Infosys Limited and Subsidiaries

Unaudited Condensed Consolidated Balance Sheets as of

(Dollars in millions except equity share data)

	Note	June 30, 2017	March 31, 2017
ASSETS			
Current assets			
Cash and cash equivalents	2.1	3,579	3,489
Current investments	2.2	1,609	1,538
Trade receivables		1,934	1,900
Unbilled revenue		611	562
Prepayments and other current assets	2.4	822	749
Derivative financial instruments	2.3	4	44
Total current assets		**8,559**	**8,282**
Non-current assets			
Property, plant and equipment	2.7	1,834	1,807
Goodwill	2.8	573	563
Intangible assets		113	120
Investment in associate	2.13	-	11
Non-current investments	2.2	937	984
Deferred income tax assets		104	83
Income tax assets		941	881
Other non-current assets	2.4	117	123
Total Non-current assets		**4,619**	**4,572**
Total assets		**13,178**	**12,854**
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables		40	57
Derivative financial instruments	2.3	7	-
Current income tax liabilities		703	599
Client deposits		2	5
Unearned revenue		309	274
Employee benefit obligations		220	209
Provisions	2.6	63	63
Other current liabilities	2.5	1,178	954
Total current liabilities		**2,522**	**2,161**
Non-current liabilities			
Deferred income tax liabilities		29	32
Other non-current liabilities	2.5	18	24
Total liabilities		**2,569**	**2,217**
Equity			
Share capital - ₹5/- ($0.16) par value 2,400,000,000 (2,400,000,000) equity shares authorized, issued and outstanding 2,285,679,962 (2,285,655,150), net of 11,264,702 (11,289,514) treasury shares, as of June 30, 2017 (March 31, 2017), respectively		199	199
Share premium		594	587
Retained earnings		12,050	12,190
Cash flow hedge reserve		(4)	6
Other reserves		51	-
Other components of equity		(2,281)	(2,345)
Total equity attributable to equity holders of the Company		**10,609**	**10,637**
Non-controlling interests		-	-
Total equity		**10,609**	**10,637**
Total liabilities and equity		**13,178**	**12,854**

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

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

R. Seshasayee
Chairman

Ravi Venkatesan
Co- Chairman

Dr. Vishal Sikka
Chief Executive Officer and Managing Director

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

Bengaluru
July 14, 2017

Roopa Kudva
Director

M. D. Ranganath
Chief Financial Officer

A.G.S. Manikantha
Company Secretary

Infosys Limited and Subsidiaries

Unaudited Condensed Consolidated Statement of Comprehensive Income

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

	Note	Three months ended June 30,	
		2017	**2016**
Revenues		**2,651**	**2,501**
Cost of sales	2.15	1,692	1,592
Gross profit		**959**	**909**
Operating expenses:			
Selling and marketing expenses	2.15	138	137
Administrative expenses	2.15	183	170
Total operating expenses		321	307
Operating profit		**638**	**602**
Other income, net		127	112
Share in associate's profit/ (loss)		-	-
Write down of investment in associate	2.13	(11)	-
Profit before income taxes		**754**	**714**
Income tax expense	2.11	213	203
Net profit		**541**	**511**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Re-measurements of the net defined benefit liability/asset		-	(2)
Cumulative impact on reversal of unrealised gain on quoted debt securities on adoption of IFRS 9		-	(5)
Equity instruments through other comprehensive income, net		-	-
		-	(7)
Items that will be reclassified subsequently to profit or loss:			
Fair value changes on investments, net	2.2	4	-
Fair value changes on derivatives designated as cash flow hedge, net		(10)	-
Foreign currency translation		60	(173)
		54	(173)
Total other comprehensive income, net of tax		**54**	**(180)**
Total comprehensive income		**595**	**331**
Profit attributable to:			
Owners of the Company		541	511
Non-controlling interests		-	-
		541	**511**
Total comprehensive income			
Owners of the Company		595	331
Non-controlling interests		-	-
		595	**331**
Earnings per equity share			
Basic ($)		0.24	0.22
Diluted ($)		0.24	0.22
Weighted average equity shares used in computing earnings per equity share	2.12		
Basic		2,285,657,604	2,285,622,329
Diluted		2,287,058,148	2,285,768,122

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

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

R. Seshasayee *Chairman*	Ravi Venkatesan *Co- Chairman*	Dr. Vishal Sikka *Chief Executive Officer and Managing Director*	U. B. Pravin Rao *Chief Operating Officer and Whole-time Director*
Bengaluru July 14, 2017	Roopa Kudva *Director*	M. D. Ranganath *Chief Financial Officer*	A.G.S. Manikantha *Company Secretary*

Infosys Limited and Subsidiaries

Unaudited Condensed Consolidated Statement of Changes in Equity

(Dollars in millions except equity share data)

	Shares[1]	Share capital	Share premium	Retained earnings	Other reserves [2]	Cash flow hedge reserve	Other components of equity	Total equity attributable to equity holders of the Company
Balance as of April 1, 2016	**2,285,621,088**	**199**	**570**	**11,083**	**-**	**-**	**(2,528)**	**9,324**
Changes in equity for the three months ended June 30, 2016								
Cumulative impact of reversal of unrealized gain on quoted debt securities on adoption of IFRS 9 [3]	-	-	-	-	-	-	(5)	(5)
Shares issued on exercise of employee stock options (Refer note 2.10)	12,406	-	-	-	-	-	-	-
Transfer to other reserves	-	-	-	(41)	41	-	-	-
Transfer from other reserves on utilization	-	-	-	41	(41)	-	-	-
Employee stock compensation expense (Refer note 2.10)	-	-	1	-	-	-	-	1
Remeasurement of the net defined benefit liability/asset, net of tax effect	-	-	-	-	-	-	(2)	(2)
Dividends (including corporate dividend tax)	-	-	-	(580)	-	-	-	(580)
Net profit	-	-	-	511	-	-	-	511
Foreign currency translation	-	-	-	-	-	-	(173)	(173)
Balance as of June 30, 2016	**2,285,633,494**	**199**	**571**	**11,014**	**-**	**-**	**(2,708)**	**9,076**
Balance as of 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								
Shares issued on exercise of employee stock options (Refer note 2.10)	24,812	-	-	-	-	-	-	-
Transfer to other reserves	-	-	-	(75)	75	-	-	-
Transfer from other reserves on utilization	-	-	-	24	(24)	-	-	-
Employee stock compensation expense (Refer note 2.10)	-	-	7	-	-	-	-	7
Fair value changes on derivatives designated as cash flow hedge, net of taxes (Refer note 2.3)	-	-	-	-	-	(10)	-	(10)
Equity instruments through other comprehensive income, net of taxes (Refer note 2.2)	-	-	-	-	-	-	-	-
Fair value changes on investments, net of taxes (Refer note 2.2)	-	-	-	-	-	-	4	4
Remeasurement of the net defined benefit liability/asset, net of tax effect	-	-	-	-	-	-	-	-
Dividends (including corporate dividend tax)	-	-	-	(630)	-	-	-	(630)
Net profit	-	-	-	541	-	-	-	541
Foreign currency translation	-	-	-	-	-	-	60	60
Balance as of June 30, 2017	**2,285,679,962**	**199**	**594**	**12,050**	**51**	**(4)**	**(2,281)**	**10,609**

[1] *excludes treasury shares of 11,264,702 as of June 30, 2017, 11,289,514 as of April 1, 2017, 11,311,170 as of June 30, 2016 and 11,323,576 as of April 1, 2016, held by consolidated trust*

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

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

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

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

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July 14, 2017

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Director

M. D. Ranganath
Chief Financial Officer

A.G.S Manikantha
Company Secretary

Infosys Limited and Subsidiaries

Unaudited Condensed Consolidated Statement of Cash Flows

(Dollars in millions)

