

## **Schedules to the Financial Statements for the quarter ended June 30, 2010**

### **23. Significant accounting policies and notes on accounts**

#### **Company overview**

Infosys Technologies Limited ('Infosys' or 'the Company') along with its majority-owned and controlled subsidiary, Infosys BPO Limited ('Infosys BPO') and wholly-owned and controlled subsidiaries, Infosys Technologies (Australia) Pty. Limited ('Infosys Australia'), Infosys Technologies (China) Co. Limited ('Infosys China'), Infosys Consulting Inc. ('Infosys Consulting'), Infosys Technologies S. de R. L. de C. V. ('Infosys Mexico'), Infosys Technologies (Sweden) AB. ('Infosys Sweden'), Infosys Tecnologia DO Brasil LTDA. ('Infosys Brasil') and Infosys Public Services, Inc, USA ('Infosys Public Services') is a leading global technology services corporation. The Company provides end-to-end business solutions that leverage cutting-edge technology, thereby enabling clients to enhance business performance. The Company provides solutions that span the entire software lifecycle encompassing technical consulting, design, development, re-engineering, maintenance, systems integration, package evaluation and implementation, testing and infrastructure management services. In addition, the Company offers software products for the banking industry.

#### **23.1. Significant accounting policies**

##### **23.1.1. Basis of preparation of financial statements**

These interim financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis except for certain financial instruments which are measured at fair values. GAAP comprises mandatory accounting standards as prescribed by the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India (SEBI). These financial statements should be read in conjunction with the annual financial statements for the year ended March 31, 2010. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

These financial statements are prepared in accordance with the principles and procedures required for the preparation and presentation of financial statements as laid down under the Accounting Standard (AS) 25, 'Interim Financial Reporting'.

##### **23.1.2. Use of estimates**

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

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

The Management periodically assesses using, external and internal sources, whether there is an indication that an asset may be impaired. An impairment loss is recognized wherever the carrying value of an asset exceeds its recoverable amount. The recoverable amount is higher of the asset's net selling price and value in use, which means the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. An impairment loss for an asset is reversed if, and only if, the reversal can be related objectively to an event occurring after the impairment loss was recognized. The carrying amount of an asset 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.

### **23.1.3. Revenue recognition**

Revenue is primarily derived from software development and related services and from the licensing of software products. Arrangements with customers for software development and related services are either on a fixed-price, fixed-timeframe or on a time-and-material basis.

Revenue on time-and-material contracts are recognized as the related services are performed and revenue from the end of the last billing to the Balance Sheet date is recognized as unbilled revenues. Revenue from fixed-price and fixed-timeframe contracts, where there is no uncertainty as to measurement or collectability of consideration, is recognized based upon the percentage of completion. When there is uncertainty as to measurement or ultimate collectability revenue recognition is postponed until such uncertainty is resolved. Cost and earnings in excess of billings are classified as unbilled revenue while billing in excess of cost and earnings is classified as unearned revenue. Provision for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the current estimates.

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

The Company accounts for volume discounts and pricing incentives to customers as a reduction of revenue based on the ratable allocation of the discount / incentive amount to each of the underlying revenue transactions that result in progress by the customer towards earning the discount / incentive. Also, when the level of discount varies with increases in levels of revenue transactions, the 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 using a cumulative catchup approach. The discounts are passed on to the customer either as direct payments or as a reduction of payments due from the customer.

The Company presents revenues net of value-added taxes in its Profit and Loss account.

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

### **23.1.4. Provisions and contingent liabilities**

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

#### **23.1.4.a. Post-sales client support and warranties**

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

#### **23.1.4.b. Onerous contracts**

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

#### **23.1.5. Fixed assets, intangible assets and capital work-in-progress**

Fixed assets are stated at cost, less accumulated depreciation and impairments, if any. Direct costs are capitalized until fixed assets are ready for use. Capital work-in-progress comprises outstanding advances paid to acquire fixed assets, and the cost of fixed assets that are not yet ready for their intended use at the reporting date. Intangible assets are recorded at the consideration paid for acquisition of such assets and are carried at cost less accumulated amortization and impairment.

#### **23.1.6. Depreciation and amortization**

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

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

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

#### **23.1.7. Retirement benefits to employees**

##### **23.1.7.a. Gratuity**

In accordance with the Payment of Gratuity Act, 1972, the Company provides for gratuity, a defined benefit retirement plan ('the Gratuity Plan') covering eligible employees. The Gratuity Plan provides a lump-sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment with the Company.

Liabilities with regard to the Gratuity Plan are determined by actuarial valuation at each Balance Sheet date using the projected unit credit method. The Company fully contributes all ascertained liabilities to the Infosys Technologies Limited Employees' Gratuity Fund Trust (the Trust). Trustees administer contributions made to the Trust and contributions are invested in specific investments as permitted by the law. The Company recognizes the net obligation of the gratuity plan in the Balance Sheet as an asset or liability, respectively in accordance with Accounting Standard (AS) 15, 'Employee Benefits'. The Company's overall expected long-term rate-of-return on assets has been determined based on consideration of available market information, current provisions of Indian law specifying the instruments in which investments can be made, and historical returns. The discount rate is based on the Government securities yield. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the Profit and Loss account in the period in which they arise.

#### **23.1.7.b. Superannuation**

Certain employees of Infosys are also participants in the superannuation plan ('the Plan') which is a defined contribution plan. Until March 2005, the Company made contributions under the Plan to the Infosys Technologies Limited Employees' Superannuation Fund Trust ('the Superannuation Trust'). The Company has no further obligations to the Plan beyond its monthly contributions. Effective April 1, 2005, a portion of the monthly contribution amount is paid directly to the employees as an allowance and the balance amount is contributed to the Superannuation Trust.

#### **23.1.7.c. Provident fund**

Eligible employees receive benefits from a provident fund, which is a defined benefit plan. Both the employee and the Company make monthly contributions to the provident fund plan equal to a specified percentage of the covered employee's salary. The Company contributes a part of the contributions to the Infosys Technologies Limited Employees' Provident Fund Trust. 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.

#### **23.1.7.d. Compensated absences**

The employees of the Company are entitled to compensated absences which are both accumulating and non-accumulating in nature. The expected cost of accumulating compensated absences is determined by actuarial valuation based on the additional amount expected to be paid as a result of the unused entitlement that has accumulated at the Balance Sheet date. Expense on non-accumulating compensated absences is recognized in the period in which the absences occur.

#### **23.1.8. Research and development**

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

#### **23.1.9. Foreign currency transactions**

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

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

### **23.1.10. Forward and options contracts in foreign currencies**

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

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

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

### **23.1.11. Income taxes**

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

The differences that result between the profit considered for income taxes and the profit as per the financial statements are identified, and thereafter a deferred tax asset or deferred tax liability is recorded for timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount of timing difference. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on enacted or substantively enacted regulations. Deferred tax assets in situation where unabsorbed depreciation and carry forward business loss exists, are recognized only if there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax asset can be realized. Deferred tax assets, other than in situation of unabsorbed depreciation and carry forward business loss, are recognized only if there is reasonable certainty that they will be realized. Deferred tax assets are reviewed for the appropriateness of their respective carrying values at each reporting date. The income tax provision for the interim period is made based on the best estimate of the annual average tax rate expected to be applicable for the full fiscal year. Tax benefits of deductions earned on exercise of employee share options in excess of compensation charged to Profit and Loss account are credited to the share premium account.

