had an anti-dilutive effect.

2.22 CONTINGENT LIABILITIES AND COMMITMENTS

(In ₹ crore)

Particulars	**As at**	
	June 30, 2018	**March 31, 2018**
Contingent liabilities :		
Claims against the Company, not acknowledged as debts[(1)] [Amount paid to statutory authorities ₹6,551 crore (*₹6,551 crore*)]	3,303	4,802
Commitments :		
Estimated amount of contracts remaining to be executed on capital contracts and not provided for (net of advances and deposits)	1,382	1,452
Other commitments*	67	81

**Uncalled capital pertaining to investments*

[(1)] As at June 30, 2018, claims against the Group not acknowledged as debts in respect of income tax matters amounted to ₹3,043 crore. These matters are pending before various Appellate Authorities and the management including its tax advisors expect that its position will likely be upheld on ultimate resolution and will not have a material adverse effect on the Group's financial position and results of operations.

Amount paid to statutory authorities against the above tax claims amounted to ₹6,540 crore.

Subsequent to March 31, 2018, the Supreme Court of India ruled favorably in respect of certain income tax claims which have been given effect in the above disclosure of claims as of June 30, 2018.

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.

2.23 RELATED PARTY TRANSACTIONS

List of related parties:

Name of subsidiaries	Country	Holdings as at	
		June 30, 2018	March 31, 2018
Infosys Technologies (China) Co. Limited (Infosys China)	China	100%	100%
Infosys Technologies S. de R. L. de C. V. (Infosys Mexico)	Mexico	100%	100%
Infosys Technologies (Sweden) AB. (Infosys Sweden)	Sweden	100%	100%
Infosys Technologies (Shanghai) Company Limited (Infosys Shanghai)	China	100%	100%
Infosys Tecnologia DO Brasil LTDA. (Infosys Brasil)	Brazil	100%	100%
Infosys Nova Holdings LLC. (Infosys Nova)	U.S.	100%	100%
EdgeVerve Systems Limited (EdgeVerve)	India	100%	100%
Lodestone Management Consultants GmbH[(1)]	Austria	100%	100%
Skava Systems Pvt. Ltd. (Skava Systems)	India	100%	100%
Kallidus Inc. (Kallidus)	U.S.	100%	100%
Infosys Chile SpA[(2)]	Chile	100%	100%
Infosys Arabia Limited[(3)]	Saudi Arabia	70%	70%
Infosys Americas Inc., (Infosys Americas)	U.S.	100%	100%
Infosys Technologies (Australia) Pty. Limited (Infosys Australia)[(4)]	Australia	100%	100%
Infosys Public Services, Inc. USA (Infosys Public Services)	U.S.	100%	100%
Infosys Canada Public Services Ltd. [(5)(6)]	Canada	-	-
Infosys BPM Limited (formerly Infosys BPO Limited)	India	99.98%	99.98%
Infosys (Czech Republic) Limited s.r.o.[(7)]	Czech Republic	99.98%	99.98%
Infosys Poland, Sp z.o.o[(7)]	Poland	99.98%	99.98%
Infosys McCamish Systems LLC [(7)]	U.S.	99.98%	99.98%
Portland Group Pty Ltd[(7)]	Australia	99.98%	99.98%
Infosys BPO Americas LLC.[(7)]	U.S.	99.98%	99.98%
Infosys Consulting Holding AG (Infosys Lodestone)	Switzerland	100%	100%
Lodestone Management Consultants Inc.[(8)(17)]	U.S.	-	100%
Infosys Management Consulting Pty Limited[(8)]	Australia	100%	100%
Infosys Consulting AG[(8)]	Switzerland	100%	100%
Infosys Consulting GmbH[(8)]	Germany	100%	100%
Infosys Consulting SAS[(8)]	France	100%	100%
Infosys Consulting s.r.o.[(8)]	Czech Republic	100%	100%
Lodestone Management Consultants Co., Ltd.[(8)]	China	100%	100%
Infy Consulting Company Ltd[(8)]	U.K.	100%	100%
Infy Consulting B.V.[(8)]	The Netherlands	100%	100%
Infosys Consulting Sp. z.o.o[(8)]	Poland	100%	100%
Lodestone Management Consultants Portugal, Unipessoal, Lda. [(8)]	Portugal	100%	100%
S.C. Infosys Consulting S.R.L.[(8)]	Romania	100%	100%
Infosys Consulting S.R.L.[(8)]	Argentina	100%	100%
Infosys Consulting (Belgium) NV (formerly Lodestone Management Consultants (Belgium) S.A.)[(9)]	Belgium	99.90%	99.90%
Infosys Consulting Ltda.[(9)]	Brazil	99.99%	99.99%
Panaya Inc. (Panaya)	U.S.	100%	100%
Panaya Ltd. [(10)]	Israel	100%	100%
Panaya GmbH[(10)]	Germany	100%	100%
Panaya Japan Co. Ltd[(4)(10)]	Japan	100%	100%
Noah Consulting LLC (Noah)[(11)]	U.S.	-	-
Noah Information Management Consulting Inc. (Noah Canada)[(12)]	Canada	-	-
Brilliant Basics Holdings Limited (Brilliant Basics)[(13)]	U.K.	100%	100%
Brilliant Basics Limited[(14)]	U.K.	100%	100%
Brilliant Basics (MENA) DMCC[(14)]	Dubai	100%	100%
Infosys Consulting Pte Limited (Infosys Singapore)[(1)]	Singapore	100%	100%
Infosys Middle East FZ LLC[(15)]	Dubai	100%	100%
WongDoody Holding Company Inc. (WongDoody) [(16)]	U.S.	100%	-
WDW Communications, Inc[(18)]	U.S.	100%	-
WongDoody, Inc[(18)]	U.S.	100%	-