	Note	Three months ended June 30, 2017	2016
Operating activities:			
Net Profit		541	511
Adjustments to reconcile net profit to net cash provided by operating activities :			
Depreciation and amortisation	2.15	70	60
Income on investments		(37)	(8)
Income tax expense	2.11	213	203
Effect of exchange rate changes on assets and liabilities		(1)	3
Impairment loss on financial assets		(1)	2
Other adjustments		10	10
Changes in Working Capital			
Trade receivables and unbilled revenue		(72)	(122)
Prepayments and other assets		(25)	(127)
Trade payables		(17)	(18)
Client deposits		(3)	-
Unearned revenue		35	31
Other liabilities and provisions		118	18
Cash generated from operations		**831**	**563**
Income taxes paid		(187)	(111)
Net cash provided by operating activities		**644**	**452**
Investing activities:			
Expenditure on property, plant and equipment, net of sale proceeds, including changes in retention money and capital creditors		(86)	(128)
Loans to employees		3	3
Deposits placed with corporation		(1)	(9)
Income on investments		13	4
Payment of contingent consideration pertaining to acquisition of business	2.9	(5)	(5)
Investment in equity and preference securities		(2)	(4)
Investment in others		(1)	-
Investment in quoted debt securities		-	(1)
Redemption of quoted debt securities		1	1
Investment in certificate of deposits		(44)	-
Redemption of certificate of deposits		23	-
Investment in liquid mutual fund units and fixed maturity plan securities		(2,557)	(1,587)
Redemption of liquid mutual fund units and fixed maturity plan securities		2,604	1,515
Net cash used in investing activities		**(52)**	**(211)**
Financing activities:			
Payment of dividend		(522)	(481)
Net cash used in financing activities		**(522)**	**(481)**
Effect of exchange rate changes on cash and cash equivalents		20	(97)
Net increase/(decrease) in cash and cash equivalents		70	(240)
Cash and cash equivalents at the beginning of the period	2.1	3,489	4,935
Cash and cash equivalents at the end of the period	2.1	**3,579**	**4,598**
Supplementary information:			
Restricted cash balance	2.1	93	76

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

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

R. Seshasayee *Chairman*	Ravi Venkatesan *Co- Chairman*	Dr. Vishal Sikka *Chief Executive Officer and Managing Director*	U. B. Pravin Rao *Chief Operating Officer and Whole-time Director*
Bengaluru July 14, 2017	Roopa Kudva *Director*	M. D. Ranganath *Chief Financial Officer*	A.G.S Manikantha *Company Secretary*

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

1. Company Overview and Significant Accounting Policies

1.1 Company overview

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

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

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

The Group's unaudited condensed consolidated interim financial statements are authorized for issue by the company's Board of Directors on July 14, 2017.

1.2 Basis of preparation of financial statements

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting, 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 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, 2017. Accounting policies have been applied consistently to all periods presented in these unaudited condensed consolidated interim financial statements.

1.3 Basis of consolidation

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

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

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

1.4 Use of estimates

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

1.5 Critical accounting estimates

a. Revenue recognition

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

b. Income taxes

The company's two major tax jurisdictions are India and the U.S., though the Company also files tax returns in other overseas jurisdictions. Significant judgments are involved in determining the provision for income taxes, including amount expected to be paid/recovered for uncertain tax positions (also refer to note 2.11).

c. Business combinations and intangible assets

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

d. Property, plant and equipment

Property, plant and equipment represent a significant proportion of the asset base of the Group. The charge in respect of periodic depreciation is derived after determining an estimate of an asset’s expected useful life and the expected residual value at the end of its life. The useful lives and residual values of the 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.

1.6 Revenue recognition

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

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

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

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

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

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

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

1.7 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:

Building	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 note 2.7)*

Advances paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date and the cost of assets not put to use before such date are disclosed under ‘Capital work-in-progress’. Subsequent expenditures relating to property, plant and equipment is capitalized only when it is probable that future economic benefits associated with these will flow to the Group and the cost of the item can be measured reliably. Repairs and maintenance costs are recognized in 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 of are reported at the lower of the carrying value or the fair value less cost to sell.

1.8 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 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.

1.9 Financial instruments

Effective April 1, 2016, the group has elected to early adopt 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 consolidated financial statements.

1.9.1 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.

1.9.2 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

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. Further, in cases where the Group has made an irrevocable election based on its business model, for its investments which are classified as equity instruments, the subsequent changes in fair value are recognized in other comprehensive income.

(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 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 a 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 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.

1.9.3 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.

1.10 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 Note 2.3 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.

1.11 Impairment

a. Financial assets

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

b. Non-financial assets

(i) Goodwill

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.

(ii) Intangible assets and property, plant and equipment

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

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

1.12 Employee benefits

1.12.1 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 BPO and EdgeVerve, contributions are made to the Infosys BPO's Employees' Gratuity Fund Trust and EdgeVerve Systems Limited Employees' Gratuity Fund Trust, respectively. Trustees administer contributions made to the Trusts and contributions are invested in a scheme with Life Insurance Corporation of India as permitted by 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.

1.12.2 Superannuation

Certain employees of Infosys, 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.

1.12.3 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 their monthly contributions.

1.12.4 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.

1.13 Share - based compensation

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

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

1.14 Earnings per equity share

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.

1.15 Cash Flow Statement

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.

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

1.16 Recent accounting pronouncements

1.16.1 Standards issued but not yet effective

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

The standard permits two possible methods of transition:
• Retrospective approach - Under this approach the standard will be applied retrospectively to each prior reporting period presented in accordance with IAS 8-Accounting Policies, Changes in Accounting Estimates and Errors
• Retrospectively with cumulative effect of initially applying the standard recognized at the date of initial application (Cumulative catch - up approach)
The effective date for adoption of IFRS 15 is annual periods beginning on or after January 1, 2018, though early adoption is permitted.
The Group does not plan to early adopt IFRS 15 and will adopt the same on April 1, 2018 by using the full retrospective transition method to restate each prior reporting period presented. The group derives revenues primarily from software development and related services and from the licensing of software products and is currently evaluating the effect of IFRS 15 on its consolidated financial statements and related disclosures.

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 yet to evaluate the requirements of IFRS 16 and the impact on the consolidated financial statements.

IFRIC 22, Foreign currency transactions and Advance consideration: On December 8, 2016, the IFRS interpretations committee of the International Accounting Standards Board (IASB) issued IFRS interpretation, IFRIC 22, Foreign currency transactions and Advance consideration which clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency. The effective date for adoption of IFRIC 22 is annual reporting periods beginning on or after January 1, 2018, though early adoption is permitted. The Group is currently evaluating the effect of IFRIC 22 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 yet to evaluate the effect of IFRIC 23 on the consolidated financial statements.

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 of	
	June 30, 2017	**March 31, 2017**
Cash and bank deposits	2,398	2,296
Deposits with financial institutions	1,181	1,193
	3,579	**3,489**

Cash and cash equivalents as of June 30, 2017 and March 31, 2017 include restricted cash and bank balances of $93 million and $88 million, respectively. The restrictions are primarily on account of cash and bank balances held by irrevocable trusts controlled by the Company, bank balances held as margin money deposits against guarantees and balances held in unpaid dividend bank accounts.

