Infosys Ltd
Form 6-K
October 21, 2014

Form 6-K

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer

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

For the quarter ended September 30, 2014

Commission File Number 001-35754

Infosys Limited

(Exact name of Registrant as specified in its charter)

Not Applicable

(Translation of Registrant's name into English)

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

(Address of principal executive offices)

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

Form 20-F þ Form 40-F o

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

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

Currency of presentation and certain defined terms

In this Quarterly Report, references to "U.S." or "United States" are to the United States of America, its territories and its possessions. References to "India" are to the Republic of India. References to "$" or "dollars" or "U.S. dollars" are to the legal currency of the United States and references to "" or "rupees" or "Indian rupees" are to the legal currency of India. Our condensed interim financial statements are presented in U.S. dollars and are prepared in accordance with the International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS) and in accordance with IAS 34, Interim Financial Reporting. References to "Indian GAAP" are to Indian Generally Accepted Accounting Principles. References to a particular "fiscal" year are to our fiscal year ended March 31 of such year.

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

All references to “IT Services” exclude business process management services and products business.

Except as otherwise stated in this Quarterly Report, all translations from Indian rupees to U.S. dollars effected are based on the fixing rate in the City of Mumbai on September 30, 2014 for cable transfers in Indian rupees as published by the Foreign Exchange Dealers’ Association of India, or FEDAI, which was 61.75 per $1.00. No representation is made that the Indian rupee amounts have been, could have been or could be converted into U.S. dollars at such a rate or any other rate. Any discrepancies in any table between totals and sums of the amounts listed are due to rounding.

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Item I. Financial Statements

Infosys Limited and subsidiaries

Unaudited Condensed Consolidated Interim Balance Sheets as of

(Dollars in millions except equity share data)

	Note	September 30, 2014	March 31, 2014
ASSETS			
Current assets			
Cash and cash equivalents	2.1	4,604	4,331
Available-for-sale financial assets	2.2	611	367
Investment in certificates of deposit		17	143
Trade receivables		1,464	1,394
Unbilled revenue		477	469
Prepayments and other current assets	2.4	447	440
Derivative financial instruments	2.7	7	36
Total current assets		**7,627**	**7,180**
Non-current assets			
Property, plant and equipment	2.5	1,360	1,316
Goodwill	2.6	340	360
Intangible assets		49	57
Available-for-sale financial assets	2.2	213	208
Deferred income tax assets		108	110
Income tax assets		248	254
Other non-current assets	2.4	44	37
Total non-current assets		**2,362**	**2,342**
Total assets		**9,989**	**9,522**
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables		22	29
Derivative financial instruments	2.7	4	–
Current income tax liabilities		434	365
Client deposits		4	6
Unearned revenue		136	110
Employee benefit obligations		165	159
Provisions	2.8	66	63
Other current liabilities	2.9	894	792
Total current liabilities		**1,725**	**1,524**
Non-current liabilities			
Deferred income tax liabilities		9	11
Other non-current liabilities	2.9	63	54
Total liabilities		**1,797**	**1,589**
Equity			
		64	64

Share capital 5 ($0.16) par value 600,000,000 equity shares authorized, issued and outstanding 571,402,566 each, net of 2,833,600 treasury shares each as of September 30, 2014 and March 31, 2014, respectively			
Share premium		704	704
Retained earnings		9,406	8,892
Other components of equity		(1,982)	(1,727)
Total equity attributable to equity holders of the company		**8,192**	**7,933**
Non-controlling interests		–	–
Total equity		**8,192**	**7,933**
Total liabilities and equity		**9,989**	**9,522**
Commitments and contingent liabilities	2.5, 2.8, 2.12 and 2.16		

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

Infosys Limited and subsidiaries

Unaudited Condensed Consolidated Interim Statements of Comprehensive Income

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

	Note	Three months ended September 30,		Six months ended September 30,	
		2014	**2013**	**2014**	**2013**
Revenues		**2,201**	**2,066**	**4,334**	**4,057**
Cost of sales		1,353	1,337	2,697	2,633
Gross profit		**848**	**729**	**1,637**	**1,424**
Operating expenses:					
Selling and marketing expenses		127	120	238	223
Administrative expenses	2.16	146	158	288	282
Total operating expenses		273	278	526	505
Operating profit		**575**	**451**	**1,111**	**919**
Other income, net		144	81	283	184
Profit before income taxes		**719**	**532**	**1,394**	**1,103**
Income tax expense	2.12	208	149	401	302
Net profit		**511**	**383**	**993**	**801**
Other comprehensive income					
Items that will not be reclassified to profit or loss:					
Remeasurements of the net defined benefit liability/asset		(1)	5	(4)	6
Items that may be reclassified subsequently to profit or loss:					
Fair value changes on available-for-sale financial assets	2.2	5	(4)	8	(4)
Exchange differences on translation of foreign operations		(223)	(316)	(259)	(935)

Total other comprehensive income, net of tax		**(219)**	**(315)**	**(255)**	**(933)**
Total comprehensive income		**292**	**68**	**738**	**(132)**
Profit attributable to:					
Owners of the company		511	383	993	801
Non-controlling interests		–	–	–	–
		511	**383**	**993**	**801**
Total comprehensive income attributable to:					
Owners of the company		292	68	738	(132)
Non-controlling interests		–	–	–	–
		292	**68**	**738**	**(132)**
Earnings per equity share					
Basic ($)		0.89	0.67	1.74	1.40
Diluted ($)		0.89	0.67	1.74	1.40
Weighted average equity shares used in computing earnings per equity share	2.13				
Basic		571,402,566	571,402,566	571,402,566	571,402,566
Diluted		571,404,028	571,402,566	571,403,297	571,402,566

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

Infosys Limited and subsidiaries

Unaudited Condensed Consolidated Interim Statements of Changes in Equity

(Dollars in millions except share data)