#### **23.1.12. Earnings per share**

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

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

#### **23.1.13. Investments**

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

#### **23.1.14. Cash and cash equivalents**

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

#### **23.1.15. Cash flow statement**

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

#### **23.1.16. Leases**

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

### 23.2. Notes on accounts

Amounts in the financial statements are presented in Rupees crore, except for per share data and as otherwise stated. Certain amounts do not appear due to rounding off, and are detailed in Note 23.3. All exact amounts are stated with the suffix '/-'. One crore equals 10 million.

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

#### 23.2.1. Aggregate expenses

The aggregate amounts incurred on expenses are as follows :

	<i>in Rs. crore</i>	
	<b>Quarter ended June 30,</b>	
	<b>2010</b>	<b>2009</b>
Salaries and bonus including overseas staff expenses	2,737	2,399
Contribution to provident and other funds	74	64
Staff welfare	8	7
Overseas group health insurance	40	36
Overseas travel expenses	120	94
Visa charges and others	72	19
Traveling and conveyance	17	14
Technical sub-contractors - subsidiaries	366	241
Technical sub-contractors - others	86	55
Software packages		
For own use	68	89
For service delivery to clients	17	11
Professional charges	59	68
Telephone charges	29	31
Communication expenses	10	13
Power and fuel	37	31
Office maintenance	43	33
Guest house maintenance	1	1
Commission charges	2	2
Brand building	15	12
Rent	15	17
Insurance charges	6	7
Computer maintenance	7	5
Printing and stationery	2	3
Consumables	6	5
Donations	1	20
Advertisements	2	-
Marketing expenses	4	2
Repairs to building	8	9
Repairs to plant and machinery	7	7
Rates and taxes	8	6
Professional membership and seminar participation fees	2	2
Postage and courier	3	3
Provision for post-sales client support and warranties	2	(2)
Books and periodicals	1	1
Provision for bad and doubtful debts	15	19
Commission to non-whole time directors	1	2
Research grants	5	5
	<b>3,896</b>	<b>3,331</b>

### 23.2.2. Capital commitments and contingent liabilities

in Rs. crore

Particulars	As at			
	June 30, 2010		March 31, 2010	
Estimated amount of unexecuted capital contracts (net of advances and deposits)		356		267
Outstanding guarantees and counter guarantees to various banks, in respect of the guarantees given by those banks in favour of various government authorities and others		3		3
Claims against the Company, not acknowledged as debts* [Net of amount paid to statutory authorities Rs. 241 crore (Rs. 241 crore)]		28		28
	in million	in Rs. crore	in million	in Rs. crore
Forward contracts outstanding				
In USD	348	1,616	228	1,024
In Euro	30	171	16	97
In GBP	12	84	7	48
In AUD	25	99	3	12
Options contracts outstanding				
In USD	195	906	200	898

\* Claims against the Company not acknowledged as debts include demand from the Indian tax authorities for payment of additional tax of Rs. 214 crore (Rs. 214 crore), including interest of Rs. 39 crore (Rs. 39 crore) upon completion of their tax review for fiscal 2005 and fiscal 2006. The tax demands are mainly on account of disallowance of a portion of the deduction claimed by the Company under Section 10A of the Income tax Act. The deductible amount is determined by the ratio of export turnover to total turnover. The disallowance arose from certain expenses incurred in foreign currency being reduced from export turnover but not reduced from total turnover. The matter for fiscal 2005 and fiscal 2006 is pending before the Commissioner of Income tax (Appeals) Bangalore.

The Company is contesting the demands and the Management, including its tax advisors, believes that its position will likely be upheld in the appellate process. No tax expense has been accrued in the financial statements for the tax demand raised. The Management believes that the ultimate outcome of this proceeding will not have a material adverse effect on the Company's financial position and results of operations.

As of the Balance Sheet date, the company's net foreign currency exposures that are not hedged by a derivative instrument or otherwise is Nil. (Rs. 891 crore as at March 31, 2010).

### 23.2.3. Quantitative details

The Company is primarily engaged in the development and maintenance of computer software. The production and sale of such software cannot be expressed in any generic unit. Hence, it is not possible to give the quantitative details of sales and certain information as required under paragraphs 3, 4C and 4D of part II of Schedule VI to the Companies Act, 1956.

### 23.2.4. Imports (valued on the cost, insurance and freight basis)

in Rs. crore

Particulars	Quarter ended June 30,	
	2010	2009
Capital goods	29	21
Software packages	-	1
	<b>29</b>	<b>22</b>



### 23.2.5. Activity in foreign currency

*in Rs. crore*

Particulars	Quarter ended June 30,	
	2010	2009
Earnings in foreign currency (on receipts basis)		
Income from software services and products	5,371	5,268
Interest received from banks and others	-	2
Expenditure in foreign currency (on payments basis)		
Travel expenses (including visa charges)	152	92
Professional charges	35	27
Technical sub-contractors - subsidiaries	366	241
Overseas salaries and incentives	1,600	1,396
Other expenditure incurred overseas for software development	227	79
<b>Net earnings in foreign currency</b>	<b>2,991</b>	<b>3,435</b>

### 23.2.6. Obligations on long-term, non-cancelable operating leases

The lease rentals charged for the quarter ended June 30, 2010 and June 30, 2009, and the maximum obligations on long-term, non-cancelable operating leases payable as per the rentals stated in the respective agreements are as follows:

*in Rs. crore*

Particulars	Quarter ended June 30,	
	2010	2009
Lease rentals recognized during the period	15	17

*in Rs. crore*

Lease obligations payable	As at	
	June 30, 2010	March 31, 2010
Within one year of the balance sheet date	48	48
Due in a period between one year and five years	146	149
Due after five years	18	24

The operating lease arrangements, are renewable on a periodic basis and extend upto a maximum of ten years from their respective dates of inception and relates to rented overseas premises. Some of these lease agreements have price escalation clause.

Fixed assets provided on operating lease to Infosys BPO, a subsidiary company, as at June 30, 2010 and *March 31, 2010* are as follows:

*in Rs. crore*

Particulars	Cost	Accumulated depreciation	Net book value
Buildings	59	22	37
	59	21	38
Plant and machinery	18	16	2
	18	15	3
Computer equipment	1	1	-
	1	1	-
Furniture and fixtures	3	2	1
	3	2	1
<b>Total</b>	<b>81</b>	<b>41</b>	<b>40</b>
	<b>81</b>	<b>39</b>	<b>42</b>

The aggregate depreciation charged on the above assets during the quarter ended June 30, 2010 amounted to Rs. 2 crore. (Rs. 2 crore for the quarter ended June 30, 2009, respectively).