[(1)] *Wholly-owned subsidiary of Infosys Limited*

[(2)] *Incorporated effective November 20, 2017*

[(3)] *Majority owned and controlled subsidiary of Infosys Limited*

[(4)] *Under liquidation*

[(5)] *Wholly owned subsidiary of Infosys Public Services, Inc.*

[(6)] *Liquidated effective May 9, 2017*

[(7)] *Wholly owned subsidiary of Infosys BPM*

[(8)] *Wholly owned subsidiaries of Infosys Consulting Holding AG (formerly Lodestone Holding AG)*

[(9)] *Majority owned and controlled subsidiaries of Infosys Consulting Holding AG (formerly Lodestone Holding AG)*

[(10)] *Wholly owned subsidiary of Panaya Inc*

[(11)] *Liquidated effective November 9, 2017*

[(12)] *Wholly owned subsidiary of Noah. Liquidated effective December 20, 2017*

[(13)] *On September 8, 2017, Infosys acquired 100% of the voting interests in Brilliant Basics Holding Limited*

[(14)] *Wholly-owned subsidiary of Brilliant Basics Holding Limited.*

[(15)] *Wholly-owned subsidiary of Infosys Consulting Pte Ltd*

[(16)] *On May 22, 2018, Infosys acquired 100% of the voting interest in WongDoody*

[(17)] *Liquidated effective May 17, 2018*

[(18)] *Wholly-owned subsidiary of WongDoody*

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

Associate

During the year ended March 31, 2018, the Company has written down the entire carrying value of the investment in its associate DWA Nova LLC amounting to ₹71 crore. DWA Nova LLC has been liquidated w.e.f November 17, 2017

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 BPM Limited Employees' Superannuation Fund Trust *(formerly Infosys BPO Limited Employees Superannuation Fund Trust)*	India	Post-employment benefit plan of Infosys BPM
Infosys BPM Limited Employees' Gratuity Fund Trust *(formerly Infosys BPO Limited Employees' Gratuity Fund Trust)*	India	Post-employment benefit plan of Infosys BPM
EdgeVerve Systems Limited Employees' Gratuity Fund Trust	India	Post-employment benefit plan of EdgeVerve
EdgeVerve Systems Limited Employees' Superannuation Fund Trust	India	Post-employment benefit plan of EdgeVerve
Infosys Employees Welfare Trust	India	Controlled trust
Infosys Employee Benefits Trust	India	Controlled trust
Infosys Science Foundation	India	Controlled trust

Refer note no. 2.20 for information on transactions with post-employment benefit plans mentioned above.