	Shares(*)	**Share capital**	**Share premium**	**Retained earnings**	**Other components of equity**	**Total equity attributable to equity holders of the company**
Balance as of April 1, 2013	**571,402,566**	**64**	**704**	**7,666**	**(1,103)**	**7,331**
Changes in equity for the six months ended September 30, 2013						
Remeasurement of the net defined benefit liability/(asset), net of tax effect	–	–	–	–	6	6
Change in accounting policy -Adoption of Revised IAS 19 (Refer note 2.10)	–	–	–	(6)	9	3
Dividends (including corporate dividend tax)	–	–	–	(302)	–	(302)
Fair value changes on available-for-sale financial assets,	–	–	–	–	(4)	(4)

net of tax effect (Refer to Notes 2.2 and 2.12)						
Net profit	–	–	–	801	–	801
Exchange differences on translation of foreign operations	–	–	–	–	(935)	(935)
Balance as of September 30, 2013	**571,402,566**	**64**	**704**	**8,159**	**(2,027)**	**6,900**
Balance as of April 1, 2014	**571,402,566**	**64**	**704**	**8,892**	**(1,727)**	**7,933**
Changes in equity for the six months ended September 30, 2014						
Shares issued on exercise of employee stock options	–	–	–	–	–	–
Remeasurement of the net defined benefit liability/(asset), net of tax effect	–	–	–	–	(4)	(4)
Dividends (including corporate dividend tax)	–	–	–	(479)	–	(479)
Fair value changes on available-for-sale financial assets, net of tax effect (Refer to Notes 2.2 and 2.12)	–	–	–	–	8	8
Net profit	–	–	–	993	–	993
Exchange differences on translation of foreign operations	–	–	–	–	(259)	(259)
Balance as of September 30, 2014	**571,402,566**	**64**	**704**	**9,406**	**(1,982)**	**8,192**

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

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

Infosys Limited and subsidiaries

Unaudited Condensed Consolidated Interim Statements of Cash Flows

(Dollars in millions)

	Six months ended September 30,	
	2014	**2013**
Operating activities:		

Net profit	993	801
Adjustments to reconcile net profit to net cash provided by operating activities:		
Depreciation and amortization	86	110
Income on available-for-sale financial assets and certificates of deposit	(30)	(19)
Income tax expense	401	302
Effect of exchange rate changes on assets and liabilities	3	12
Deferred purchase price	19	14
Provisions for doubtful trade receivable	28	13
Other non-cash item	6	(3)
Changes in working capital		
Trade receivables	(142)	(224)
Prepayments and other assets	2	(16)
Unbilled revenue	(23)	(120)
Trade payables	(3)	(4)
Client deposits	(3)	(3)
Unearned revenue	30	3
Other liabilities and provisions	130	385
Cash generated from operations	**1,497**	**1,251**
Income taxes paid	(326)	(279)
Net cash provided by operating activities	**1,171**	**972**
Investing activities:		
Expenditure on property, plant and equipment, net of sale proceeds, including changes in retention money and capital creditors	(168)	(199)
Loans to employees	(5)	(4)
Deposits placed with corporation	1	(1)
Income from available-for-sale financial assets and certificates of deposit	30	14
Investment in quoted debt securities	–	(108)
Redemption of certificates of deposit	121	–
Investment in certificates of deposit	–	(87)
Investment in liquid mutual funds	(1,999)	(1,830)
Redemption of liquid mutual funds	1,741	1,657
Investment in fixed maturity plan securities	(5)	(5)
Redemption of fixed maturity plan securities	5	–
Net cash used in investing activities	**(279)**	**(563)**
Financing activities:		
Payment of dividends (including corporate dividend tax)	(479)	(302)
Net cash used in financing activities	**(479)**	**(302)**
Effect of exchange rate changes on cash and cash equivalents	(140)	(527)
Net increase in cash and cash equivalents	413	107
Cash and cash equivalents at the beginning	4,331	4,021
Cash and cash equivalents at the end	**4,604**	**3,601**
Supplementary information:		
Restricted cash balance	57	50

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

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

1. Company Overview and Significant Accounting Policies

1.1 Company overview

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

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

The Group's unaudited condensed consolidated interim financial statements were authorized for issue by the company's Board of Directors on October 21, 2014.

1.2 Basis of preparation of financial statements

These condensed consolidated interim financial statements have been prepared in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS) and in accordance with IAS 34, Interim Financial Reporting, under the historical cost convention on the accrual basis except for certain financial instruments and prepaid gratuity benefits which have been measured at fair values. Accordingly, these condensed consolidated interim financial statements do not include all the information required for a complete set of financial statements. These condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements and related notes included in the company's Annual Report on Form 20-F for the year ended March 31, 2014. Accounting policies have been applied consistently to all periods presented in these unaudited condensed consolidated interim financial statements. The previously reported information in the Form 6-K for the quarter ended September 30, 2013 has been condensed to conform to the current period's presentation.

1.3 Basis of consolidation

Infosys consolidates entities which it owns or controls. 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

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 interim financial statements.

1.5 Critical accounting estimates

a. Revenue recognition

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

b. Income taxes

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

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.

1.6 Property, plant and equipment

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	22-25 years
Plant and machinery	5 years
Computer equipment	3-5 years

Furniture and fixtures	5 years
Vehicles	5 years

Depreciation methods, useful lives and residual values are reviewed periodically, including at each financial year end. (Refer to Note 2.5)

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

1.7 Business combinations

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

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

Business combinations between entities under common control by formation of a new company 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.

1.8 Employee benefits

1.8.1 Gratuity

Infosys 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.

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 BPO and Edgeverve, contributions are made to the Infosys BPO's Employees' Gratuity Fund Trust and Edgeverve Systems Limited Employees' Gratuity Fund Trust. 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 has adopted Revised IAS 19 effective April 1, 2013. Pursuant to this adoption, the Group recognizes the net obligation of a defined benefit plan in its balance sheet as an asset or liability. The amended standard requires immediate recognition of the gains and losses through re-measurements of the net defined benefit liability/ (asset) through other comprehensive income. Further it also requires the interest expense/(income) on plan assets to be considered in the Profit and Loss to be restricted to the discount rate based on the Government securities yield. The actual return of the portfolio, in excess of such yields is recognized through the other comprehensive income. The Revised IAS 19 also requires effect of any plan amendments to be recognized immediately through the net profits, in the statement of comprehensive income.

Previously, the actuarial gains and losses were charged or credited to net profit in the statement of comprehensive income in the period in which they arose and the expected return on plan assets computed based on market expectations were considered as part of the net gratuity cost.

The adoption of Revised IAS 19 Employee Benefits did not have a material impact on the consolidated financial statements.