The rental income from Infosys BPO for the quarter ended June 30, 2010 amounted to Rs. 4 crore. (Rs. 4 crore for the quarter ended June 30, 2009, respectively.)

### 23.2.7. Related party transactions

List of related parties:

Name of subsidiaries	Country	Holding, as at	
		June 30, 2010	March 31, 2010
Infosys BPO	India	99.98%	99.98%
Infosys Australia	Australia	100%	100%
Infosys China	China	100%	100%
Infosys Consulting *	USA	100%	100%
Infosys Mexico **	Mexico	100%	100%
Infosys Sweden	Sweden	100%	100%
Infosys Brasil ***	Brazil	100%	100%
Infosys Public Services, Inc. ****	USA	100%	100%
Infosys BPO s. r. o *****	Czech Republic	99.98%	99.98%
Infosys BPO (Poland) Sp Z.o.o *****	Poland	99.98%	99.98%
Infosys BPO (Thailand) Limited *****	Thailand	99.98%	99.98%
Mainstream Software Pty Limited *****	Australia	100%	100%
Infosys Consulting India Limited *****	India	100%	100%
McCamish Systems LLC *****	USA	99.98%	99.98%

\* During the year ended March 31, 2010 the Company made an additional investment of Rs. 50 crore (USD 10 million) in Infosys Consulting, which is a wholly owned subsidiary. As of June 30, 2010 and March 31, 2010, the Company has invested an aggregate of Rs. 243 crore (USD 55 million) in the subsidiary.

\*\* During the year ended March 31, 2010 the Company made an additional investment of Rs.18 crore (Mexican Peso 50 million) in Infosys Mexico, which is a wholly owned subsidiary. As of June 30, 2010 and March 31, 2010, the Company has invested an aggregate of Rs. 40 crore (Mexican Peso 110 million) in the subsidiary.

\*\*\* During the year ended March 31, 2010 the Company incorporated wholly-owned subsidiary, Infosys Tecnologia DO Brasil LTDA. As of June 30, 2010 and March 31, 2010 the Company has invested an aggregate of Rs. 28 crore (BRL 11 million) in the subsidiary

\*\*\*\* During the year ended March 31, 2010, the Company incorporated wholly-owned subsidiary, Infosys Public Services, Inc. As of June 30, 2010 and March 31, 2010 the Company has invested an aggregate of Rs. 24 crore (USD 5 million) in the subsidiary.

\*\*\*\*\* Infosys BPO s.r.o, Infosys BPO (Poland) Sp Z.o.o, Infosys BPO (Thailand) Limited and McCamish Systems LLC are wholly owned subsidiaries of Infosys BPO.

\*\*\*\*\* Mainstream Software Pty Limited is a wholly owned subsidiary of Infosys Australia.

\*\*\*\*\* During the year ended March 31, 2010, Infosys Consulting incorporated wholly-owned subsidiary, Infosys Consulting India Limited. As of June 30, 2010 and March 31, 2010 Infosys Consulting has invested an aggregate of Rs. 1 crore in the subsidiary.

\*\*\*\*\* During the year ended March 31, 2010, Infosys BPO acquired 100% of the voting interests in McCamish Systems LLC (McCamish), a business process solutions provider based in Atlanta, Georgia, in the United States. The business acquisition was conducted by entering into Membership Interest Purchase Agreement for a cash consideration of Rs. 173 crore and a contingent consideration of Rs. 67 crore. The acquisition was accounted as a business combination which resulted in goodwill of Rs. 227 crore.

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

The details of amounts due to or due from as at June 30, 2010 and March 31, 2010 are as follows:

Particulars	<i>in Rs. crore</i>	
	As at	
	June 30, 2010	March 31, 2010
<b>Loans and advances</b>		
Infosys China	47	46
<b>Sundry debtors</b>		
Infosys China	26	19
Infosys Australia	6	7
Infosys Mexico	1	1
Infosys Consulting	17	26
Infosys Brazil	3	1
Infosys BPO (Including subsidiaries)	9	2
<b>Sundry creditors</b>		
Infosys China	17	18
Infosys Australia	37	20
Infosys BPO (Including subsidiaries)	16	7
Infosys Brazil	3	-
Infosys Consulting	20	43
Infosys Consulting India	1	1
Infosys Mexico	6	5
Infosys Sweden	1	1
<b>Deposit taken for shared services</b>		
Infosys BPO	7	7

The details of the related party transactions entered into by the company and maximum dues from subsidiaries, in addition to the lease commitments described in note 23.2.6, for the quarter ended June 30, 2010 and June 30, 2009 are as follows:

Particulars	<i>in Rs. crore</i>	
	Quarter ended June 30,	
	2010	2009
<b>Capital transactions:</b>		
<b>Financing transactions</b>		
Infosys Consulting	-	50
<b>Loans/Advances</b>	-	-
<b>Revenue transactions:</b>		
Purchase of services		
Infosys Australia	178	135
Infosys China	52	28
Infosys Consulting	116	67
Infosys BPO (Including subsidiaries)	3	1
Infosys Sweden	3	1
Infosys Mexico	13	9
Infosys Brazil	1	-
Purchase of shared services including facilities and personnel		
Infosys BPO (Including subsidiaries)	22	19
Interest income		
Infosys China	1	1
Sale of services		
Infosys Australia	9	7
Infosys China	2	-
Infosys BPO (Including subsidiaries)	8	-
Infosys Consulting	11	1
Sale of shared services including facilities and personnel		
Infosys BPO (Including subsidiaries)	24	15
Infosys Consulting	1	1
<b>Maximum balances of loans and advances</b>		
Infosys BPO (Including subsidiaries)	-	4
Infosys Australia	45	38
Infosys China	47	51
Infosys Mexico	-	3
Infosys Consulting	30	18

During the quarter ended June 30, 2010, an amount of Nil (Rs. 20 crore for the quarter ended June 30, 2009) was donated to Infosys Foundation, a not-for-profit foundation, in which certain directors of the Company are trustees.

During the quarter ended June 30, 2010, an amount of Rs. 5 crore (Rs. 5 crore for the quarter ended June 30, 2009) has been granted to Infosys Science Foundation, a not-for-profit foundation, in which certain directors and officers of the Company are trustees.

### 23.2.8. Transactions with key management personnel

Key management personnel comprise directors and members of executive council.

Particulars of remuneration and other benefits paid to key management personnel during the quarter ended June 30, 2010 and June 30, 2009 have been detailed in Schedule 23.4.

### 23.2.9. Research and development expenditure

*in Rs. crore*

Particulars	Quarter ended June 30,	
	2010	2009
Capital	-	2
Revenue	117	115

### 23.2.10. Stock option plans

The Company has two Stock Option Plans.

#### 1998 Stock Option Plan ('the 1998 Plan')

The 1998 Plan was approved by the Board of Directors in December 1997 and by the shareholders in January 1998, and is for issue of 1,17,60,000 ADSs representing 1,17,60,000 equity shares. All options under the 1998 Plan are exercisable for ADSs representing equity shares. A compensation committee comprising independent members of the Board of Directors administers the 1998 Plan. All options had been granted at 100% of fair market value. The 1998 Plan lapsed on January 6, 2008, and consequently no further shares will be issued to employees under this plan.