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

The table below provides details of cash and cash equivalents :

(Dollars in millions)

	As of	
	June 30, 2017	**March 31, 2017**
Current accounts		
ANZ Bank, Taiwan	1	-
Banamex Bank, Mexico (U.S. Dollar account)	1	1
Bank of America, Mexico	12	8
Bank of America, USA	149	159
Bank Zachodni WBK S.A, Poland	2	1
Barclays Bank, UK	1	-
Bank Leumi, Israel (US Dollar account)	6	-
Bank Leumi, Israel	1	2
BNP Paribas Bank, Norway	7	3
China Merchants Bank, China	-	1
Citibank N.A, China	24	10
Citibank N.A., China (U.S. Dollar account)	3	2
Citibank N.A., Costa Rica	-	1
Citibank N.A., Australia	8	3
Citibank N.A., Brazil	3	5
Citibank N.A., Japan	1	2
Citibank N.A., New Zealand	1	2
Citibank N.A., South Africa	2	2
Citibank N.A., USA	14	12
Citibank N.A., EEFC (U.S. Dollar account)	9	-
Commerzbank, Germany	3	3
Deutsche Bank, India	2	2
Deutsche Bank, Philippines	1	1
Deutsche Bank, Philippines (U.S. Dollar account)	-	1
Deutsche Bank, Poland	2	2
Deutsche Bank, Poland (Euro account)	-	1
Deutsche Bank, EEFC (Australian Dollar account)	-	6
Deutsche Bank, EEFC (Euro account)	5	4
Deutsche Bank, EEFC (U.S. Dollar account)	13	12
Deutsche Bank, EEFC (United Kingdom Pound Sterling account)	1	2
Deutsche Bank, Belgium	10	2
Deutsche Bank, Malaysia	-	1
Deutsche Bank, Czech Republic	2	1
Deutsche Bank, Czech Republic (Euro account)	1	1
Deutsche Bank, Czech Republic (U.S. Dollar account)	5	5
Deutsche Bank, France	1	1
Deutsche Bank, Germany	2	8
Deutsche Bank, Netherlands	1	-
Deutsche Bank, Russia	1	-
Deutsche Bank, Russia (U.S. Dollar account)	1	-
Deutsche Bank, Singapore	-	1
Deutsche Bank, Switzerland	4	1
Deutsche Bank, United Kingdom	7	4

Deutsche Bank, USA	-	2
ICICI Bank, India	7	8
ICICI Bank, EEFC (U.S. Dollar account)	3	1
ICICI Bank - Unpaid dividend account	4	2
Nordbanken, Sweden	3	5
Punjab National Bank, India	2	1
Raiffeisen Bank, Czech Republic	1	1
Raiffeisen Bank, Romania	1	1
Royal Bank of Canada, Canada	19	13
State Bank of India, India	9	1
Silicon Valley Bank, USA	1	1
Silicon Valley Bank, (Euro account)	2	3
Union Bank of Switzerland AG, (Euro account)	-	1
Wells Fargo Bank N.A., USA	6	5
Yes Bank, India	1	-
	366	**318**
Deposit accounts		
Axis Bank	167	181
Bank BGZ BNP Paribas S.A	24	28
Barclays Bank	128	127
Canara Bank	40	40
Citibank	23	26
Deutsche Bank, Poland	16	11
HDFC Bank	378	72
HSBC Bank	77	77
ICICI Bank	840	751
IDBI Bank	-	270
IDFC Bank	31	31
IndusInd Bank	30	29
Kotak Mahindra Bank Limited	83	83
South Indian Bank	70	69
Standard Chartered Bank	-	77
Syndicate Bank	8	8
Yes Bank	117	98
	2,032	**1,978**
Deposits with financial institutions		
HDFC Limited, India	1,073	1,085
LIC Housing Finance Limited	108	108
	1,181	**1,193**
Total	**3,579**	**3,489**

2.2 Investments

The carrying value of investments are as follows:

	(Dollars in millions)	
	As of	
	June 30, 2017	March 31, 2017
(i) Current		
Amortised cost		
Quoted debt securities		
Cost	1	2
Fair value through profit and loss		
Liquid mutual funds		
Fair Value	242	278
Fixed maturity plan securities		
Fair Value	24	23
Fair Value through Other comprehensive income		
Quoted debt securities		
Fair value	74	16
Certificate of deposits		
Fair value	1,264	1,219
Unquoted equity and preference securities		
Fair value	4	-
	1,609	**1,538**
(ii) Non-current		
Amortised cost		
Quoted debt securities		
Cost	294	293
Fair value through Other comprehensive income		
Quoted debt securities		
Fair value	549	597
Unquoted equity and preference securities		
Fair value	23	25
Fair value through profit and loss		
Unquoted convertible promissory note		
Fair value	1	1
Fixed maturity plan securities		
Fair Value	64	63
Others		
Fair value	6	5
	937	**984**
Total investments	**2,546**	**2,522**
Investments carried at amortized cost	295	295
Investments carried at fair value through other comprehensive income	1,914	1,857
Investments carried at fair value through profit and loss	337	370

Liquid mutual funds:

The fair value of liquid mutual funds as of June 30, 2017 was $242 million and as of March 31, 2017 was $278 million. The fair value is based on quoted prices.

Fixed maturity plan securities:

The fair value as of June 30, 2017 is $88 million and as of March 31, 2017 was $86 million. The fair value is based on market observable inputs.

Quoted debt securities carried at amortised cost:

Investment in quoted debt securities represents the investments made in debt securities issued by government and quasi government organisations. The fair value of quoted debt securities (including interest accrued) as on June 30, 2017 and March 31, 2017 was $344 million and $334 million, respectively. The fair value is based on the quoted prices and market observable inputs.

Quoted debt securities fair valued through other comprehensive income:

Investment in quoted debt securities represents investments made in non-convertible debentures issued by government aided institutions. The fair value of non-convertible debentures (including interest accrued) as of June 30, 2017 was $623 million and as of March 31, 2017 was $613 million. The fair value is based on quoted prices and market observable inputs. The unrealised gain of $4 million, net of taxes of less than $1 million, has been recognized in other comprehensive income for the three months ended June 30, 2017.

Certificate of deposits:

The fair value of certificate of deposits as of June 30, 2017 was $1,264 million and as of March 31, 2017 was $1,219 million. The fair value is based on market observable inputs. The unrealised loss of less than $1 million, net of taxes of less than $1 million, has been recognized in other comprehensive income for the three months ended June 30, 2017.

Unquoted equity, preference and other investments

The fair value is determined using Level 3 inputs like Discounted cash flows method, Market multiples method, Option pricing model, etc.

2.3 Financial instruments

Financial instruments by category

The carrying value and fair value of financial instruments by categories as of June 30, 2017 were as follows:

(Dollars in millions)

	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 2.1)	3,579	-	-	-	-	3,579	3,579
Investments (Refer Note 2.2)							
Liquid mutual funds	-	-	242	-	-	242	242
Fixed maturity plan securities	-	-	88	-	-	88	88
Quoted debt securities	295	-	-	-	623	918	967 (1)
Certificate of deposits	-	-	-	-	1,264	1,264	1,264
Unquoted equity and preference securities	-	-	-	27	-	27	27
Unquoted investments others	-	-	6	-	-	6	6
Unquoted convertible promissory note	-	-	1	-	-	1	1
Trade receivables	1,934	-	-	-	-	1,934	1,934
Unbilled revenue	611	-	-	-	-	611	611
Prepayments and other assets (Refer Note 2.4)	459	-	-	-	-	459	459
Derivative financial instruments	-	-	4	-	-	4	4
Total	**6,878**	**-**	**341**	**27**	**1,887**	**9,133**	
Liabilities:							
Trade payables	40	-	-	-	-	40	40
Derivative financial instruments	-	-	1	-	6	7	7
Client deposits	2	-	-	-	-	2	2
Other liabilities including contingent consideration (Refer Note 2.5)	869	-	6	-	-	875	875
Total	**911**	**-**	**7**	**-**	**6**	**924**	

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

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

(Dollars in millions)

	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 2.1)	3,489	-	-	-	-	3,489	3,489
Investments (Refer Note 2.2)		-					
Liquid mutual funds	-	-	278	-	-	278	278
Fixed maturity plan securities	-	-	86	-	-	86	86
Quoted debt securities	295	-	-	-	613	908	947 (1)
Certificate of deposits	-	-	-	-	1,219	1,219	1,219
Unquoted equity and preference securities	-	-	-	25	-	25	25
Unquoted investments others	-	-	5	-	-	5	5
Unquoted convertible promissory note	-	-	1	-	-	1	1
Trade receivables	1,900	-	-	-	-	1,900	1,900
Unbilled revenue	562	-	-	-	-	562	562
Prepayments and other assets (Refer Note 2.4)	410	-	-	-	-	410	410
Derivative financial instruments	-	-	36	-	8	44	44
Total	**6,656**	**-**	**406**	**25**	**1,840**	**8,927**	
Liabilities:							
Trade payables	57	-	-	-	-	57	57
Derivative financial instruments	-	-	-	-	-	-	-
Client deposits	5	-	-	-	-	5	5
Other liabilities including contingent consideration (Refer Note 2.5)	763	-	13	-	-	776	776
Total	**825**	**-**	**13**	**-**	**-**	**838**	