1.8.2 Superannuation

Certain employees of Infosys are also participants in a defined contribution plan. The company has no further obligations to the Plan beyond its monthly contributions. Certain employees of Infosys BPO are also eligible for superannuation benefit. Infosys BPO has no further obligations to the superannuation plan beyond its monthly contribution which are periodically contributed to a trust fund, the corpus of which is invested with the Life Insurance Corporation of India. Certain employees of Edgeverve are also participants in the Edgeverve Systems Limited Employees Superannuation Fund Trust (the “Plan”) which is a defined contribution plan. The Company has no obligations to the Plan beyond its monthly contributions.

1.8.3 Provident fund

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

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

In respect of Edgeverve Systems Limited, eligible employees receive benefits from a provident fund, which is a defined contribution plan. Both the employee and the Company 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 Company has no further obligations under the provident fund plan beyond its monthly contributions.

1.8.4 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 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.

1.8.5 Share-based compensation

The Group recognizes compensation expense relating to share-based payments in net profit using a fair-value measurement method in accordance with IFRS 2, Share-Based Payment. Under the fair value method, 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 securities premium.

1.9 Recent accounting pronouncements

1.9.1 Standards issued but not yet effective

IFRS 9 Financial Instruments: In November 2009, the International Accounting Standards Board issued IFRS 9, Financial Instruments: Recognition and Measurement, to reduce the complexity of the current rules on financial instruments as mandated in IAS 39. IFRS 9 has fewer classification and measurement categories as compared to IAS 39 and has eliminated the categories of held to maturity, available for sale and loans and receivables. Further it eliminates the rule-based requirement of segregating embedded derivatives and tainting rules pertaining to held to maturity investments. For an investment in an equity instrument which is not held for trading, IFRS 9 permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in other comprehensive income. No amount recognized in other comprehensive income would ever be reclassified to profit or loss. IFRS 9, was further amended in October 2010, and such amendment introduced requirements on accounting for financial liabilities. This amendment addresses the issue of volatility in the profit or loss due to changes in the fair value of an entity's own debt. It requires the entity, which chooses to measure a liability at fair value, to present the portion of the fair value change attributable to the entity's own credit risk in the other comprehensive income. The effective date for adoption of IFRS 9 is annual periods beginning on or after January 1, 2018, though early adoption is permitted. The Group is currently evaluating the requirements of IFRS 9, and has not yet determined the impact on the condensed consolidated interim financial statements.

IFRS 15 Revenue from Contracts with Customers: In May 2014, the International Accounting Standards Board issued IFRS 15, Revenue from Contracts with Customers. The core principle of the new standard is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Further the new standard requires enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The standard permits the use of either the retrospective or cumulative effect transition method. The effective date for adoption of IFRS 15 is annual periods beginning on or after January 1, 2017, though early adoption is permitted. The Group has not yet selected a transition method and has not yet evaluated the impact of IFRS 15 on the condensed consolidated interim financial statements.

2 Notes to the unaudited condensed consolidated interim financial statements

2.1 Cash and cash equivalents

Cash and cash equivalents consist of the following:

(Dollars in millions)

	As of **September 30, 2014**	**March 31, 2014**
Cash and bank deposits	4,020	3,729
Deposits with corporations	584	602
	4,604	**4,331**

Cash and cash equivalents as of September 30, 2014 and March 31, 2014 include restricted cash and bank balances of $57 million and $53 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 unclaimed dividend bank accounts.

The deposits maintained by the Group with banks and corporations 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 of **September 30, 2014**	**March 31, 2014**
Current accounts		
Banamex Bank, Mexico	1	–
Bank of America, U.S.	136	119
Bank of America, Mexico	5	1
Bank of Zachodni WBK S.A.	1	–
Barclays Bank, UK	12	19
CIC, France	–	1
Citibank N.A., Australia	11	13
Citibank N.A., Brazil	6	6
Citibank N.A., China	5	9
Citibank N.A., Japan	2	2
Citibank N.A., India	–	1
Citibank N.A., New Zealand	1	1
Citibank N.A., South Africa	–	1
Citibank N.A., Czech Republic	1	–
Commerzbank, Germany	1	1
Deutsche Bank, Belgium	1	2
Deutsche Bank, Czech Republic	–	–
Deutsche Bank, Czech Republic (U.S. dollar account)	1	2
Deutsche Bank, Czech Republic (Euro account)	2	1
Deutsche Bank, France	3	1
Deutsche Bank, Germany	3	6

Deutsche Bank, India	5	1
Deutsche Bank, Netherlands	4	3
Deutsche Bank, Philippines	1	1
Deutsche Bank, Philippines (U.S. dollar account)	1	5
Deutsche Bank, Poland	1	–
Deutsche Bank, Russia(U.S. dollar Account)	–	2
Deutsche Bank, Singapore	–	2
Deutsche Bank, Spain	–	1
Deutsche Bank, Switzerland	–	1
Deutsche Bank, United Kingdom	10	12
Deutsche Bank-EEFC, India (Euro account)	1	1
Deutsche Bank-EEFC, India (U.S. dollar account)	34	11
Deutsche Bank-EEFC, India (Australian Dollar account)	14	1
Deutsche Bank-EEFC, India (U.K. Pound Sterling account)	1	2
Deutsche Bank-EEFC, (Swiff Franc)	–	–
HSBC Bank, Brazil	1	1
HSBC Bank, Hong Kong	5	–
ICICI Bank, India	37	6
ICICI Bank-EEFC, India (U.S. dollar account)	1	3
ING, Belgium	1	1
Nordbanken, Sweden	1	3
Punjab National Bank, India	3	2
Pudong Development Bank, China	1	–
Royal Bank of Canada, Canada	1	4
Royal Bank of Scotland, China	8	6
Royal Bank of Scotland, China (U.S. dollar account)	1	1
State Bank of India, India	–	1
UBS AG, Switzerland	2	–
UBS AG, Switzerland (Euro account)	1	–
UBS AG, Switzerland (USD Dollar account)	2	1
UBS AG, Switzerland (U.K. Pound Sterling account)	1	–
Wells Fargo Bank N.A. USA	4	–
Westpac, Australia	1	1
	335	**259**
Deposit accounts		
Andhra Bank, India	150	126
Allahabad Bank, India	164	169
Axis Bank, India	175	180
Bank of Baroda, India	357	368
Bank of India, India	469	424
Canara Bank, India	427	393
Central Bank of India, India	252	260
Citibank N.A., China	–	3
Corporation Bank, India	210	189
Deutsche Bank, Poland	21	21
HDFC, India	76	–
ICICI Bank, India	484	501
IDBI Bank, India	251	286
Indusind Bank, India	3	4
ING Vysya Bank, India	32	33
Indian Overseas Bank, India	131	120