List of key management personnel

Whole-time directors

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

U. B. Pravin Rao, Chief Operating officer appointed as Interim-Chief Executive Officer and Managing Director effective August 18, 2017. Subsequently he stepped down as the interim CEO and Managing Director effective January 2, 2018 and will continue as Chief Operating Officer and a whole-time director of the Company.

Dr. Vishal Sikka resigned as Chief Executive Officer and Managing Director effective August 18, 2017 and as Executive Vice Chairman effective August 24, 2017

Non-whole-time directors

Nandan M. Nilekani (appointed as Non-Executive, Non-Independent Chairman effective August 24, 2017)

Ravi Venkatesan (resigned from his position as Co-Chairman effective August 24, 2017 and resigned as member of the Board effective May 11, 2018)

Kiran Mazumdar-Shaw

Roopa Kudva

Dr. Punita Kumar-Sinha

D. N. Prahlad

D. Sundaram (appointed effective July 14, 2017)

Prof. Jeffrey Lehman, (resigned effective August 24, 2017)

R. Seshasayee (resigned effective August 24, 2017)

Prof. John Etchemendy (resigned effective August 24, 2017)

Executive Officers

M. D. Ranganath, Chief Financial Officer

Mohit Joshi, President

Rajesh K. Murthy, President (appointed effective October 13, 2016 and resigned effective January 31, 2018)

Ravi Kumar S, President and Deputy Chief Operating Officer

Sandeep Dadlani, President (resigned effective July 14, 2017)

Krishnamurthy Shankar, Group Head - Human Resources

Gopi Krishnan Radhakrishnan - Acting General Counsel (resigned effective June 24, 2017)

Inderpreet Sawhney, Group General Counsel and Chief Compliance Officer (appointed as executive officer effective July 14, 2017)

Company Secretary

A. G. S. Manikantha

Transaction with key management personnel:

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

(In ₹ crore)

Particulars	Three months ended June 30,	
	2018	**2017**
Salaries and other employee benefits to whole-time directors and executive officers [(1)]	24	26
Commission and other benefits to non-executive/independent directors	2	3
Total	26	29

[(1)] *Total employee stock compensation expense for the three months ended June 30, 2018 and June 30, 2017 includes a charge of ₹9 crore and ₹12 crore, respectively towards key managerial personnel.(Refer to note 2.11)*

2.24 SEGMENT REPORTING

Ind AS 108 establishes standards for the way that public business enterprises report information about operating segments and related disclosures about products and services, geographic areas, and major customers. The Group's operations predominantly relate to providing end-to-end business solutions to enable clients to enhance business performance.

During the three months ended June 30, 2018, the Company internally reorganized some of its business segments to deepen customer relationships, improve focus of sales investments and increase management oversight. Consequent to the internal reorganization, there were changes in the reportable business segments based on "Management approach" as defined under Ind AS 108, Operating Segments. Therefore, enterprises in Insurance which was earlier considered under the Life Sciences, Healthcare and Insurance business segment are now considered under the Financial Services business segment and enterprises in Communication, Telecom OEM and Media which was earlier under Energy & Utilities, Communication and Services is now shown as a separate business segment. Segmental operating income has changed in line with these as well as changes in the allocation method. The CODM evaluates the Group's performance and allocates resources based on an analysis of various performance indicators by business segments. Accordingly, information has been presented along business segments. The accounting principles used in the preparation of the financial statements are consistently applied to record revenue and expenditure in individual segments, and are as set out in the accounting policies.

Business segments of the Group are primarily enterprises in Financial Services and Insurance, enterprises in Manufacturing, enterprises in Retail, Consumer Packaged Goods and Logistics, enterprises in the Energy, Utilities, Resources and Services, enterprises in Communications, Telecom OEM and Media, enterprises in Hi-Tech, enterprises in Life Sciences and Healthcare and all other segments. The Financial services reportable segments has been aggregated to include the Financial Services operating segment and Finacle operating segment because of the similarity of the economic characteristics. All other segments represent the operating segments of businesses in India, Japan, China, Infosys Public Services & other enterprises in Public Services. Consequent to the above change in the composition of reportable business segments, the prior year comparatives for three months ended June 30, 2017 have been restated.