#### 1999 Stock Option Plan ('the 1999 Plan')

In fiscal 2000, the company instituted the 1999 Plan. The shareholders and the Board of Directors approved the plan in September 1999, which provides for the issue of 5,28,00,000 equity shares to the employees. The compensation committee administers the 1999 Plan. Options were issued to employees at an exercise price that is not less than the fair market value. The 1999 Plan lapsed on June 11, 2009, and consequently no further shares will be issued to employees under this plan.

The activity in the 1998 Plan and 1999 Plan during the quarter ended June 30, 2010 and June 30, 2009 are set out below:

Particulars	Quarter ended June 30,	
	2010	2009
<b>The 1998 Plan :</b>		
Options outstanding, beginning of period	2,42,264	9,16,759
Less: Exercised	40,149	1,24,362
Forfeited	2,000	39,760
Options outstanding, end of period	<b>2,00,115</b>	<b>7,52,637</b>
<b>The 1999 Plan :</b>		
Options outstanding, beginning of period	2,04,464	9,25,806
Less: Exercised	35,760	1,04,772
Forfeited	7,575	17,950
Options outstanding, end of period	<b>1,61,129</b>	<b>8,03,084</b>

The weighted average share price of options exercised under the 1998 Plan during the quarter ended June 30, 2010 and June 30, 2009 was Rs. 2,714 and Rs. 1,615 respectively. The weighted average share price of options exercised under the 1999 Plan during the quarter ended June 30, 2010 and June 30, 2009 was Rs. 2,656 and Rs. 1,664 respectively.

The following tables summarize information about the 1998 and 1999 share options outstanding as at June 30, 2010 and March 31, 2010 :

Range of exercise prices per share (Rs.)	As at June 30, 2010		
	Number of shares arising out of options	Weighted average remaining contractual life	Weighted average exercise price
<b>The 1998 Plan:</b>			
300-700	1,40,345	0.73	571
701-1,400	59,770	1.17	798
	<b>2,00,115</b>	<b>0.86</b>	<b>639</b>
<b>The 1999 Plan:</b>			
300-700	1,10,131	0.86	436
1,401-2,500	50,998	1.18	2,121
	<b>1,61,129</b>	<b>0.96</b>	<b>969</b>

  

Range of exercise prices per share (Rs.)	As at March 31, 2010		
	Number of shares arising out of options	Weighted average remaining contractual life	Weighted average exercise price
<b>The 1998 Plan:</b>			
300-700	1,74,404	0.94	551
701-1,400	67,860	1.27	773
	<b>2,42,264</b>	<b>1.03</b>	<b>613</b>
<b>The 1999 Plan:</b>			
300-700	1,52,171	0.91	439
1,401-2,500	52,293	1.44	2,121
	<b>2,04,464</b>	<b>1.05</b>	<b>869</b>

The aggregate options considered for dilution are set out in note 23.2.19

### 23.2.11. Income taxes

The provision for taxation includes tax liabilities in India on the company's global income as reduced by exempt incomes and any tax liabilities arising overseas on income sourced from those countries. Infosys' operations are conducted through Software Technology Parks ('STPs') and Special Economic Zones ('SEZs'). Income from STPs are tax exempt for the earlier of 10 years commencing from the fiscal year in which the unit commences software development, or March 31, 2011. Income from SEZs is fully tax exempt for the first 5 years, 50% exempt for the next 5 years and 50% exempt for another 5 years subject to fulfilling certain conditions. For Fiscal 2008 and 2009, the company had calculated its tax liability under Minimum Alternate Tax (MAT). The MAT credit can be carried forward and set off against the future tax payable. In fiscal 2010, the Company calculated its tax liability under normal provisions of the Income Tax Act and utilised the brought forward MAT Credit.

As at June 30, 2010, the company has provided for branch profit tax of Rs. 232 crore for its overseas branches, as the company estimates that these branch profits would be distributed in the foreseeable future.

### 23.2.12. Cash and bank balances

The details of balances as on Balance Sheet dates with non-scheduled banks are as follows:

Balances with non-scheduled banks	<i>in Rs. crore</i>	
	As at	
	June 30, 2010	March 31, 2010
In current accounts		
ABN Amro Bank, Taiwan	1	2
Bank of America, USA	262	644
Citibank NA, Australia	33	24
Citibank N.A, New Zealand	4	-
Citibank NA, Singapore	-	-
Citibank NA, Thailand	1	1
Citibank NA, Japan	3	2
Deutsche Bank, Belgium	11	18
Deutsche Bank, Germany	13	12
Deutsche Bank, Moscow (U.S.dollar account)	1	1
Deutsche Bank, Netherlands	2	7
Deutsche Bank, France	3	1
Deutsche Bank, Switzerland	1	10
Deutsche Bank, Switzerland (U.S Dollar account)	-	1
Deutsche Bank, Singapore	7	1
Deutsche Bank, UK	34	29
Deutsche Bank, Spain	3	2
HSBC Bank, UK	2	1
Royal Bank of Canada, Canada	7	20
The Bank of Tokyo - Mitsubishi UFJ Ltd., Japan	2	-
	<b>390</b>	<b>776</b>

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

Balances with scheduled banks in India	<i>in Rs. crore</i>	
	As at	
	June 30, 2010	March 31, 2010
In current accounts		
Citibank-Unclaimed dividend account	-	-
Deutsche Bank	46	12
Deutsche Bank-EEFC (Euro account)	10	3
Deutsche Bank-EEFC (Swiss Franc account)	2	-
Deutsche Bank-EEFC (U.S. dollar account)	10	8
HDFC Bank - Unclaimed dividend account	1	1
ICICI Bank	18	121
ICICI Bank-EEFC (U.S. dollar account)	3	7
ICICI bank-Unclaimed dividend account	2	1
	<b>92</b>	<b>153</b>

Balances with scheduled banks in India	As at	
	June 30, 2010	March 31, 2010
In deposit accounts		
Allahabad Bank	202	100
Andhra Bank	99	99
Bank of Baroda	825	299
Bank of India	1,197	881
Bank of Maharashtra	500	500
Barclays Bank	-	100
Canara Bank	1,031	958
Central Bank of India	398	100
Corporation Bank	276	276
DBS Bank	49	49
HDFC Bank	483	
HSBC Bank	-	483
ICICI Bank	1,500	1,370
IDBI Bank	900	900
ING Vysya Bank	24	25
Indian Overseas Bank	500	131
Jammu and Kashmir Bank	10	10
Kotak Mahindra Bank	25	25
Oriental Bank of commerce	353	100
Punjab National Bank	994	994
State Bank of Hyderabad	200	200
State Bank of India	79	126
State Bank of Mysore	496	496
Syndicate Bank	458	458
The Bank of Nova Scotia	-	-
Union Bank of India	314	93
Vijaya Bank	95	95
	<b>11,008</b>	<b>8,868</b>
Total cash and bank balances as per balance sheet	<b>11,490</b>	<b>9,797</b>