Jammu and Kashmir Bank, India	–	4
Kotak Mahindra Bank, India	1	4
National Australia Bank Limited, Australia	15	15
Oriental Bank of Commerce, India	22	15
Punjab National Bank, India	74	13
State Bank of India, India	9	10
South Indian Bank, India	–	4
Syndicate Bank, India	175	144
Union Bank of India, India	12	3
Vijaya Bank, India	138	143
Yes Bank, India	37	38
	3,685	**3,470**
Deposits with corporations		
HDFC Limited, India	584	602
	584	**602**
Total	**4,604**	**4,331**

2.2 Available-for-sale financial assets

Investments in mutual fund units, quoted debt securities and unquoted equity securities are classified as available-for-sale financial assets.

Cost and fair value of these investments are as follows:

(Dollars in millions)

	As of	
	September 30, 2014	**March 31, 2014**
Current		
Mutual fund units:		
Liquid mutual funds		
Cost and fair value	587	342
Fixed Maturity Plan Securities		
Cost	23	24
Gross unrealised holding gains	1	1
Fair value	24	25
	611	**367**
Non-Current		
Quoted debt securities:		
Cost	220	225
Gross unrealised holding gains / (losses)	(8)	(18)
Fair value	212	J07
Unquoted equity securities:		
Cost	–	–
Gross unrealised holding gains	1	1
Fair value	1	1

	213	**208**
Total available-for-sale financial assets	**824**	**575**

Mutual fund units:

Liquid mutual funds:

The fair value of liquid mutual funds as of September 30, 2014 and March 31, 2014 was $587 million and $342 million, respectively. The fair value is based on quoted price.

Fixed maturity plan securities:

The fair value of fixed maturity plan securities as of September 30, 2014 and March 31, 2014 is $24 million and $25 million, respectively. The net unrealized loss of less than $1 million, net of taxes, has been recognized in other comprehensive income for each of the three months and six months ended September 30, 2014, respectively. The unrealized gain of less than $1 million, net of taxes of less than $1 million has been recognized in other comprehensive income for the three months and six months ended September 30, 2013 (Refer to note 2.12).

The fair value is based on quotes reflected in actual transactions in similar instruments.

Quoted debt securities:

The fair value of quoted debt securities as of September 30, 2014 and March 31, 2014 was $212 million and $207 million, respectively. The net unrealized gain of $5 million, net of taxes, has been recognized in other comprehensive income for the three months ended September 30, 2014. The net unrealized gain of $8 million, net of taxes, has been recognized in other comprehensive income for the six months ended September 30, 2014. (Refer to note 2.12)

The net unrealized loss of $4 million, net of taxes of $1 million, has been recognized in other comprehensive income for the three months and six months ended September 30, 2013. The fair value is based on the quoted price.

Unquoted equity securities:

As of September 30, 2014 and March 31, 2014, the 2,154,100 shares held in OnMobile Systems Inc, U.S.A, were fair valued at $1 million each. The fair value has been derived based on an agreed upon exchange ratio between these unquoted equity securities and quoted prices of the underlying marketable equity securities. The unrealized loss of less than $1 million (net of taxes) has been recognized in other comprehensive income for each of the three months and six months ended September 30, 2014, respectively.

The unrealized loss of less than $1 million, net of taxes of less than $1 million has been recognized in other comprehensive income for each of the three months and six months ended September 30, 2013, respectively.

2.3 Edgeverve

Edgeverve was created as a wholly owned subsidiary to focus on developing and selling products and platforms. On April 15, 2014, the Board of Directors of Infosys has authorized the Company to execute a Business Transfer Agreement and related documents with Edgeverve, subject to securing the requisite approval from shareholders in the Annual General Meeting. Subsequently, at the AGM held on June 14, 2014, the shareholders have authorised the Board to enter into a Business Transfer Agreement and related documents with Edgeverve, with effect from July 1, 2014 or such other date as may be decided by the Board of Directors. The Company has undertaken an enterprise valuation by an independent valuer and accordingly the business has been transferred to the Company's wholly owned subsidiary for a consideration of $70 million with effect from July 1, 2014 which is settled through the issue of fully paid-up equity shares of such subsidiary.

The transfer of assets and liabilities is accounted for at carrying values and does not have any impact on the consolidated financial statements.

2.4 Prepayments and other assets

Prepayments and other assets consist of the following:

(Dollars in millions)

	As of	
	September 30, 2014	**March 31, 2014**
Current		
Rental deposits	3	2
Security deposits with service providers	1	2
Loans and advances to employees	38	35
Prepaid expenses *(1)*	14	19

Interest accrued and not due	13	3
Withholding taxes [(1)]	208	176
Deposit with corporation	157	163
Advance payments to vendors for supply of goods [(1)]	8	15
Premiums held in trust [(2)]	3	23
Other assets	2	2
	447	440
Non-current		
Loans and advances to employees	7	6
Security deposits with service providers	10	10
Deposit with corporation	8	7
Prepaid gratuity [(1)]	9	2
Prepaid expenses [(1)]	2	2
Rental Deposits	8	10
	44	37
	491	**477**
Financial assets in prepayments and other assets	**250**	**263**

(1) *Non-financial assets*

(2) *Represents premiums collected from policyholders and payable to insurance providers by a service provider maintaining the amounts in a fiduciary capacity (Refer to Note 2.9).*

Withholding taxes primarily consist of input tax credits. Other assets primarily represent travel advances and other recoverables. Security deposits with service providers relate principally to leased telephone lines and electricity supplies.