Revenue and identifiable operating expenses in relation to segments are categorized based on items that are individually identifiable to that segment. Revenue for 'all other segments' represents revenue generated by Infosys Public services and revenue generated from customers located in India, Japan and China and other enterprises in Public services. Allocated expenses of segments include expenses incurred for rendering services from the Company's offshore software development centres and on-site expenses, which are categorized in relation to the associated efforts 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. The management believes that it is not practical to provide segment disclosures relating to those costs and expenses, and accordingly these expenses are separately disclosed as "unallocated" and adjusted against the total income of the Group.

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

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

Disclosure of Revenue by geographic locations has been given in note 2.16 Revenue from operations.

Business Segments

Three months ended June 30, 2018 and June 30, 2017:

(In ₹ crore)

Particulars	Financial Services	Retail	Communication	Energy, Utilities, Resources and Services	Manufacturing	Hi Tech	Life Sciences	All other segments	Total
Revenue from operations	**6,075**	**3,169**	**2,429**	**2,374**	**1,837**	**1,422**	**1,260**	**562**	**19,128**
	5,631	*2,774*	*2,151*	*1,932*	*1,588*	*1,250*	*1,126*	*626*	*17,078*
Identifiable operating expenses	3,259	1,601	1,265	1,261	1,026	786	666	337	10,201
	2,902	*1,399*	*1,068*	*971*	*925*	*689*	*567*	*349*	*8,870*
Allocated expenses	1,254	622	494	489	400	248	240	206	3,953
	1,188	*604*	*422*	*412*	*396*	*226*	*205*	*193*	*3,646*
Segmental operating income	**1,562**	**946**	**670**	**624**	**411**	**388**	**354**	**19**	**4,974**
	1,541	*771*	*661*	*549*	*267*	*335*	*354*	*84*	*4,562*
Unallocable expenses									437
									451
Other income, net (Refer to note 2.17)									726
									814
Share in net profit/(loss) of associate, including impairment									-
									(71)
Reduction in the fair value of Disposal Group held for sale (Refer to note 2.1.2)									*270*
									-
Profit before tax									**4,993**
									4,854
Tax expense									1,381
									1,371
Profit for the period									**3,612**
									3,483
Depreciation and amortization expense									436
									450
Non-cash expenses other than depreciation and amortization									271
									1

Significant clients

No client individually accounted for more than 10% of the revenues in the three months ended June 30, 2018 and June 30, 2017.

2.25 FUNCTION WISE CLASSIFICATION OF CONSOLIDATED STATEMENT OF PROFIT AND LOSS

(In ₹ crore)

Particulars	Note no	Three months ended June 30,	
		2018	2017
Revenue from operations	2.16	19,128	17,078
Cost of Sales		12,288	10,900
Gross profit		**6,840**	**6,178**
Operating expenses			
Selling and marketing expenses		1,005	888
General and administration expenses		1,298	1,179
Total operating expenses		2,303	2,067
Operating profit		**4,537**	**4,111**
Reduction in the fair value of Disposal Group held for sale		(270)	-
Other income, net	2.17 and 2.1.2	726	814
Profit before non controlling interest / Share in net profit / (loss) of associate		**4,993**	**4,925**
Share in net profit/(loss) of associate, including impairment	2.23	-	(71)
Profit before tax		**4,993**	**4,854**
Tax expense:			
Current tax	2.15	1,450	1,499
Deferred tax	2.15	(69)	(128)
Profit for the period		**3,612**	**3,483**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of the net defined benefit liability/asset	2.20 and 2.15	1	(3)
Equity instruments through other comprehensive income, net	2.4 and 2.15	4	-
		5	**(3)**
Items that will be reclassified subsequently to profit or loss			
Fair value changes on derivatives designated as cash flow hedge, net	2.10 and 2.15	9	(66)
Exchange differences on translation of foreign operations		87	107
Fair value changes on investments, net	2.4 and 2.15	(45)	27
		51	**68**
Total other comprehensive income, net of tax		**56**	**65**
Total comprehensive income for the period		**3,668**	**3,548**
Profit attributable to:			
Owners of the Company		3,612	3,483
Non-controlling interests		-	-
		3,612	**3,483**
Total comprehensive income attributable to:			
Owners of the Company		3,668	3,548
Non-controlling interests		-	-
		3,668	**3,548**