The details of maximum balances during the period with non-scheduled banks are as follows:

Maximum balance with non-scheduled banks during the period	in Rs. crore	
	Quarter ended June 30,	
	2010	2009
In current accounts		
ABN Amro Bank, Taiwan	1	4
Bank of America, USA	710	634
Citibank NA, Australia	142	115
Citibank NA, New Zealand	7	-
Citibank NA, Singapore	-	45
Citibank NA, Japan	15	17
Citibank NA, Thailand	1	1
Deutsche Bank, Belgium	23	34
Deutsche Bank, Germany	17	16
Deutsche Bank, Netherlands	19	15
Deutsche Bank, France	6	6
Deutsche Bank, Moscow (U.S. dollar account)	1	-
Deutsche Bank, Spain	3	2
Deutsche Bank, Singapore	18	-
Deutsche Bank, Switzerland	10	14
Deutsche Bank, Switzerland (U.S. dollar account)	7	14
Deutsche Bank, UK	110	183
HSBC Bank, UK	2	8
Morgan Stanley Bank, USA	1	2
Nordbanken, Sweden	2	-
Royal Bank of Canada, Canada	47	22
Standard Chartered Bank, UAE	3	-
Svenska Handelsbanken, Sweden	2	2
The Bank of Tokyo - Mitsubishi UFJ Ltd., Japan	7	2

### 23.2.13. Loans and advances

Deposits with financial institutions:

Particulars	<i>in Rs. crore</i>	
	As at	
	June 30, 2010	March 31, 2010
HDFC Limited	1,500	1,500
Life Insurance Corporation of India (LIC)	431	281
	<b>1,931</b>	<b>1,781</b>

The maximum balance (including accrued interest) held as deposits with financial institutions is as follows:

Particulars	<i>in Rs. crore</i>	
	Quarter ended June 30,	
	2010	2009
Deposits with financial institutions:		
HDFC Limited*	1,500	1,317
Life Insurance Corporation of India	431	253

\* Deepak M. Satwalekar, Director, is also a Director of HDFC Limited. Except as director in this financial institution, he has no direct interest in any transactions.

Deposit with LIC represents amount deposited to settle employee benefit obligations as and when they arise during the normal course of business. (refer to note 23.2.23.b.)

### 23.2.14. Fixed assets

Profit / (loss) on disposal of fixed assets during the quarter ended June 30, 2010 and June 30, 2009 is less than Rs. 1 crore and accordingly disclosed under note 23.3.

Depreciation charged to the profit and loss account includes a charge relating to assets costing less than Rs. 5,000/- each and other low value assets.

Particulars	<i>in Rs. crore</i>	
	Quarter ended June 30,	
	2010	2009
Depreciation charged during the period/year	7	25

The Company has entered into lease-cum-sale agreements to acquire certain properties. In accordance with the terms of these agreements, the Company has the option to purchase the properties on expiry of the lease period. The Company has already paid 99% of the value of the properties at the time of entering into the lease-cum-sale agreements. These amounts are disclosed as 'Land - leasehold' under 'Fixed assets' in the financial statements. Additionally, certain land has been purchased for which though the company has possession certificate, the sale deeds are yet to be executed as at June 30, 2010.

### 23.2.15. Details of Investments

Particulars	<i>in Rs. crore</i>	
	As at	
	June 30, 2010	March 31, 2010
Long- term investments		
OnMobile Systems Inc., (formerly Onscan Inc.) USA		
21,54,100 (21,54,100) common stock at USD 0.4348 each, fully paid, par value USD 0.001 each	4	4
Merasport Technologies Private Limited		
2,420 equity shares at Rs. 8,052 each, fully paid, par value Rs. 10 each	2	2
	<b>6</b>	<b>6</b>
Less: Provision for investment	2	2
	<b>4</b>	<b>4</b>



The details of liquid mutual fund units as at June 30, 2010 is as follows:

<b>Particulars</b>	<b>Number of units</b>	<b>Amount (in Rs. Crore)</b>
Kotak Floater Long Term Plan - Weekly Dividend	7,84,91,643	79
ICICI Prudential Flexible Income Plan Premium - Weekly Dividend Payout	28,44,929	30
	<b>8,13,36,572</b>	<b>109</b>
At cost		80
At fair value		29
		<b>109</b>

The details of liquid mutual fund units as at March 31, 2010 is as follows:

<b>Particulars</b>	<b>Number of units</b>	<b>Amount (in Rs. Crore)</b>
Tata Floater Fund - Weekly Dividend	27,28,06,768	275
Kotak Floater Long Term Plan - Weekly Dividend	20,93,66,402	211
Reliance Medium Term Fund - Weekly Dividend Plan D	13,68,30,703	234
Birla Sunlife Savings Fund - Institutional - Weekly Dividend Payout	26,71,60,366	267
ICICI Prudential Flexible Income Plan Premium - Weekly Dividend Payout	2,93,92,648	310
IDFC Money Manager Fund - Treasury Plan - Super Institutional Plan C - Weekly Dividend	38,95,22,783	390
UTI Treasury Advantage Fund - Institutional Weekly Dividend Plan - Payout	38,86,168	389
HDFC Floating Rate Income Fund - Short Term Plan - Dividend Weekly	12,03,96,040	122
DWS Ultra Short Term Fund - Institutional Weekly	3,96,85,983	40
SBI - SHF - Ultra Short Term Fund - Institutional Plan - Weekly Dividend Payout	3,47,73,535	35
Franklin Templeton India Ultra Short Bond Fund Super Institutional Plan - Weekly Dividend Payout	1,09,36,513	11
DSP Blackrock Floating Rate Fund - Institutional - Weekly Dividend	99,866	10
Religare Ultra Short Term Fund - Institutional Weekly Dividend	2,25,53,650	23
	<b>153,74,11,425</b>	<b>2,317</b>
At cost		1,413
At fair value		904
		<b>2,317</b>

The balances held in Certificates of deposit as at June 30, 2010 is as follows:

Particulars	Face Value Rs./-	Units	Amount (in Rs.)
			Crore)
Punjab National Bank	1,00,000	50,000	480
Bank of Baroda	1,00,000	27,500	265
HDFC Bank	1,00,000	25,000	236
Corporation Bank	1,00,000	20,000	189
Canara Bank	1,00,000	15,000	143
Andra Bank	1,00,000	15,000	146
Oriental Bank of Commerce	1,00,000	10,000	96
HDFC	1,00,000	25,000	239
		<b>1,87,500</b>	<b>1,794</b>

The balances held in Certificates of deposit as at March 31, 2010 is as follows:

Particulars	Face Value Rs./-	Units	Amount (in Rs.)
			Crore)
Punjab National Bank	1,00,000	50,000	480
Bank of Baroda	1,00,000	27,500	265
HDFC Bank	1,00,000	25,000	236
Corporation Bank	1,00,000	20,000	189
Jammu and Kashmir Bank	1,00,000	1,000	10
		<b>1,23,500</b>	<b>1,180</b>