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

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 of June 30, 2017 is as follows:

(Dollars in millions)

	As of June 30, 2017	Fair value measurement at end of the reporting period / year using		
		Level 1	Level 2	Level 3
Assets				
Investments in liquid mutual fund units (Refer Note 2.2)	242	242	-	-
Investments in fixed maturity plan securities (Refer Note 2.2)	88	-	88	-
Investments in quoted debt securities (Refer Note 2.2)	967	851	116	-
Investments in certificate of deposit (Refer Note 2.2)	1,264	-	1,264	
Investments in equity and preference securities (Refer Note 2.2)	27	-	-	27
Investment in unquoted investments others (Refer Note 2.2)	6	-	-	6
Investments in unquoted convertible promissory note (Refer Note 2.2)	1	-	-	1
Derivative financial instruments- gain on outstanding foreign exchange forward and option contracts	4	-	4	-
Liabilities				-
Derivative financial instruments- loss on outstanding foreign exchange forward and option contracts	1	-	1	-
Liability towards contingent consideration (Refer Note 2.5)*	6	-	-	6

During the three months ended June 30, 2017, quoted debt securities of $277 million were transferred from Level 2 to Level 1 of fair value hierarchy, since these were valued based on quoted prices.

**Discounted $7 million at 14%.*

The fair value hierarchy of assets and liabilities as of March 31, 2017 is as follows:

(Dollars in millions)

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

**Discounted $14 million at 14.2%.*

A one percentage point change in the unobservable inputs used in fair valuation of the contingent consideration does not have a significant impact in its value.

The movement in contingent consideration as of June 30, 2017 from March 31, 2017 is on account of settlement of contingent consideration of $7 million and change in discount rates and passage of time.

Income from financial assets or liabilities is as follows:

(Dollars in millions)

	Three months ended June 30,	
	2017	2016
Interest income on financial assets carried at amortized cost	66	97
Interest income on financial assets fair valued through other comprehensive income	32	-
Dividend income on investments carried at fair value through profit or loss	-	3
Gain / (loss) on investments carried at fair value through profit or loss	11	-
	109	**100**

Financial risk management

Financial risk factors

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

Market risk

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

The following table analyses foreign currency risk from financial instruments as of June 30, 2017:

(Dollars in millions)

	U.S. dollars	Euro	United Kingdom Pound Sterling	Australian dollars	Other currencies	Total
Cash and cash equivalents	215	25	9	24	132	405
Trade receivables	1,291	207	118	100	109	1,825
Unbilled revenue	336	75	50	23	50	534
Other assets	59	7	3	3	14	86
Trade payables	(12)	(6)	(5)	(1)	(13)	(37)
Client deposits	(1)	-	-	-	(1)	(2)
Accrued expenses	(158)	(32)	(26)	(6)	(21)	(243)
Employee benefit obligation	(88)	(14)	(3)	(24)	(23)	(152)
Other liabilities	(133)	(22)	(8)	(4)	(40)	(207)
Net assets / (liabilities)	**1,509**	**240**	**138**	**115**	**207**	**2,209**

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

(Dollars in millions)

	U.S. dollars	Euro	United Kingdom Pound Sterling	Australian dollars	Other currencies	Total
Cash and cash equivalents	206	20	6	28	108	368
Trade receivables	1,287	192	119	87	108	1,793
Unbilled revenue	376	68	50	19	47	560
Other assets	65	15	7	6	15	108
Trade payables	(18)	(5)	(2)	(1)	(24)	(50)
Client deposits	(2)	-	(2)	-	(1)	(5)
Accrued expenses	(147)	(33)	(22)	(6)	(23)	(231)
Employee benefit obligation	(86)	(13)	(3)	(23)	(19)	(144)
Other liabilities	(94)	(17)	(5)	(3)	(42)	(161)
Net assets / (liabilities)	**1,587**	**227**	**148**	**107**	**169**	**2,238**

For each of the three months ended June 30, 2017 and June 30, 2016, 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 0.49%.

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 options contracts: *(In millions)*

	As of	
	June 30, 2017	**March 31, 2017**
Derivatives designated as cash flow hedges		
Forward contracts		
In Euro	70	95
In United Kingdom Pound Sterling	45	40
In Australian dollars	90	130
Option Contracts		
In Euro	65	40
In United Kingdom Pound Sterling	10	-
In Australian dollars	40	-
Other derivatives		
Forward contracts		
In U.S. dollars	566	526
In Euro	91	114
In United Kingdom Pound Sterling	97	75
In Australian dollars	35	35
In Swiss Franc	-	10
In Singapore dollars	5	5
In Swedish Krona	50	50
In New Zealand dollars	5	-
In Canadian dollars	13	-
In Polish Zloty	37	-
Options contracts		
In U.S. dollars	223	195
In Euro	45	25
In United Kingdom Pound Sterling	20	30
In Canadian dollars	-	13

The Group recognized a net gain on derivative financial instruments of $3 million for the three months ended June 30, 2017 and $7 million for the three months ended June 30, 2016, which is included under other income.

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

(Dollars in millions)

	As of	
	June 30, 2017	**March 31, 2017**
Not later than one month	434	355
Later than one month and not later than three months	786	666
Later than three months and not later than one year	261	329
	1,481	**1,350**

During the three months ended June 30, 2017, the group has designated certain foreign exchange forward contracts as cash flow hedges to mitigate the risk of foreign exchange exposure on highly probable forecast cash transactions. The related hedge transactions for balance in cash flow hedging reserve are expected to occur and reclassified to revenue in the statement of comprehensive income 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, 2017: *(Dollars in millions)*

	Three months ended June 30, 2017
Balance at the beginning of the period	6
Gain / (Loss) recognised in other comprehensive income during the period	(6)
Amount reclassified to revenue during the period	(7)
Tax impact on above	3
Balance at the end of the period	**(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 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			
	June 30, 2017		**March 31, 2017**	
	Derivative financial asset	**Derivative financial liability**	**Derivative financial asset**	**Derivative financial liability**
Gross amount of recognized financial asset/liability	7	(10)	44	-
Amount set off	(3)	3	-	-
Net amount presented in balance sheet	**4**	**(7)**	**44**	**-**

Credit risk

Credit risk refers to the risk of default on its obligation by the counterparty resulting in a financial loss. The maximum exposure to the credit risk at the reporting date is primarily from trade receivables amounting to $1,934 million and $1,900 million as of June 30, 2017 and March 31, 2017, respectively and unbilled revenue amounting to $611 million and $562 million as of June 30, 2017 and March 31, 2017, respectively. Trade receivables and unbilled revenue are typically unsecured and are derived from revenue earned from customers primarily located in the United States. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Group grants credit terms in the normal course of business. On account of adoption of IFRS 9, the Group uses expected credit loss model to assess the impairment loss or gain. The group uses a provision matrix to compute the expected credit loss allowance for trade receivables and unbilled revenues. The provision matrix takes into account available external and internal credit risk factors such as credit default swap quotes, credit ratings from international credit rating agencies and the Group's historical experience for customers.

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

(In %)

	Three months ended June 30,	
	2017	**2016**
Revenue from top customer	3.3	3.6
Revenue from top ten customers	20.0	22.2

Credit risk exposure

The reversal of allowance for lifetime expected credit loss on customer balances for the three months ended June 30, 2017 was $1 million and allowance for lifetime expected credit loss on customer balances was $2 million for the three months ended June 30, 2016.