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

Nandan M. Nilekani	Salil Parekh	U. B. Pravin Rao
Chairman	*Chief Executive officer and Managing Director*	*Chief Operating Officer and Whole-time Director*
D. Sundaram	M. D. Ranganath	A. G. S. Manikantha
Director	*Chief Financial Officer*	*Company Secretary*

Bengaluru
July 13, 2018

INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF DIRECTORS OF
INFOSYS LIMITED

Report on the Audit of Interim Consolidated Financial Statements

Opinion

We have audited the accompanying interim consolidated financial statements of Infosys Limited ("the Company") and its subsidiaries (the Company and its subsidiaries together referred to as "the Group"), which comprise the Consolidated Balance Sheet as at June 30, 2018, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income),the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the three months period ended on that date, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the interim consolidated financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid interim consolidated financial statements give a true and fair view in conformity with Indian Accounting Standard 34 "Interim Financial Reporting" ("Ind AS 34") and other accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at June 30, 2018, the consolidated profit, consolidated total comprehensive income, consolidated changes in equity and its consolidated cash flows for the three months period ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Interim Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the *Code of Ethics* issued by the Institute of Chartered Accountants of India, and we have fulfilled our other ethical responsibilities in accordance with the provisions of the Companies Act, 2013. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the interim consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER	RESPONSE TO KEY AUDIT MATTER

Accuracy of recognition, measurement, presentation and disclosures of revenues and other related balances in view of adoption of Ind AS 115 "Revenue from Contracts with Customers" (new revenue accounting standard)
 	
The application of the new revenue accounting standard involves certain key judgements relating to identification of distinct performance obligations, determination of transaction price of the identified performance obligations, the appropriateness of the basis used to measure revenue recognized over a period. Additionally, new revenue accounting standard contains disclosures which involves collation of information in respect of disaggregated revenue and periods over which the remaining performance obligations will be satisfied subsequent to the balance sheet date.
 	
Refer Notes 1.5a and 2.16 to the Interim Consolidated Financial Statements.
	Principal Audit Procedures
	We assessed the Group's process to identify the impact of adoption of the new revenue accounting standard.
	Our audit approach consisted testing of the design and operating effectiveness of the internal controls and substantive testing as follows:
	• Evaluated the design of internal controls relating to implementation of the new revenue accounting standard.
	• Selected a sample of continuing and new contracts, and tested the operating effectiveness of the internal control, relating to identification of the distinct performance obligations and determination of transaction price. We carried out a combination of procedures involving enquiry and observation, reperformance and inspection of evidence in respect of operation of these controls.
	• Tested the relevant information technology systems' access and change management controls relating to contracts and related information used in recording and disclosing revenue in accordance with the new revenue accounting standard.
	• Selected a sample of continuing and new contracts and performed the following procedures:
	  • Read, analysed and identified the distinct performance obligations in these contracts.
	  • Compared these performance obligations with that identified and recorded by the Group.
	  • Considered the terms of the contracts to determine the transaction price including any variable consideration to verify the transaction price used to compute revenue and to test the basis of estimation of the variable consideration.
	  • Samples in respect of revenue recorded for time and material contracts were tested using a combination of approved time sheets including customer acceptances, subsequent invoicing and historical trend of collections and disputes.
	  • In respect of samples relating to fixed price contracts, progress towards satisfaction of performance obligation used to compute recorded revenue was verified with actual and estimated efforts from the time recording and budgeting systems. We also tested the access and change management controls relating to these systems.
	• Sample of revenues disaggregated by type and service offerings was tested with the performance obligations specified in the underlying contracts.
	• Performed analytical procedures for reasonableness of revenues disclosed by type and service offerings.
	• We reviewed the collation of information and the logic of the report generated from the budgeting system used to prepare the disclosure relating to the periods over which the remaining performance obligations will be satisfied subsequent to the balance sheet date.
	Conclusion
	Our procedures did not identify any material exceptions.