The details of investments in and disposal of securities during the quarter ended June 30, 2010 and June 30, 2009 are as follows:

Particulars	Quarter ended June 30,	
	2010	2009
	<i>in Rs. crore</i>	
Investment in securities		
Subsidiary- Infosys Consulting	-	50
Certificates of deposit	624	-
Liquid mutual fund units	1,013	1,891
	<b>1,637</b>	<b>1,941</b>
Redemption / disposal of investment in securities		
Certificates of deposit	10	-
Liquid mutual fund units	3,221	739
	<b>3,231</b>	<b>739</b>
Net movement in investments	<b>(1,594)</b>	<b>1,202</b>

The details of investment purchased and sold during the quarter ended June 30, 2010 is as follows:

Name of the fund	Face Value Rs./-	Units	Cost (in Rs. Crore)
Birla Sun Life Cash Plus - Instl. Prem. - Daily Dividend - Reinvestment	10	17,46,98,810	175
Birla Sunlife Savings Fund - Institutional - Weekly Dividend Payout	10	9,19,03,006	92
ICICI Prudential Flexible Income Plan Premium - Weekly Dividend	100	45,51,346	48
ICICI Prudential Liquid Super Institutional Plan - Div - Daily	100	3,57,95,952	358
IDFC Money Manager Fund - Investment Plan - Inst Plan B - Weekly Div	10	4,29,06,464	43
Kotak Floater Long Term - Weekly Dividend	10	8,02,56,534	81
Reliance Medium Term Fund - Weekly Dividend Plan	10	2,16,35,163	37
Birla Sun Life Short Term Fund - Institutional Fortnightly Dividend - Payout	10	6,85,47,384	70

The details of investments purchased and sold during the quarter ended June 30, 2009 is as follows:

Name of the fund	Face Value Rs./-	Units	Cost (in Rs. Crore)
Birla Sunlife Short Term Fund - Institutional - Fortnightly Dividend	10	75,972,511.15	77
DSP Blackrock Strategic Bond Fund - Institutional Plan - Monthly Dividend	1,000	490,829.78	50
DBS Chola Freedom Income - Short Term Fund - Weekly Dividend	10	45,767,238.42	48
HDFC Floating Rate Income Fund - Short Term	10	54,233,678.13	55
ICICI Prudential Floating Rate Plan - D - Weekly Dividend	10	120,914,969.84	121
IDFC Money Manager Fund - Treasury Plan - Super Institutional Plan C Weekly Dividend	10	197,785,672.33	198
Reliance Medium Term Fund - Weekly Dividend Plan - D	10	2,924,746.28	5
UTI Treasury Advantage Fund - Institutional Weekly Dividend Payout	1,000	1,851,457.99	185

### 23.2.16. Segment reporting

The Company's operations predominantly relate to providing end-to-end business solutions that leverage technology thereby enabling clients to enhance business performance, delivered to customers globally operating in various industry segments. Accordingly, revenues represented along industry classes comprise the primary basis of segmental information set out in these financial statements. Secondary segmental reporting is performed on the basis of the geographical location of customers.

The accounting principles consistently used in the preparation of the financial statements are also consistently applied to record income and expenditure in individual segments. These are as set out in the significant accounting policies.

Industry segments at the Company are primarily financial services comprising customers providing banking, finance and insurance services; manufacturing companies; companies in the telecommunications and the retail industries; and others such as utilities, transportation and logistics companies.

Income and direct expenses in relation to segments is categorized based on items that are individually identifiable to that segment, while the remainder of the costs 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 services are used interchangeably. The Company 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 directly charged against total income.

Fixed assets used in the Company's business or liabilities contracted have not been identified to any of the reportable segments, as the fixed assets and services are used interchangeably between segments. Accordingly, no disclosure relating to total segment assets and liabilities are made.

Customer relationships are driven based on the location of the respective client. 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.

Geographical revenues are segregated based on the location of the customer who is invoiced or in relation to which the revenue is otherwise recognized.

#### Industry Segments

Quarter ended June 30, 2010 and June 30, 2009 :

Particulars	in Rs. crore					
	Financial	Manufacturing	Telecom	Retail	Others	Total
Revenues	2,130	1,063	775	788	1,002	5,758
	1,724	995	821	715	849	5,104
Identifiable operating expenses	967	492	385	385	466	2,695
	728	444	321	294	345	2,132
Allocated expenses	445	222	162	164	208	1,201
	405	234	193	168	199	1,199
Segmental operating income	718	349	228	239	328	1,862
	591	317	307	253	305	1,773
Unallocable expenses						180
						201
Operating income						1,682
						1,572
Other income, net						237
						265
Net profit before taxes						1,919
						1,837
Income taxes						488
						373
Net profit						1,431
						1,464

**Geographic Segments**Quarter ended June 30, 2010 and *June 30, 2009* :

Particulars	North America	Europe	India	Rest of the World	<i>in Rs. crore</i>	
					Total	
Revenues	3,926	1,128	105	599	5,758	
	3,359	1,205	49	491	5,104	
Identifiable operating expenses	1,805	523	52	315	2,695	
	1,398	474	18	242	2,132	
Allocated expenses	819	235	22	125	1,201	
	789	283	12	115	1,199	
Segmental operating income	1,302	370	31	159	1,862	
	1,172	448	19	134	1,773	
Unallocable expenses					180	
					201	
Operating income					1,682	
					1,572	
Other income, net					237	
					265	
Net profit before taxes					1,919	
					1,837	
Income taxes					488	
					373	
Net profit after taxes					1,431	
					1,464	

**23.2.17. Provision for doubtful debts**

Periodically, the Company evaluates all customer dues to the Company for collectability. The need for provisions is assessed based on various factors including collectability of specific dues, risk perceptions of the industry in which the customer operates, general economic factors, which could affect the customer's ability to settle. The Company normally provides for debtor dues outstanding for 180 days or longer as at the Balance Sheet date. As at June 30, 2010 the company has provided for doubtful debts of Rs. 26 crore (Rs. 21 crore as at March 31, 2010) on dues from certain customers although the outstanding amounts were less than 180 days old, since the amounts were considered doubtful of recovery. The company pursues the recovery of the dues, in part or full.

**23.2.18. Dividends remitted in foreign currencies**

The Company remits the equivalent of the dividends payable to equity shareholders and holders of ADS. For ADS holders the dividend is remitted in Indian rupees to the depository bank, which is the registered shareholder on record for all owners of the Company's ADSs. The depository bank purchases the foreign currencies and remits dividends to the ADS holders.