(Dollars in millions)

	Three months ended June 30,	
`	**2017**	**2016**
Balance at the beginning	63	44
Translation differences	1	(1)
Impairment loss recognized/(reversed)	(1)	2
Write offs	-	-
Balance at the end	**63**	**45**

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

(Dollars in millions except otherwise stated)

	As of	
	June 30, 2017	**March 31, 2017**
Trade receivables	1,934	1,900
Unbilled revenues	611	562
Days Sales Outstanding- DSO (days)	68	68

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

Liquidity risk

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

As of June 30, 2017, the Group had a working capital of $6,037 million including cash and cash equivalents of $3,579 million and current investments of $1,609 million. As of March 31, 2017, the Group had a working capital of $6,121 million including cash and cash equivalents of $3,489 million and current investments of $1,538 million.

As of June 30, 2017 and March 31, 2017, the outstanding employee benefit obligations were $220 million and $209 million, respectively, which have been substantially funded. Accordingly, no liquidity risk is perceived.

The table below provides details regarding the contractual maturities of significant financial liabilities as of June 30, 2017:

(Dollars in millions)

Particulars	Less than 1 year	1-2 years	2-4 years	4-7 years	Total
Trade payables	40	-	-	-	40
Client deposits	2	-	-	-	2
Other liabilities (excluding liability towards contingent consideration - Refer Note 2.5)	864	5	-	-	869
Liability towards contingent consideration on an undiscounted basis -Refer Note 2.5	7	-	-	-	7

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

(Dollars in millions)

Particulars	Less than 1 year	1-2 years	2-4 years	4-7 years	Total
Trade payables	57	-	-	-	57
Client deposits	5	-	-	-	5
Other liabilities (excluding liability towards contingent consideration - Refer Note 2.5)	758	5	-	-	763
Liability towards contingent consideration on an undiscounted basis -Refer Note 2.5	7	7	-	-	14

2.4 Prepayments and other assets

Prepayments and other assets consist of the following:

(Dollars in millions)

	As of	
	June 30, 2017	March 31, 2017
Current		
Rental deposits	2	1
Security deposits	1	2
Loans to employees	39	42
Prepaid expenses *(1)*	78	68
Interest accrued and not due	132	89
Withholding taxes and others*(1)*	312	291
Advance payments to vendors for supply of goods *(1)*	13	20
Deposit with corporations	221	218
Deferred contract cost*(1)*	12	12
Other assets	12	6
	822	**749**
Non-current		
Loans to employees	4	5
Security deposits	14	13
Deposit with corporations	7	7
Prepaid gratuity *(1)*	6	12
Prepaid expenses *(1)*	17	15
Deferred contract cost *(1)*	42	44
Rental Deposits	27	27
	117	**123**
	939	**872**
Financial assets in prepayments and other assets	**459**	**410**

(1) Non financial assets

Withholding taxes and others primarily consist of input tax credits. Other assets primarily represent travel advances and other recoverable. Security deposits relate principally to leased telephone lines and electricity supplies. Deferred contract costs are upfront costs incurred for the contract and are amortised 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 of	
	June 30, 2017	March 31, 2017
Current		
Accrued compensation to employees	357	290
Accrued expenses	441	399
Withholding taxes and others [(1)]	199	189
Retainage	31	34
Liabilities of controlled trusts	22	22
Liability towards contingent consideration (Refer note 2.9)	6	7
Tax on dividend [(1)]	107	-
Deferred rent[(1)]	2	-
Others	13	13
	1,178	**954**
Non-Current		
Liability towards contingent consideration (Refer note 2.9)	-	6
Accrued compensation to employees	5	5
Deferred income - government grant on land use rights [(1)]	7	6
Deferred income [(1)]	6	7
	18	**24**
	1,196	**978**
Financial liabilities included in other liabilities	875	776
Contingent consideration on undiscounted basis	7	14

(1) Non financial liabilities

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

2.6 Provisions

Provisions comprise the following:

(Dollars in millions)

	As of	
	June 30, 2017	March 31, 2017
Provision for post sales client support and other provisions	63	63
	63	**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 June 30, 2017
Balance at the beginning	63
Translation differences	-
Provision recognized/(reversed)	2
Provision utilized	(2)
Balance at the end	**63**

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

As of June 30, 2017 and March 31, 2017, claims against the Company, not acknowledged as debts, net of amounts paid (excluding demands from Indian income tax authorities - Refer to Note 2.11) amounted to $47 million (₹301 crore) and $46 million (₹301 crore), 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

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 of 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 of June 30, 2017	**273**	**1,136**	**477**	**724**	**269**	**5**	**2,884**
Accumulated depreciation as of 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 of June 30, 2017	**(4)**	**(388)**	**(318)**	**(495)**	**(179)**	**(3)**	**(1,387)**
Capital work-in progress as of June 30, 2017							**337**
Carrying value as of June 30, 2017	**269**	**748**	**159**	**229**	**90**	**2**	**1,834**
Capital work-in progress as of April 1, 2017							**303**
Carrying value as of 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 three months ended June 30, 2016:

(Dollars in millions)

	Land	Buildings	Plant and machinery	Computer equipment	Furniture and fixtures	Vehicles	Total
Gross carrying value as of April 1, 2016	**244**	**955**	**392**	**615**	**218**	**4**	**2,428**
Additions	1	5	24	27	8	-	65
Deletions	-	-	-	(2)	-	-	(2)
Translation difference	(4)	(18)	(8)	(12)	(5)	1	(46)
Gross carrying value as of June 30, 2016	**241**	**942**	**408**	**628**	**221**	**5**	**2,445**
Accumulated depreciation as of April 1, 2016	**(3)**	**(332)**	**(243)**	**(395)**	**(149)**	**(3)**	**(1,125)**
Depreciation	-	(8)	(13)	(24)	(7)	-	(52)
Accumulated depreciation on deletions	-	-	-	2	-	-	2
Translation difference	-	6	5	7	4	-	22
Accumulated depreciation as of June 30, 2016	**(3)**	**(334)**	**(251)**	**(410)**	**(152)**	**(3)**	**(1,153)**
Capital work-in progress as of June 30, 2016							**332**
Carrying value as of June 30, 2016	**238**	**608**	**157**	**218**	**69**	**2**	**1,624**
Capital work-in progress as of April 1, 2016							**286**
Carrying value as of April 1, 2016	**241**	**623**	**149**	**220**	**69**	**1**	**1,589**

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

(Dollars in millions)

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

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

Carrying value of land includes $99 million as of June 30, 2017 and March 31, 2017 each, towards deposits paid under certain lease-cum-sale agreements to acquire land, including agreements where the company has an option to either purchase the properties or renew the lease on expiry of the lease period.

The contractual commitments for capital expenditure were $138 million and $177 million as of June 30, 2017 and March 31, 2017, respectively.

2.8 Goodwill

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

(Dollars in millions)

	As of	
	June 30, 2017	**March 31, 2017**
Carrying value at the beginning	563	568
Translation differences	10	(5)
Carrying value at the end	**573**	**563**

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 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.

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

(Dollars in millions)

Segment	**As of**
	March 31, 2017
Financial services	127
Manufacturing	63
Retail, Consumer packaged goods and Logistics	86
Life Sciences, Healthcare and Insurance	98
Energy & utilities, Communication and Services	118
	492
Operating segments without significant goodwill	71
Total	**563**

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

The goodwill relating to Infosys Lodestone, Portland, Panaya and Kallidus d.b.a Skava acquisitions has been allocated to the groups of CGUs which are represented by a majority of the entity's operating segment.

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

The recoverable amount of a CGU is the higher of its fair value less cost to sell and its value-in-use. The fair value of a CGU is determined based on the market capitalization. The value-in-use is determined based on specific calculations. These calculations use pre-tax cash flow projections over a period of five years. As of March 31, 2017, 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 %

	As of
	March 31, 2017
Long term growth rate	8-10
Operating margins	17-20
Discount rate	14.4

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.