KEY AUDIT MATTER	RESPONSE TO KEY AUDIT MATTER
Accuracy of revenues and onerous obligations in respect of fixed price contracts involves critical estimates Estimated effort is a critical estimate to determine revenues and liability for onerous obligations. This estimate has a high inherent uncertainty as it requires consideration of progress of the contract, efforts incurred till date, efforts required to complete the remaining contract performance obligations. Refer Notes 1.5a and 2.16 to the Interim Consolidated Financial Statements.	***Principal Audit Procedures*** Our audit approach was a combination of test of internal controls and substantive procedures which included the following: • Evaluated the design of internal controls relating to recording of efforts incurred and estimation of efforts required to complete the performance obligations. • Tested the access and application controls pertaining to time recording, allocation and budgeting systems which prevents unauthorised changes to recording of efforts incurred. • Selected a sample of contracts and tested the operating effectiveness of the internal controls relating to efforts incurred and estimated through inspection of evidence of performance of these controls. • Selected a sample of contracts and performed a retrospective review of efforts incurred with estimated efforts to identify significant variations and verify whether those variations have been considered in estimating the remaining efforts to complete the contract. • Reviewed a sample of contracts with unbilled revenues to identify possible delays in achieving milestones, which require change in estimated efforts to complete the remaining performance obligations. • Performed analytical procedures and test of details for reasonableness of incurred and estimated efforts. ***Conclusion*** Our procedures did not identify any material exceptions.
Evaluation of uncertain tax positions The Group has material uncertain tax positions including matters under dispute which involves significant judgment to determine the possible outcome of these disputes. Refer Notes 1.5b and 2.22 to the Interim Consolidated Financial Statements.	***Principal Audit Procedures*** We performed the following substantive procedures: • Obtained details of completed tax assessments and demands for the quarter ended June 30, 2018 from management. We involved our internal experts to challenge the management's underlying assumptions in estimating the tax provision and the possible outcome of the disputes. Our internal experts also considered legal precedence and other rulings in evaluating management's position on these uncertain tax positions. Additionally, we considered the effect of new information in respect of uncertain tax positions as at April 1, 2018 to evaluate whether any change was required to management's position on these uncertainties. ***Conclusion*** We agree with management's evaluation.

KEY AUDIT MATTER	RESPONSE TO KEY AUDIT MATTER
Reasonableness of carrying amount of assets held for sale Assets held for sale carried at fair value have been estimated using significant unobservable inputs including non-binding offers from and negotiations held with prospective buyers as a result of which fair value is sensitive to changes in input assumptions. Refer Notes 1.5f and 2.1.2 to the Interim Consolidated Financial Statements.	***Principal Audit Procedures*** Our audit procedures consisted of challenging management's assumptions relating to business projections and expectation of outcome of negotiations with prospective buyers. We have also considered the valuation performed by an external valuer. ***Conclusion*** The assumptions and inputs have been appropriately considered in estimating the fair value.

Responsibilities of the Management and Those Charged with Governance for the Interim Consolidated Financial Statements

The Company's Board of Directors is responsible for the preparation and presentation of these interim consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance, consolidated total comprehensive income, consolidated changes in equity and consolidated cash flows of the Group in accordance with Ind AS 34 prescribed under Section 133 of the Companies Act, 2013 ("the Act"), read with relevant rules issued thereunder and other accounting principles generally accepted in India. The respective Board of Directors of the companies included in the Group are responsible for maintenance of the adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the interim consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the interim consolidated financial statements by the Board of Directors of the Company, as aforesaid.

In preparing the interim consolidated financial statements, the respective Board of Directors of the companies included in the Group are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group are also responsible for overseeing the financial reporting process of the Group.

Auditor's Responsibilities for the Audit of the Interim Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the interim consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these interim consolidated financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the interim consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the interim consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the interim consolidated financial statements, including the disclosures, and whether the interim consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the interim consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the interim consolidated financial statements.

Materiality is the magnitude of misstatements in the interim consolidated financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

Based on our professional judgment, we determined materiality for the financial statements as a whole at Rs. 250 crores. The basis for determining materiality was 5% of profits before tax. Profits before tax was used as a benchmark for materiality because it is one of the main measures used by users of financial statements to monitor the performance of the Group.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the interim consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For Deloitte Haskins & Sells LLP
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

P. R. RAMESH
(Membership No. 70928)

Bengaluru, July 13, 2018