The particulars of dividends remitted are as follows:

Particulars	Number of shares to which the dividends relate	<i>in Rs. crore</i>	
		Quarter ended June 30,	
		2010	2009
Final dividend for fiscal 2010	10,68,22,614	160	-
Final dividend for fiscal 2009	10,73,97,313	-	145

**23.2.19. Reconciliation of basic and diluted shares used in computing earnings per share**

Particulars	Quarter ended June 30,	
	2010	2009
Number of shares considered as basic weighted average shares	57,38,69,667	57,29,48,830
Add: Effect of dilutive issues of shares/stock options	2,96,504	7,02,845
Number of shares considered as weighted average shares and potential shares outstanding	<b>57,41,66,171</b>	<b>57,36,51,675</b>

### 23.2.20. Provision for post-sales client support and warranties

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

*in Rs. crore*

Particulars	Quarter ended June 30,	
	2010	2009
Balance at the beginning	73	75
Provision recognized/(reversed)	2	(2)
Provision utilised	-	-
Exchange difference during the period	-	2
Balance at the end	75	75

Provision for post-sales client support is expected to be utilized over a period of 6 months to 1 year.

### 23.2.21. Gratuity Plan

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

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

*in Rs. crore*

Particulars	As at				
	June 30, 2010	March 31, 2010	March 31, 2009	March 31, 2008	March 31, 2007
<b>Obligations at period beginning</b>	308	256	217	221	180
Transfer of obligation	-	(2)	-	-	-
Service cost	20	72	47	47	44
Interest cost	5	19	15	16	14
Actuarial (gain)/ loss	1	(4)	-	(9)	-
Benefits paid	(14)	(33)	(23)	(21)	(17)
Amendment in benefit plans	-	-	-	(37)	-
<b>Obligations at period end</b>	<b>320</b>	<b>308</b>	<b>256</b>	<b>217</b>	<b>221</b>

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

### Change in plan assets

Plans assets at period beginning, at fair value	310	256	229	221	167
Expected return on plan assets	7	24	16	18	16
Actuarial gain/ (loss)	1	1	5	2	3
Contributions	70	62	29	9	52
Benefits paid	(14)	(33)	(23)	(21)	(17)
<b>Plans assets at period end, at fair value</b>	<b>374</b>	<b>310</b>	<b>256</b>	<b>229</b>	<b>221</b>

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

Fair value of plan assets at the end of the period	374	310	256	229	221
Present value of the defined benefit obligations at the end of the period	320	308	256	217	221
<b>Asset recognized in the balance sheet</b>	<b>54</b>	<b>2</b>	<b>-</b>	<b>12</b>	<b>-</b>

### Assumptions

Interest rate	7.55%	7.82%	7.01%	7.92%	7.99%
Estimated rate of return on plan assets	9.36%	9.00%	7.01%	7.92%	7.99%
Weighted expected rate of salary increase	7.27%	7.27%	5.10%	5.10%	5.10%

Net gratuity cost for the quarter ended June 30, 2010 and June 30, 2009 comprises of the following components:

Particulars	<i>in Rs. crore</i>	
	<b>Quarter ended June 30,</b>	
	<b>2010</b>	<b>2009</b>
<b>Gratuity cost for the period</b>		
Service cost	20	17
Interest cost	5	4
Expected return on plan assets	(7)	(6)
Actuarial (gain)/loss	-	(1)
Plan amendment amortization	(1)	(1)
<b>Net gratuity cost</b>	<b>17</b>	<b>13</b>
Actual return on plan assets	8	6

Gratuity cost, as disclosed above, is included under salaries and bonus and is segregated between software development expenses, selling and marketing expenses and general and administration expenses on the basis of number of employees.

During the previous year, a reimbursement obligation of Rs. 2 crore has been recognized towards settlement of gratuity liability of Infosys Consulting India Limited.

As at June 30, 2010 and March 31, 2010, the plan assets have been primarily invested in government securities. The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

Effective July 1, 2007, the Company revised the employee death benefits provided under the gratuity plan, and included all eligible employees under a consolidated term insurance cover. Accordingly, the obligations under the gratuity plan reduced by Rs. 37 crore, which is being amortised on a straight line basis to the net profit and loss account over 10 years representing the average future service period of the employees. The unamortized liability as at June 30, 2010 and March 31, 2010 amounted to Rs. 25 crore and Rs. 26 crore, respectively and disclosed under 'Current Liabilities'.

The company expects to contribute approximately Rs. Nil crore to the gratuity trust during the remainder of fiscal 2011.

#### **23.2.22.a Provident Fund**

The Guidance on Implementing AS 15, Employee Benefits (revised 2005) issued by Accounting Standards Board (ASB) states that benefits involving employer established provident funds, which require interest shortfalls to be recompensed are to be considered as defined benefit plans. Pending the issuance of the final guidance note from the Actuarial Society of India, the Company's actuary has expressed an inability to reliably measure provident fund liabilities. Accordingly the Company is unable to exhibit the related information.

The company contributed Rs. 43 crore towards Provident Fund during the quarter ended June 30, 2010. (Rs. 36 crore during the quarter ended June 30, 2009).

#### **23.2.22.b Superannuation**

The company contributed Rs. 14 crore to the Superannuation Trust during the quarter ended June 30, 2010. (Rs. 13 crore during the quarter ended June 30, 2009).

#### **23.2.23 Cashflow statement**

##### **23.2.23.a Unclaimed dividend**

The balance of cash and cash equivalents includes Rs. 3 crore as at June 30, 2010 (Rs. 2 crore as at March 31, 2010) set aside for payment of dividends.

##### **23.2.23.b Restricted deposits**

Deposits with financial institutions as at June 30, 2010 include Rs. 431 crore (Rs. 281 crore as at March 31, 2010 and Rs. 253 crore as at June 30, 2009) deposited with Life Insurance Corporation of India to settle employee-related obligations as and when they arise during the normal course of business. This amount is considered as restricted cash and is hence not considered 'cash and cash equivalents'.

**23.3 Details of rounded off amounts**

The financial statements are represented in Rs. crore as per the approval received from Department of Company Affairs (DCA) earlier. Those items which were not represented in the financial statement due to rounding off to the nearest Rs. crore are given as follows :