2.9 Business combination

Noah Consulting LLC

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

The retention bonus is treated as a post-acquisition employee remuneration expense as per IFRS 3. For the three months ended June 30, 2017 and June 30, 2016 , a post-acquisition employee remuneration expense of $2 million and $5 million has been recorded in the statement of comprehensive income.

Proposed business transfer

On July 14, 2017, the Board of Directors of Infosys authorized the Company to execute a Business Transfer Agreement and related documents with Noah Consulting LLC, a wholly owned subsidiary, to transfer the business of Noah Consulting LLC to Infosys Limited, subject to securing the requisite regulatory approvals for a consideration based on an independent valuation. The transfer of assets and liabilities between entities under common control will be accounted for at carrying values and will not have any impact on the consolidated financial statements.

Kallidus Inc. (d.b.a Skava)

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

The payment of contingent consideration to sellers of Kallidus is dependent upon the achievement of certain financial targets by Kallidus over a period of 3 years ending on December 31, 2017.

The fair value of contingent consideration is determined by discounting the estimated amount payable to the sellers of Kallidus on achievement of certain financial targets. At the acquisition date, the key inputs used in determination of the fair value of contingent consideration are the discount rate of 14% and the probabilities of achievement of the financial targets.

During the three months ended June 30, 2017 contingent consideration of $7 million was paid to the sellers of Kallidus on the achievement of certain financial targets. The balance contingent consideration as of June 30, 2017 and March 31, 2017 is $7 million and $14 million on an undiscounted basis.

2.10 Employees' Stock Option Plans (ESOP)

2015 Stock Incentive Compensation Plan (the 2015 Plan): On March 31, 2016, pursuant to the approval by the shareholders through postal ballot, the Board has been authorized to introduce, offer, issue and allot share-based incentives to eligible employees of the Company and its subsidiaries under the 2015 Stock Incentive Compensation Plan (the 2015 Plan). The maximum number of shares under the 2015 plan shall not exceed 24,038,883 equity shares (this includes 1,12,23,576 equity shares which are held by the trust towards the 2011 Plan as at March 31, 2016). Out of this 17,038,883 equity shares will be issued as RSUs at par value and 7,000,000 equity shares will be issued as stock options at market price on the date of the grant. These instruments will 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 11,264,702 and 11,289,514 shares, as of June 30, 2017 and March 31, 2017, respectively under the 2015 plan, out of which 100,000 equity shares have been earmarked for welfare activities of the employees.

Stock incentives granted to CEO:

Pursuant to the approval from the shareholders through postal ballot on March 31, 2016, Dr. Vishal Sikka is eligible to receive under the 2015 Plan, an annual grant of time-based RSUs of fair value $2 million which vest over time, subject to continued service, and an annual grant of performance based equity and stock options of $5 million subject to achievement of performance targets set by the Board or its committee, which vest over time. Time based RSUs of fair value of $2 million for financial year 2017 was granted on August 1, 2016 amounting to 120,700 RSUs in equity shares represented by ADSs.

Based on fiscal 2017 performance evaluation, the Board, on the recommendations of nomination and remuneration committee, approved on April 13, 2017, performance based equity and stock options for fiscal 2017 comprising 132,483 RSUs amounting to $1.9 million and 330,525 ESOPs amounting to $0.96 million . Further, the Board, also approved the annual time-based vesting grant for fiscal 2018 to Dr. Vishal Sikka, comprising of 137,741 RSUs amounting to $2 million. These RSUs and ESOPs have been granted effective May 2, 2017. The exercise price of the RSU's will be equal to the par value of the shares and the exercise price of the stock options would be the market price as on the date of grant, as approved by the shareholders. Though the performance based awards for fiscal 2018 and the time based RSU's for the remaining employment term have not been granted as of June 30, 2017, in accordance with IFRS 2 Share-based Payment, the company has recorded employee stock based compensation expense.

Stock incentives granted to COO:

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

Stock incentives granted to KMP (other than CEO and COO)

On November 1, 2016, 245,750 RSUs and 502,550 stock options were granted under the 2015 plan, to key management personnel, excluding CEO and COO, based on fiscal 2016 performance. Additionally, on November 1, 2016, 1,500 RSUs were granted to the Acting General Counsel and the same were outstanding as of June 30, 2017. These RSUs and stock options will vest over a period of 4 years and shall be exercisable within the period as approved by the Committee. The exercise price of the RSUs will be equal to the par value of the shares and the exercise price of the stock options would be the market price as on the date of grant.

During the three months ended June 30, 2017 and June 30, 2016, we recorded an employee stock compensation expense of $2 million and $1 million, respectively towards key managerial personnel including CEO and COO.

Stock incentive granted to other employees:

During fiscal 2017, the company granted 2,506,740 RSUs and 703,300 ESOPs and 112,210 incentive units (cash settled) to certain eligible employees at mid and senior levels under the 2015 plan. Further, on May 2, 2017, the company granted 37,090 RSUs (includes equity shares and equity shares represented by ADS) at par value, 73,600 employee stock options (ESOPs) (including equity shares and equity shares represented by ADS) to be exercised at market price at the time of grant, to certain employees at the senior management level. These instruments will vest over a period of 4 years and are subject to continued service.

The company recorded an employee stock compensation expense in the statement of comprehensive income for the three months ended June 30, 2017 and June 30, 2016 of $7 million and $1 million, respectively. Further , the cash settled stock compensation expense (included above) for the three months ended June 30, 2017 and June 30, 2016 was less than $1 million and Nil, respectively. This comprises of expense pertaining to CEO, COO, other KMP and other employees. As of June 30, 2017 and March 31, 2017 94,090 and 106,845 incentive units were outstanding (net of forfeitures).

2011 RSU Plan (the 2011 Plan) now called 2015 Stock Incentive Compensation Plan (the 2015 Plan): The Company had a 2011 RSU Plan which provided for the grant of restricted stock units (RSUs) to eligible employees of the Company. The Board of Directors recommended the establishment of the 2011 Plan to the shareholders on August 30, 2011 and the shareholders approved the recommendation of the Board of Directors on October 17, 2011 through a postal ballot. The maximum aggregate number of shares that may be awarded under the plan was 1,13,34,400 as on date of approval of plan adjusted for bonus shares and the plan was expected to continue in effect for a term of 10 years from the date of initial grant under the plan. Awards have been granted to Dr. Vishal Sikka under the 2011 RSU plan as detailed below. Further the Company has earmarked 1,00,000 equity shares for welfare activities of the employees, approved by the shareholders vide postal ballot which ended on March 31, 2016. The equity shares as of March 31, 2016 held under this plan, i.e. 1,12,23,576 equity shares (this includes the aggregate number of equity shares that may be awarded under the 2011 Plan as reduced by 10,824 equity shares already exercised by Dr. Vishal Sikka and 1,00,000 equity shares which have been earmarked for welfare activities of the employees) have been subsumed under the 2015 Plan.

During the year ended March 31, 2015, the company made a grant of 108,268 restricted stock units (adjusted for bonus issues) to Dr. Vishal Sikka, Chief Executive Officer and Managing Director. The Board in its meeting held on June 22, 2015, on recommendation of Nomination and Remuneration Committee, further granted 1,24,061 RSUs to Dr. Vishal Sikka. These RSUs are vesting over a period of four years from the date of the grant in the proportions specified in the award agreement. The RSUs will vest subject to achievement of certain key performance indicators as set forth in the award agreement for each applicable year of the vesting tranche and continued employment through each vesting date.

The award granted to Dr. Vishal Sikka on June 22, 2015 was modified by the Nomination and remuneration committee on April 14, 2016. There is no modification or change in the total number of RSUs granted or the vesting period (which is four years). The modifications relate to the criteria of vesting for each of the years. Based on the modification, the first tranche of the RSUs will vest subject to achievement of certain key performance indicators for the year ended March 31, 2016. Subsequent vesting of RSU's for each of the remaining years would be subject to continued employment.