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 Property, plant and equipment

Following are the changes in the carrying value of property, plant and equipment for the three months ended September 30, 2014:

(Dollars in millions)

	Land	**Buildings**	**Plant and machinery**	**Computer equipment**	**Furniture and fixtures**	**Vehicles**	**Capital work-in-progress**	**Total**
Gross Carrying value as of July 1, 2014	**216**	**845**	**288**	**460**	**169**	**5**	**319**	**2,302**
Additions	37	41	21	27	9	–	–	135
Deletions	–	–	(1)	(3)	–	(1)	(45)	(50)

Translation difference	(5)	(23)	(7)	(13)	(5)	1	(8)	(60)
Gross Carrying value as of September 30, 2014	**248**	**863**	**301**	**471**	**173**	**5**	**266**	**2,327**
Accumulated depreciation as of July 1, 2014	**–**	**(305)**	**(183)**	**(339)**	**(119)**	**(2)**	**–**	**(948)**
Depreciation	(2)	(8)	(11)	(15)	(8)	–	–	(44)
Accumulated depreciation on deletions	–	–	1	1	–	–	–	2
Translation difference	–	8	3	10	3	(1)	–	23
Accumulated depreciation as of September 30, 2014	**(2)**	**(305)**	**(190)**	**(343)**	**(124)**	**(3)**	**–**	**(967)**
Carrying value as of September 30, 2014	**246**	**558**	**111**	**128**	**49**	**2**	**266**	**1,360**
Carrying value as of July 1, 2014	**216**	**540**	**105**	**121**	**50**	**3**	**319**	**1,354**

Proceeds on sale of property, plant and equipment during the three months ended September 30, 2014 was less than $1 million.

Following are the changes in the carrying value of property, plant and equipment for the three months ended September 30, 2013:

(Dollars in millions)

	Land	**Buildings**	**Plant and machinery**	**Computer equipment**	**Furniture and fixtures**	**Vehicles**	**Capital work-in-progress**	**Total**
Gross Carrying value as of July 1, 2013	**144**	**717**	**218**	**336**	**141**	**5**	**326**	**1,887**
Additions	15	20	8	37	10	1	11	102
Deletions	–	–	–	–	–	–	–	–
Translation difference	(8)	(37)	(10)	(16)	(5)	(1)	(15)	(92)
Gross Carrying value as of September 30, 2013	**151**	**700**	**216**	**357**	**146**	**5**	**322**	**1,897**
Accumulated depreciation as of July 1, 2013	**–**	**(264)**	**(150)**	**(244)**	**(102)**	**(3)**	**–**	**(763)**
Depreciation	–	(12)	(9)	(26)	(4)	–	–	(51)
Accumulated depreciation on deletions	–	–	–	–	–	–	–	–
Translation difference	–	14	9	11	3	–	–	37
Accumulated depreciation as of September 30, 2013	**–**	**(262)**	**(150)**	**(259)**	**(103)**	**(3)**	**–**	**(777)**
Carrying value as of September 30, 2013	**151**	**438**	**66**	**98**	**43**	**2**	**322**	**1,120**
Carrying value as of July 1, 2013	**144**	**453**	**68**	**92**	**39**	**2**	**326**	**1,124**

Proceeds on sale of property, plant and equipment during the three months ended September 30, 2013 was less than $1 million.

Following are the changes in the carrying value of property, plant and equipment for the six months ended September 30, 2014:

(Dollars in millions)

	Land	**Buildings**	**Plant and machinery**	**Computer equipment**	**Furniture and fixtures**	**Vehicles**	**Capital work-in-progress**	**Total**
Gross Carrying value as of April 1, 2014	**190**	**839**	**284**	**444**	**170**	**6**	**305**	**2,238**
Additions	64	51	28	46	11	–	14	214
Deletions	–	–	(2)	(5)	(2)	(1)	(45)	(55)
Translation difference	(6)	(27)	(9)	(14)	(6)	–	(8)	(70)
Gross Carrying value as of September 30, 2014	**248**	**863**	**301**	**471**	**173**	**5**	**266**	**2,327**
Accumulated depreciation as of April 1, 2014	**–**	**(300)**	**(175)**	**(328)**	**(117)**	**(2)**	**–**	**(922)**
Depreciation	(2)	(15)	(22)	(28)	(13)	–	–	(80)
Accumulated depreciation on deletions	–	–	2	3	2	–	–	7
Translation difference	–	10	5	10	4	(1)	–	28
Accumulated depreciation as of September 30, 2014	**(2)**	**(305)**	**(190)**	**(343)**	**(124)**	**(3)**	**–**	**(967)**
Carrying value as of September 30, 2014	**246**	**558**	**111**	**128**	**49**	**2**	**266**	**1,360**
Carrying value as of April 1, 2014	**190**	**539**	**109**	**116**	**53**	**4**	**305**	**1,316**

Proceeds on sale of property, plant and equipment during the six months ended September 30, 2014 was less than $1 million.

Following are the changes in the carrying value of property, plant and equipment for the six months ended September 30, 2013:

(Dollars in millions)

	Land	**Buildings**	**Plant and machinery**	**Computer equipment**	**Furniture and fixtures**	**Vehicles**	**Capital work-in-progress**	**Total**
Gross Carrying value as of April 1, 2013	**157**	**773**	**231**	**347**	**147**	**5**	**306**	**1,966**
Additions	16	30	15	54	14	1	60	190

Deletions	–	–	–	(2)	–	–	–	(2)
Translation difference	(22)	(103)	(30)	(42)	(15)	(1)	(44)	(257)
Gross Carrying value as of September 30, 2013	**151**	**700**	**216**	**357**	**146**	**5**	**322**	**1,897**
Accumulated depreciation as of April 1, 2013	**–**	**(275)**	**(154)**	**(240)**	**(103)**	**(3)**	**–**	**(775)**
Depreciation	–	(24)	(18)	(51)	(11)	–	–	(104)
Accumulated depreciation on deletions	–	–	–	2	–	–	–	2
Translation difference	–	37	22	30	11	–	–	100
Accumulated depreciation as of September 30, 2013	**–**	**(262)**	**(150)**	**(259)**	**(103)**	**(3)**	**–**	**(777)**
Carrying value as of September 30, 2013	**151**	**438**	**66**	**98**	**43**	**2**	**322**	**1,120**
Carrying value as of April 1, 2013	**157**	**498**	**77**	**107**	**44**	**2**	**306**	**1,191**

Proceeds on sale of property, plant and equipment during the six months ended September 30, 2013 was less than $1 million.