Balance Sheet Items

Schedule	Description	<i>in Rs. crore</i>	
		As at	
		June 30, 2010	March 31, 2010
3	Fixed assets		
	Lease hold		
	Addition during the period	0.02	-
	Vehicles		
	Addition during the period	0.31	0.04
	Deletion during the period from depreciation	0.22	0.04
4	Investments		
	Investment in Infosys Sweden	0.06	-
23.2.7	Related party transactions		
	Debtors		
	Infosys BPO s.r.o.	0.07	0.04
	Infosys BPO (Poland)	0.12	-
	Infosys Thailand	-	0.04
	Infosys Consulting India	0.11	-
	Infosys Sweden	-	0.08
	Creditors		
	Infosys BPO s.r.o.	0.12	0.16
	Infosys BPO (Poland)	0.03	-
	Infosys Thailand	-	0.02
23.2.12	Balances with scheduled banks		
	- Citi Bank - Unclaimed dividend account	0.44	0.49
	- HDFC Bank - Unclaimed dividend account	-	1.00
	- Deutsche Bank - EEFC account in Swiss Franc	-	0.33
	- State Bank of India	0.05	0.04
	- Bank of Baroda	0.02	0.02
	Balances with non-scheduled banks		
	- ABN Amro Bank, Copenhagen, Denmark	-	0.21
	- Citibank N.A, New Zealand	-	0.26
	- Deutsche Bank, Moscow	-	0.34
	- Deutsche Bank, Zurich, Switzerland	-	9.72
	- Deutsche Bank, Zurich, Switzerland (U.S. dollar account)	0.01	1.40
	- Deutsche Bank, Spain	-	1.47
	- Bank of Baroda, Mauritius	-	0.06
	- Standard Chartered Bank, UAE	-	0.09
	- The Bank of Tokyo-Mitsubishi UFJ, Ltd., Japan	-	0.16
23.2.12	Maximum Balances with non-scheduled banks		
	- ABN Amro Bank, Taiwan	0.14	-
	- ABN Amro Bank, Denmark	-	0.34
	- Citibank N.A, Thailand	0.02	-
	- Deutsche Bank Russia	-	0.37
	- Nordbanken, Sweden	-	0.48
	- Deutsche Bank, Russia (U.S. dollar account)	0.21	0.21

## Profit &amp; Loss Items

*in Rs. crore*

Schedule	Description	Quarter ended June 30,	
		2010	2009
Profit & Loss	Provision for Investment	0.39	-
	Additional dividend	0.08	-
	Additional dividend tax	0.01	-
12	Selling and Marketing expenses		
	Visa charges and others	0.42	0.30
	Printing & Stationery	0.34	0.38
	Office maintenance	0.03	0.05
	Computer maintenance	-	0.02
	Sales Promotion expenses	0.01	0.08
	Staff welfare	0.49	0.36
	Consumables	0.01	0.01
	Advertisements	(0.05)	0.03
	Communication expenses	0.18	0.24
13	General and Administrative expenses		
	Provision for doubtful loans and advances	0.11	0.10
	Overseas group health insurance	0.23	0.19
	Visa charges and others	0.35	0.09
	Auditor's remuneration :		
	Statutory audit fees	0.20	0.17
	Certification charges	0.02	0.01
	Out-of-pocket expenses	0.01	0.01
	Freight charges	0.20	0.17
	Bank charges and commission	0.28	0.39
	Miscellaneous expenses	0.04	0.01
23.2.1	Aggregate expenses		
	Provision for doubtful loans and advances	0.11	0.10
	Sales promotion expenses	0.01	-
	Auditor's remuneration		
	Statutory audit fees	0.20	0.17
	Certification Charges	0.01	0.01
	Out-of-pocket expenses	0.01	0.01
	Freight charges	0.20	0.17
	Bank charges and commission	0.28	0.39
	Miscellaneous expenses	0.04	0.01
23.2.7	Related party transactions		
	Revenue transactions		
	Purchase of services - Infosys BPO s.r.o.	0.11	-
	Sale of services - Infosys China	1.77	0.20
23.2.14	Profit on disposal of fixed assets, included in miscellaneous income	0.09	0.06

## Cash Flow Statement Items

*in Rs. crore*

Schedule	Description	Quarter ended June 30,	
		2010	2009
Cash flow statement	Profit / (loss) on sale of fixed assets	0.09	0.06
	Proceeds on disposal of fixed assets	0.10	0.09



### 23.4 Transactions with key management personnel

Key management personnel comprise directors and members of executive council.

Particulars of remuneration and other benefits paid to whole-time directors and members of executive council during the quarter ended June 30, 2010 and June 30, 2009 are as follows:

*in Rs. crore*

Name	Salary	Contributions to provident and other funds	Perquisites and incentives	Total Remuneration
<b>Co-Chairman</b>				
Nandan M. Nilekani*	- 0.08	- 0.02	- 0.14	- 0.24
<b>Chief Executive Officer and Managing Director</b>				
S. Gopalakrishnan	0.08 0.08	0.02 0.02	0.19 0.16	0.29 0.26
<b>Chief Operating Officer and Director</b>				
S. D. Shibulal	0.08 0.08	0.02 0.02	0.18 0.13	0.28 0.23
<b>Whole-time Directors</b>				
K. Dinesh	0.08 0.08	0.02 0.02	0.19 0.16	0.29 0.26
T. V. Mohandas Pai	0.09 0.09	0.02 0.02	1.04 1.26	1.15 1.37
Srinath Batni	0.09 0.09	0.02 0.01	0.84 1.09	0.95 1.19
<b>Executive Council Members</b>				
<b>Chief Financial Officer</b>				
V. Balakrishnan	0.08 0.07	0.02 0.02	1.51 0.53	1.61 0.62
Ashok Vemuri	0.51 0.53	- -	1.08 0.60	1.59 1.13
Chandra Shekar Kakal	0.07 0.07	0.02 0.01	1.58 0.46	1.67 0.54
B.G. Srinivas	0.41 0.45	- -	1.05 0.48	1.46 0.93
Subhash B. Dhar	0.06 0.06	0.02 0.01	1.20 0.39	1.28 0.46

\* Effective July 9, 2009, Nandan M Nilekani has relinquished the positions of Co-Chairman, Member of the Board and employee of Infosys.

Particulars of remuneration and other benefits of non-executive/ independent directors for the quarter ended June 30, 2010 and *June 30, 2009* are as follows:

<b>Name</b>	<b>Commission</b>	<b>Sitting fees</b>	<b>Reimbursement of expenses</b>	<b>Total remuneration</b>
<b>Non-Whole time Directors</b>				
Deepak M Satwalekar	0.15 <i>0.16</i>	- -	0.01 -	0.16 <i>0.16</i>
Prof.Marti G. Subrahmanyam	0.18 <i>0.17</i>	- -	0.10 <i>0.07</i>	0.28 <i>0.24</i>
Dr.Omkar Goswami	0.13 <i>0.14</i>	- -	0.01 <i>0.01</i>	0.14 <i>0.15</i>
Claude Smadja	0.06 <i>0.16</i>	- -	0.09 <i>0.05</i>	0.15 <i>0.21</i>
Rama Bijapurkar *	0.01 <i>0.13</i>	- -	- <i>0.01</i>	0.01 <i>0.14</i>
Sridar A. Iyengar	0.16 <i>0.16</i>	- -	0.11 <i>0.05</i>	0.27 <i>0.21</i>
David L. Boyles	0.15 <i>0.16</i>	- -	0.09 <i>0.03</i>	0.24 <i>0.19</i>
Prof. Jeffrey S. Lehman	0.16 <i>0.16</i>	- -	0.01 <i>0.13</i>	0.17 <i>0.29</i>
K.V.Kamath **	0.13 <i>0.11</i>	- -	- -	0.13 <i>0.11</i>
<b>Non-executive director</b>				
N. R. Narayana Murthy ***	0.15 <i>0.15</i>	- -	- -	0.15 <i>0.15</i>

\* Resigned from the board effective April 13, 2010

\*\* Joined the board effective May 02, 2009

\*\*\* Non-executive chairman of the board and chief mentor.