The activity in the 2015 Plan (formerly 2011 RSU Plan) for equity-settled share based payment transaction during the three months ended June 30, 2017 and June 30, 2016 is set out below:

Particulars	Three months ended June 30, 2017		Three months ended June 30, 2016	
	Shares arising out of options	Weighted average exercise price (₹)	Shares arising out of options	Weighted average exercise price (₹)
2015 Plan Indian equity shares (RSU - IES)				
Outstanding at the beginning*	2,003,928	5	221,505	5
Granted	31,750	5	-	-
Forfeited and expired	31,695	5	-	-
Exercised	24,812	5	12,406	5
Outstanding at the end	**1,979,171**	**5**	**209,099**	**5**
Exercisable at the end	-	-	-	-
2015 Plan Employee Stock Options (ESOPs- IES)				
Outstanding at the beginning	309,650	998	-	-
Granted	50,200	919	-	-
Forfeited and expired	-	-	-	-
Exercised	-	-	-	-
Outstanding at the end	**359,850**	**987**	**-**	**-**
Exercisable at the end	-	-	-	-

Particulars	Three months ended June 30, 2017	
	Shares arising out of options	Weighted average exercise price ($)
2015 Plan American Depository Shares (RSU - ADS)		
Outstanding at the beginning	957,445	0.07
Granted	302,814	0.07
Forfeited and expired	13,425	0.07
Exercised	-	-
Outstanding at the end	**1,246,834**	**0.07**
Exercisable at the end	-	-
2015 Plan Employee Stock Options (ESOPs- ADS)		
Outstanding at the beginning	888,000	15.26
Granted	396,925	14.54
Forfeited and expired	-	-
Exercised	-	-
Outstanding at the end	**1,284,925**	**15.05**
Exercisable at the end	-	-

There was no activity in 2015 plan during the three months ended June 30, 2016 involving equity shares represented by ADS

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

During the three months ended June 30, 2016, the weighted average share price of options exercised under the 2015 Plan on the date of exercise was $18.

The following table summarizes information about equity settled RSUs and ESOPs outstanding as of June 30, 2017

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: ADS and IES			
0.07 (RSU)	3,226,005	1.71	0.07
14 - 16 (ESOP)	1,644,775	6.98	15.09
	4,870,780	**3.49**	**5.15**

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

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: ADS and IES			
0.07 (RSU)	2,961,373	1.88	0.07
14 - 16 (ESOP)	1,197,650	7.09	15.83
	4,159,023	**3.38**	**4.61**

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

Particulars	**For options granted in**			
	Fiscal 2018- Equity Shares- RSU	**Fiscal 2018- Equity shares ESOP**	**Fiscal 2018- ADS-RSU**	**Fiscal 2018- ADS- ESOP**
Weighted average share price (₹) / ($- ADS)	923	923	14.52	14.52
Exercise price (₹)/ ($- ADS)	5.00	919	0.07	14.54
Expected volatility (%)	21-25	25-28	23-26	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)	857	254	13.50	2.91

Particulars	**For options granted in**			
	Fiscal 2017- Equity Shares- RSU	**Fiscal 2017- Equity shares ESOP**	**Fiscal 2017- ADS-RSU**	**Fiscal 2017- ADS- ESOP**
Weighted average share price (₹) / ($- ADS)	1,067	989	15.77	15.26
Exercise price (₹)/ ($- ADS)	5.00	998	0.07	15.26
Expected volatility (%)	24-29	27-29	26-29	27-31
Expected life of the option (years)	1 - 4	3 - 7	1 - 4	3 - 7
Expected dividends (%)	2.37	2.37	2.29	2.29
Risk-free interest rate (%)	6- 7	6- 7	1 - 2	1 - 2
Weighted average fair value as on grant date (₹) / ($- ADS)	1,002	285	14.84	3.46

The expected life of the RSU / ESOP is estimated based on the vesting term and contractual term of the RSU / ESOP, as well as expected exercise 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

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

	(Dollars in millions)	
	Three months ended June 30,	
	2017	**2016**
Current taxes		
Domestic taxes	167	163
Foreign taxes	66	56
	233	**219**
Deferred taxes		
Domestic taxes	(14)	(5)
Foreign taxes	(6)	(11)
	(20)	**(16)**
Income tax expense	**213**	**203**

Income tax expense for the three months ended June 30, 2017 and June 30, 2016 includes reversals (net of provisions) of $2 million and provisions (net of reversals) of $1 million respectively, pertaining to prior periods.

Entire deferred income tax for the three months ended June 30, 2017 and June 30, 2016 relates to origination and reversal of temporary differences.

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,	
	2017	**2016**
Profit before income taxes	754	714
Enacted tax rates in India	34.61%	34.61%
Computed expected tax expense	261	248
Tax effect due to non-taxable income for Indian tax purposes	(93)	(72)
Overseas taxes	35	28
Tax provision (reversals), overseas and domestic	(2)	1
Effect of differential overseas tax rates	2	-
Effect of exempt non operating income	(3)	(4)
Effect of unrecognized deferred tax assets	11	-
Effect of non-deductible expenses	5	5
Additional deduction on research and development expense	(1)	(2)
Others	(2)	(1)
Income tax expense	**213**	**203**

The applicable Indian statutory tax rate for fiscal 2018 and fiscal 2017 is 34.61%.

During the quarter ended June 30, 2017 and June 30, 2016, the Group has claimed weighted tax deduction on eligible research and development expenditure based on the approval received from Department of Scientific and Industrial Research (DSIR) which was valid upto March 31, 2017. The weighted tax deduction is equal to 150% for quarter ended June 30, 2017 and 200% for quarter ended June 30, 2016 of such expenditure incurred. The company has applied for renewal of the R&D recognition with DSIR which is pending approval.

The foreign tax expense is due to income taxes payable overseas, principally in the United States. In India, the Company has benefited from certain tax incentives that the Government of India has provided to the export of software for the units registered under the Special Economic Zones Act, 2005 (SEZ). SEZ units which began the provision of services on or after April 1, 2005 are eligible for a deduction of 100 percent 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 percent 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 Reinvestment Reserve out of the profit for the eligible SEZ units and utilization of such reserve by the Company for acquiring new plant and machinery for the purpose of its business as per the provisions of the Income Tax Act, 1961.

As of June 30, 2017, claims against the group not acknowledged as debts from the Indian Income tax authorities net of amount paid to statutory authorities of $771 million (₹4,982 crore) amounted to $230 million (₹1,489 crore).

As of March 31, 2017, claims against the group not acknowledged as debts from the Indian Income tax authorities net of amount paid to statutory authorities of $722 million (₹4,682 crore) amounted to $262 million (₹1,696 crore).

Claims against the company not acknowledged as debts as on June 30, 2017 include demand from the Indian Income tax authorities for payment of tax including interest upon completion of their tax assessment for fiscal 2007, 2008, 2009, 2010, 2011, 2012 and 2013. Demands were paid to statutory tax authorities in full except for fiscal year 2009, 2011, 2012 and 2013.