Following are the changes in the carrying value of property, plant and equipment for the fiscal 2014:

(Dollars in millions)

	Land	**Buildings**	**Plant and machinery**	**Computer equipment**	**Furniture and fixtures**	**Vehicles**	**Capital work-in-progress**	**Total**
Gross Carrying value as of April 1, 2013	**157**	**773**	**231**	**347**	**147**	**5**	**306**	**1,966**
Additions	48	136	73	125	33	2	60	477
Deletions	–	–	(1)	(5)	–	(1)	(30)	(37)
Translation difference	(15)	(70)	(19)	(23)	(10)	–	(31)	(168)
Gross Carrying value as of March 31, 2014	**190**	**839**	**284**	**444**	**170**	**6**	**305**	**2,238**
Accumulated depreciation as of April 1, 2013	**–**	**(275)**	**(154)**	**(240)**	**(103)**	**(3)**	**–**	**(775)**
Depreciation	–	(49)	(35)	(109)	(21)	–	–	(214)
Accumulated depreciation on deletions	–	–	–	4	–	1	–	5
Translation difference	–	24	14	17	7	–	–	62
Accumulated depreciation as of March 31, 2014	**–**	**(300)**	**(175)**	**(328)**	**(117)**	**(2)**	**–**	**(922)**
Carrying value as of March 31, 2014	**190**	**539**	**109**	**116**	**53**	**4**	**305**	**1,316**
	157	**498**	**77**	**107**	**44**	**2**	**306**	**1,191**

Carrying value as of
April 1, 2013

Proceeds on sale of property, plant and equipment during the fiscal 2014 was $1 million.

During the three months ended June 30, 2014, based on internal and external technical evaluation, management reassessed the remaining useful life of assets primarily consisting of buildings and computers with effect from April 1, 2014. Accordingly the useful lives of certain assets required a change from the previous estimates.

The existing and revised useful lives are as below:

Category of assets	Existing useful life (Years)	Revised useful life (Years)
Building	15	22-25
Plant and machinery	5	5
Computer equipment	2-5	3-5
Furniture and fixtures	5	5
Vehicles	5	5

Had the Group continued with the previously assessed useful lives, charge for depreciation and cost of sales for the three months and six months ended September 30, 2014 would have been higher by $20 million and $43 million, respectively for assets held at April 1, 2014. The revision of the useful lives will result in the following changes in the depreciation expense as compared to the original useful life of the assets:

(Dollars in millions)

Particulars	Fiscal 2015	Fiscal 2016	After Fiscal 2016
Increase / (decrease) in depreciation expense	(72)	(24)	96

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

Carrying value of land includes $99 million and $60 million as of September 30, 2014 and March 31, 2014, respectively, towards deposits 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 $275 million and $227 million as of September 30, 2014 and March 31, 2014, respectively.

2.6 Goodwill

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

(Dollars in millions)

	As of	
	September 30, 2014	**March 31, 2014**
Carrying value at the beginning	**360**	**364**
Translation differences	(20)	(4)
Carrying value at the end	**340**	**360**

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the cash generating units (CGU) or groups of CGUs, which are benefiting 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.

During the three months ended March 31, 2014, the company reorganized its business to strengthen its focus on growing existing client relationships and increasing market share through service differentiation and operational agility. Consequent to the internal reorganization there were changes effected in the segments based on the "management approach" as defined in IFRS 8, Operating Segments. (Refer to Note 2.15). Accordingly the goodwill has been allocated to the new operating segments as at September 30, 2014 and March 31, 2014.

(Dollars in millions)

Segments	**As of**	
	September 30, 2014	**March 31, 2014**
Financial services	71	75
Insurance	49	50
Manufacturing	72	76
Energy, communication and services	33	35
Resources and utilities	15	16
Life sciences and healthcare	20	22
Retail, consumer packaged goods & logistics	50	54
Growth markets	30	32
Total	**340**	**360**

The entire goodwill relating to Infosys BPO's acquisition of McCamish has been allocated to the groups of CGUs, which are represented by the 'Insurance' segment.

The goodwill relating to Infosys Lodestone and Portland acquisitions has been allocated to the groups of CGUs which are represented by the entity's operating segment.

The recoverable amount of a CGU is the higher of its fair value less cost to sell and its value-in-use. The fair value of a CGU is determined based on the market capitalization. The value-in-use is determined based on specific calculations. These calculations use pre-tax cash flow projections over a period of five years, based on financial budgets approved by management and an average of the range of each assumption mentioned below. As of March 31, 2014, the estimated recoverable amount of the CGU exceeded its carrying amount. The recoverable amount was computed based on the fair value being higher than value-in-use and the carrying amount of the CGU was computed by allocating the net assets to operating segments for the purpose of impairment testing. The key assumptions used for the calculations are as follows:

	In %
Long term growth rate	8-10
Operating margins	17-20
Discount rate	13.2

The above discount rate is based on the Weighted Average Cost of Capital (WACC) of the Company. These estimates are likely to differ from future actual results of operations and cash flows.

2.7 Financial instruments

Financial Instruments by category

The carrying value and fair value of financial instruments by categories as of September 30, 2014 were as follows:

(Dollars in millions)

	Loans and receivables	**Financial assets/liabilities at fair value through profit and loss**	**Available for sale**	**Trade and other payables**	**Total carrying value/fair value**
Assets:					
Cash and cash equivalents (Refer to Note 2.1)	4,604	–	–	–	4,604
Available-for-sale financial assets (Refer to Note 2.2)	–	–	824	–	824
Investment in certificates of deposit	17	–	–	–	17

Trade receivables	1,464	–	–	–	1,464
Unbilled revenue	477	–	–	–	477
Prepayments and other assets (Refer to Note 2.4)	250	–	–	–	250
Derivative financial instruments	–	7	–	–	7
Total	**6,812**	**7**	**824**	–	**7,643**
Liabilities:					
Trade payables	–	–	–	22	22
Derivative financial instruments	–	4	–	–	4
Client deposits	–	–	–	4	4
Employee benefit obligation	–	–	–	165	165
Other liabilities (Refer note 2.9)	–	–	–	766	766
Total	**–**	**4**	**–**	**957**	**961**