Demand for fiscal 2007, 2008 and 2009 includes disallowance of a portion of the deduction claimed by the company under Section 10A of the income Tax Act as determined by the ratio of export turnover to total turnover. The disallowance arose from certain expenses incurred in foreign currency being reduced from export turnover but not reduced from total turnover. Demand for fiscal 2007, 2008, 2009, 2010 and 2011 also includes disallowance of portion of profit earned outside India from the STP units under section 10A of the Income Tax Act and disallowance of profits earned from SEZ units under section 10AA of the Income Tax Act. During the quarter the Company has received the appeal order for fiscal 2007, 2008 and 2009 allowing deduction under section 10AA of the Income Tax Act for the units and deduction of foreign currency expenditure from export and total turnover. The order giving effect for the above mentioned years has not been received. The Company is in the process of filing appeal for fiscal 2007, 2008 and 2009 before Hon'ble Income Tax Appellate tribunal against the issues which are held against the Company by the Commissioner of Income Tax (Appeals) Bangalore. Demand for fiscal 2012 and 2013 includes disallowance of certain expenses incurred in foreign currency being reduced from export turnover but not reduced from total turnover and disallowance of profits earned from SEZ units which commenced operations before April 1, 2009 under section 10AA of the Income Tax Act and also others. The matters for fiscal 2013 is pending before the Commissioner of Income Tax (Appeals) Bangalore. The matter for fiscal 2010, fiscal 2011 and fiscal 2012 is pending before Hon’ble Income Tax Appellate Tribunal (ITAT) Bangalore.

The Company is contesting the demand and the management including its tax advisors believes that its position will likely be upheld in the appellate process. The management believes that the ultimate outcome of these proceedings will not have a material adverse effect on the Company's financial position and results of operations.

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

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,	
	2017	**2016**
Basic earnings per equity share - weighted average number of equity shares outstanding[(1)]	2,285,657,604	2,285,622,329
Effect of dilutive common equivalent shares- share options outstanding	1,400,544	145,793
Diluted earnings per equity share - weighted average number of equity shares and common equivalent shares outstanding	**2,287,058,148**	**2,285,768,122**

[(1)] *excludes treasury shares*

For the three months ended June 30, 2017, 264,886 number of options to purchase equity shares had an anti-dilutive effect.

For the three months ended June 30, 2016 there were no outstanding options to purchase equity shares which had an anti-dilutive effect.

2.13 Related party transactions

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

Transactions with key management personnel

The following were the changes in key management personnel:-

• Gopi Krishnan Radhakrishnan, Acting General Counsel, resigned from the company effective June 24, 2017
• Inderpreet Sawhney, Group General Counsel and Chief Compliance Officer, appointed as an Executive Officer effective July 14, 2017
• Sandeep Dadlani, President, resigned from the company effective July 14, 2017

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

(Dollars in millions)

	Three months ended June 30,	
	2017	**2016**
Salaries and other employee benefits to whole-time directors and executive officers[(1)]	4	3
Commission and other benefits to non-executive/ independent directors	1	-
Total	**5**	**3**

[(1)] *Includes employee stock compensation expense of $2 million and $1 million for the three months ended June 30, 2017 and June 30, 2016, respectively towards key management personnel . Refer to note 2.10*

Investment in Associate

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

2.14 Segment Reporting

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

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

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

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

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

2.14.1 Business Segments

Three months ended June 30, 2017 and June 30, 2016

(Dollars in millions)

	FS	MFG	ECS	RCL	HILIFE	Hi-Tech	All other segments	Total
Revenues	713	289	614	418	337	192	88	2,651
	678	*275*	*554*	*426*	*299*	*197*	*72*	2,501
Identifiable operating expenses	357	156	306	201	166	105	48	1,339
	334	*142*	*262*	*204*	*149*	*102*	*51*	1,244
Allocated expenses	155	67	142	97	78	45	20	604
	156	*66*	*133*	*103*	*72*	*47*	*18*	595
Segment profit	**201**	**66**	**166**	**120**	**93**	**42**	**20**	**708**
	188	*67*	*159*	*119*	*78*	*48*	*3*	*662*
Unallocable expenses								70
								60
Operating profit								**638**
								602
Other income, net								127
								112
Share in associate's profit / (loss)								-
								-
Write-down of investment in associate								(11)
								-
Profit before income taxes								**754**
								714
Income tax expense								213
								203
Net profit								**541**
								511
Depreciation and amortisation								70
								60
Non-cash expenses other than depreciation and amortisation								-
								-

2.14.2 Geographic Segments

Three months ended June 30, 2017 and June 30, 2016

(Dollars in millions)

	North America	Europe	India	Rest of the World	Total
Revenues	**1,621**	**594**	**94**	**342**	**2,651**
	1,550	*576*	*68*	*307*	*2,501*
Identifiable operating expenses	841	309	32	157	1,339
	796	*275*	*37*	*136*	*1,244*
Allocated expenses	375	137	19	73	604
	373	*138*	*14*	*70*	*595*
Segment profit	**405**	**148**	**43**	**112**	**708**
	381	*163*	*17*	*101*	*662*
Unallocable expenses					70
					60
Operating profit					**638**
					602
Other income, net					127
					112
Share in associate's profit / (loss)					-
					-
Write-down of investment in associate					(11)
					-
Profit before income taxes					**754**
					714
Income tax expense					213
					203
Net profit					**541**
					511
Depreciation and amortisation					70
					60
Non-cash expenses other than depreciation and amortisation					-
					-

2.14.3 Significant clients

No client individually accounted for more than 10% of the revenues for the three months ended June 30, 2017 and June 30, 2016.

2.15 Break-up of expenses

Cost of sales

(Dollars in millions)

	Three months ended June 30,	
	2017	**2016**
Employee benefit costs	1,293	1,235
Depreciation and amortisation	70	60
Travelling costs	61	84
Cost of technical sub-contractors	165	137
Cost of software packages for own use	34	27
Third party items bought for service delivery to clients	34	14
Operating lease payments	12	11
Consultancy and professional charges	2	1
Communication costs	8	8
Repairs and maintenance	11	12
Provision for post-sales client support	2	3
Total	**1,692**	**1,592**

Sales and marketing expenses

(Dollars in millions)

	Three months ended June 30,	
	2017	**2016**
Employee benefit costs	104	99
Travelling costs	12	15
Branding and marketing	14	17
Operating lease payments	3	2
Consultancy and professional charges	2	2
Communication costs	1	1
Others	2	1
Total	**138**	**137**

Administrative expenses

(Dollars in millions)

	Three months ended June 30,	
	2017	**2016**
Employee benefit costs	57	50
Consultancy and professional charges	34	25
Repairs and maintenance	35	38
Power and fuel	8	9
Communication costs	10	9
Travelling costs	9	11
Rates and taxes	8	6
Operating lease payments	5	3
Insurance charges	2	2
Impairment loss recognised/(reversed) on financial assets	1	2
Contributions towards Corporate Social Responsibility	7	7
Others	7	8
Total	**183**	**170**

2.16 Dividends

The Company declares and pays dividends in Indian rupees. The remittance of dividends outside India is governed by Indian law on foreign exchange and is subject to applicable distribution taxes.

The amount of per share dividend recognized as distributions to equity shareholders for the three months ended June 30, 2017 and June 30, 2016 was ₹14.75/- per equity share (approximately $0.23 per equity share) and ₹14.25/- per equity share (approximately $0.22 per equity share) respectively.

2.17 Capital allocation policy

The Board, in its meeting on April 13, 2017, reviewed and approved a revised Capital Allocation Policy of the Company after taking into consideration the strategic and operational cash requirements of the Company in the medium term:

The key aspects of the Capital Allocation Policy are:

1. The Company's current policy is to pay dividends of up to 50% of post-tax profits of the Financial Year. Effective from Financial Year 2018, the Company expects 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. Additionally, the Board has identified an amount of up to ₹13,000 crore ($2 billion) to be paid out to shareholders during Financial Year 2018, in such manner (including by way of dividend and/ or share buyback), to be decided by the Board, subject to applicable laws and requisite approvals, if any.

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. 11,264,702 and 11,289,514 shares were held by controlled trust, as of June 30, 2017 and March 31, 2017, respectively.

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

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

R. Seshasayee *Chairman*	Ravi Venkatesan *Co- Chairman*	Dr. Vishal Sikka *Chief Executive Officer and Managing Director*	U. B. Pravin Rao *Chief Operating Officer and Whole-time Director*
Bengaluru July 14, 2017	Roopa Kudva *Director*	M. D. Ranganath *Chief Financial Officer*	A.G.S Manikantha *Company Secretary*