The carrying value and fair value of financial instruments by categories as of March 31, 2014 were as follows:

(Dollars in millions)

	Loans and receivables	**Financial assets/liabilities at fair value through profit and loss**	**Available for sale**	**Trade and other payables**	**Total carrying value/fair value**
Assets:					
Cash and cash equivalents (Refer to Note 2.1)	4,331	–	–	–	4,331
Available-for-sale financial assets (Refer to Note 2.2)	–	–	575	–	575
Investment in certificates of deposit	143	–	–	–	143
Trade receivables	1,394	–	–	–	1,394
Unbilled revenue	469	–	–	–	469
Prepayments and other assets (Refer to Note 2.4)	263	–	–	–	263
Derivative financial instruments	–	36	–	–	36
Total	**6,600**	**36**	**575**	**–**	**7,211**
Liabilities:					
Trade payables	–	–	–	29	29
Client deposits	–	–	–	6	6
Employee benefit obligation	–	–	–	159	159
Other liabilities (Refer note 2.9)	–	**–**	–	687	687
Total	–	**–**	–	**881**	**881**

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 measured at fair value on a recurring basis as of September 30, 2014:

(Dollars in millions)

	As of September 30, 2014	**Fair value measurement at end of the reporting period using**		
		Level 1	**Level 2**	**Level 3**
Assets				
Available- for- sale financial asset- Investments in liquid mutual funds (Refer to Note 2.2)	587	587	–	–
Available- for- sale financial asset- Investments in fixed maturity plan securities (Refer to Note 2.2)	24	–	24	–
Available- for- sale financial asset- Investments in quoted debt securities (Refer to Note 2.2)	212	212	–	–
Available- for- sale financial asset- Investments in unquoted equity instruments (Refer to Note 2.2)	1	–	1	–
Derivative financial instruments- gain on outstanding foreign exchange forward and option contracts	7	–	7	–
Liabilities				
Derivative financial instruments- loss on outstanding foreign exchange forward and option contracts	4	–	4	–

The following table presents fair value hierarchy of assets and liabilities measured at fair value on a recurring basis as of March 31, 2014:

(Dollars in millions)

	As of March 31, 2014	**Fair value measurement at end**

		of the reporting period using		
		Level 1	**Level 2**	**Level 3**
Assets				
Available- for- sale financial asset- Investments in liquid mutual funds (Refer to Note 2.2)	342	342	–	–
Available- for- sale financial asset- Investments in fixed maturity plan securities (Refer to Note 2.2)	25	–	25	–
Available- for- sale financial asset- Investments in quoted debt securities (Refer to Note 2.2)	207	207	–	–
Available- for- sale financial asset- Investments in unquoted equity instruments (Refer to Note 2.2)	1	–	1	–
Derivative financial instruments- gain on outstanding foreign exchange forward and option contracts	36	–	36	–

Income from financial assets or liabilities that are not at fair value through profit or loss is as follows:

(Dollars in millions)

	Three months ended September 30,		**Six months ended September 30,**	
	2014	**2013**	**2014**	**2013**
Interest income on deposits and certificates of deposit	106	83	209	174
Income from available-for-sale financial assets	12	10	25	18
	118	**93**	**234**	**192**

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 exposure. The counterparty for these contracts is generally a bank or a financial institution. 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)

	As of	
	September 30, 2014	**March 31, 2014**
Forward contracts		
In U.S. dollars	752	751
In Euro	68	64
In United Kingdom Pound Sterling	72	77
In Australian dollars	85	75

Option contracts		
In U.S. dollars	–	20

The Group recognized a net gain on derivative financial instruments of $14 million and a net loss on derivative financial instruments of $57 million for the three months ended September 30, 2014 and September 30, 2013, respectively, which is included under other income.

The Group recognized a net gain on derivative financial instruments of $27 million and a net loss on derivative financial instruments of $128 million for the six months ended September 30, 2014 and September 30, 2013, respectively, which is included under other income.

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

(Dollars in millions)

	As of	
	September 30, 2014	**March 31, 2014**
Not later than one month	199	198
Later than one month and not later than three months	471	467
Later than three months and not later than one year	357	393
	1,027	**1,058**

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. The demographics of the customer including the default risk of the industry and country in which the customer operates also has an influence on credit risk assessment.

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 uses 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 gives details in respect of the outstanding foreign exchange forward and option contracts:

(Dollars in millions)

	As of	
	September 30, 2014	**March 31, 2014**
Aggregate amount of outstanding forward and option contracts	1,027	1,058
Gains on outstanding forward and option contracts	7	36
Loss on outstanding forward and option contracts	4	–

The outstanding foreign exchange forward and option contracts as of September 30, 2014 and March 31, 2014, mature within twelve months.

The following table analyzes foreign currency risk from financial instruments as of September 30, 2014:

(Dollars in millions)

	U.S. dollars	**Euro**	**United Kingdom Pound Sterling**	**Australian dollars**	**Other currencies**	**Total**
Cash and cash equivalents	181	16	23	40	66	326
Trade receivables	967	169	87	85	97	1,405
Unbilled revenue	277	69	22	26	37	431
Other assets	16	8	3	2	9	38
Trade payables	(7)	(2)	(1)	(1)	(9)	(20)
Client deposits	(2)	(2)	–	–	–	(4)
Accrued expenses	(90)	(25)	(10)	(4)	(29)	(158)
Employee benefit obligation	(64)	(12)	(6)	(22)	(17)	(121)
Other liabilities	(117)	(18)	(5)	(4)	(69)	(213)
Net assets / (liabilities)	**1,161**	**203**	**113**	**122**	**85**	**1,684**

The following table analyzes foreign currency risk from financial instruments as of March 31, 2014:

(Dollars in millions)

	U.S. dollars	Euro	United Kingdom Pound Sterling	Australian dollars	Other currencies	Total
Cash and cash equivalents	144	17	33	30	63	287
Trade receivables	898	182	102	87	75	1,344
Unbilled revenue	271	64	22	32	41	430
Other assets	12	6	2	2	9	31
Trade payables	(3)	(3)	(2)	–	(16)	(24)
Client deposits	(3)	(3)	–	–	–	(6)
Accrued expenses	(127)	(26)	(10)	(6)	(31)	(200)
Employee benefit obligation	(64)	(12)	(7)	(22)	(16)	(121)
Other liabilities	(75)	(5)	–	(9)	(50)	(139)
Net assets / (liabilities)	**1,053**	**220**	**140**	**114**	**75**	**1,602**

For the three months ended September 30, 2014 and September 30, 2013, every percentage point depreciation / appreciation in the exchange rate between the Indian rupee and the U.S. dollar has affected the company's incremental operating margins by approximately 0.54% and 0.46%, respectively.

For the six months ended September 30, 2014 and September 30, 2013, every percentage point depreciation / appreciation in the exchange rate between the Indian rupee and the U.S. dollar has affected the company's incremental operating margins by approximately 0.53% and 0.46%, respectively.

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.

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 $1,464 million and $1,394 million as of September 30, 2014 and March 31, 2014, respectively and unbilled revenue amounting to $477 million and $469 million as of September 30, 2014 and March 31, 2014, respectively. Trade receivables 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.

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

(In %)

	Three months ended September 30,		Six months ended September 30,	
	2014	**2013**	**2014**	**2013**
Revenue from top customer	3.4	3.9	3.4	3.9
Revenue from top five customers	13.6	15.0	13.7	14.9

Financial assets that are neither past due nor impaired

Cash and cash equivalents and available-for-sale financial assets are neither past due nor impaired. Cash and cash equivalents include deposits with banks and corporations with high credit-ratings assigned by international and domestic credit-rating agencies. Available-for-sale financial assets include investment in mutual fund units, quoted debt securities and unquoted equity securities. Certificates of deposit represent funds deposited at a bank or other eligible financial institution for a specified time period. Investment in quoted debt securities represents the investments made in debt securities issued by government and quasi government organizations. Of the total trade receivables, $1,065 million and $1,064 million as of September 30, 2014 and March 31, 2014, respectively, were neither past due nor impaired.

There is no other class of financial assets that is not past due but impaired except for trade receivables of $5 million and $3 million as of September 30, 2014 and March 31, 2014, respectively.

Financial assets that are past due but not impaired

The Group's credit period generally ranges from 30-60 days. The age analysis of the trade receivables have been considered from the due date. The age-wise break up of trade receivables, net of allowances of $57 million and $33 million as of September 30, 2014 and March 31, 2014, respectively, that are past due, is given below:

(Dollars in millions)

Period (in days)	**As of**	
	September 30, 2014	**March 31, 2014**
Less than 30	242	229
31 – 60	82	42
61 – 90	37	21
More than 90	38	38
	399	**330**

The provisions for doubtful trade receivables for the three months and six months ended September 30, 2014 and September 30, 2013 was $9 million and $28 million and $6 million and $13 million, respectively.

The movement in the provisions for doubtful trade receivables is as follows:

(Dollars in millions)

	Three months ended September 30,		Six months ended September 30,		Year ended March 31
	2014	2013	2014	2013	2014
Balance at the beginning	55	23	36	17	17
Translation differences	(1)	(1)	(1)	(1)	–
Provisions for doubtful trade receivables	9	6	28	13	23
Trade receivables written off	(1)	(2)	(1)	(3)	(4)
Balance at the end	**62**	**26**	**62**	**26**	**36**

Liquidity risk

As of September 30, 2014, the Group had a working capital of $5,902 million including cash and cash equivalents of $4,604 million, current available-for-sale financial assets of $611 million and investment in certificates of deposit of $17 million. As of March 31, 2014, the Group had a working capital of $5,656 million including cash and cash equivalents of $4,331 million, current available-for-sale financial assets of $367 million and investment in certificates of deposit of $143 million.

As of September 30, 2014 and March 31, 2014, the outstanding employee benefit obligations were $165 million and $159 million, respectively, which have been fully funded. Further, as of September 30, 2014 and March 31, 2014, the Group had no outstanding bank borrowings. Accordingly, no liquidity risk is perceived.

The table below provides details regarding the contractual maturities of significant financial liabilities as of September 30, 2014:

(Dollars in millions)

Particulars	**Less than 1 year**	**1-2 years**	**2-4 years**	**4-7 years**	**Total**
Trade payables	22	–	–	–	22
Client deposits	4	–	–	–	4
Other liabilities (excluding liabilities towards acquisition and incentive accruals - Refer Note 2.9)	711	–	–	–	711
Incentive accruals on an undiscounted basis (Refer note 2.9)	–	–	2	–	2
	–	68	–	–	68

Liability towards acquisitions on an undiscounted basis (Refer Note 2.9)

The table below provides details regarding the contractual maturities of significant financial liabilities as of March 31, 2014:

(Dollars in millions)

Particulars	**Less than 1 year**	**1-2 years**	**2-4 years**	**4-7 years**	**Total**
Trade payables	29	–	–	–	29
Client deposits	6	–	–	–	6
Other liabilities (excluding liabilities towards acquisition and incentive accruals - Refer Note 2.9)	640	–	–	–	640
Incentive accruals on an undiscounted basis (Refer note 2.9)	–	4	–	–	4
Liability towards acquisitions on an undiscounted basis (Refer Note 2.9)	–	55	–	–	55

As of September 30, 2014 and March 31, 2014, the Group had outstanding financial guarantees of $7 million and $6 million, respectively, towards leased premises. These financial guarantees can be invoked upon breach of any term of the lease agreement. To the Group's knowledge there has been no breach of any term of the lease agreement as of September 30, 2014 and March 31, 2014.

Offsetting of financial assets and financial liabilities

The Group offsets a financial asset and a financial liability when it currently has a legally enforceable right to set off the recognised 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:

(Dollars in millions)

	As of September 30, 2014		**As of March 31, 2014**	
	Derivative financial asset	**Derivative financial liability**	**Derivative financial asset**	**Derivative financial liability**
Gross amount of recognised financial asset/liability	9	(6)	36	–
Amount set off	(2)	2	–	–
	7	**(4)**	**36**	**–**

Net amount presented in balance sheet

2.8 Provisions

Provisions comprise the following:

(Dollars in millions)

	As of	
	September 30, 2014	**March 31, 2014**
Provision for post sales client support and other provisions	66	63
Provision towards visa related matters (Refer to Note 2.16)	–	–
	66	**63**

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

(Dollars in millions)

Three months ended September 30,

2014