



Infosys®

POWERED BY INTELLECT
DRIVEN BY VALUES

30 years of Infosys

Subsidiaries 2010-11

“Posterity will not excuse you if you did not dream big. You owe it to your customers, your colleagues, your investors, and the society. Every major civilization, every great advance in science and technology, and every great company is built on a big dream.”

N. R. Narayana Murthy

Chairman and Chief Mentor

30 years of Infosys

Turning thirty is a good time to reminisce. And reflect. And look ahead.

Thirty is one of those rare junctures when you have both youth and experience on your side. Thus, as Infosys completes thirty, we talk about the pleasures and pains of starting small; the genesis of a value-based organization culture; personal goals turning into company milestones; sharing wealth and caring for society; learning and educating; building infrastructure for one and all; agreeing to disclose and refusing to compromise on quality; and above all, believing in a vision and leading by example to see it become reality.

Thirty is also the time to break new ground.

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Financial statements of Infosys Technologies (Australia) Pty. Limited

To

The Members of Infosys Technologies (Australia) Pty. Limited

We have audited the attached Balance Sheet of Infosys Technologies (Australia) Pty. Limited ('the Company') as at 31st, March 2011, the Profit and Loss account ('Financial Statement') of the Company for the year ended on that date. These Financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Further, we report that:

- (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
- (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- (c) The Balance sheet and the profit and Loss account dealt with by this report are in agreement with the books of accounts;
- (d) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
 1. in the case of the Balance Sheet, of the State of affairs of the Company as at March 31, 2011; and
 2. in the case of Profit and Loss account, of the profit of the Company for the year ended on that date.

For Shenoy & Kamath
Chartered Accountants
Firms Regn. No. 0066735

M. Rathnakar Kamath
Partner
Membership No. 202841

Bangalore
April 11, 2011

Balance Sheet

		in ₹	
As at March 31,	Schedule	2011	2010
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	1	4,36,92,227	4,36,92,227
Reserves and surplus	2	4,87,41,05,205	3,54,21,87,191
		4,91,77,97,432	3,58,58,79,418
APPLICATION OF FUNDS			
FIXED ASSETS			
Original cost	3	58,34,16,399	75,04,69,025
Less : Accumulated depreciation		46,10,69,424	52,02,14,743
Net book value		12,23,46,975	23,02,54,283
Add : Capital work-in-progress		–	–
		12,23,46,975	23,02,54,283
INVESTMENTS	4	–	13,24,40,329
DEFERRED TAX ASSETS	5	20,47,97,613	15,63,36,144
CURRENT ASSETS, LOANS AND ADVANCES			
Sundry debtors	6	15,76,12,618	30,69,64,195
Cash and bank balances	7	5,48,56,55,418	3,48,42,71,338
Loans and advances	8	50,93,33,658	15,20,80,304
		6,15,26,01,694	3,94,33,15,838
LESS : CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	9	76,73,95,631	59,23,38,270
Provisions	10	79,45,53,219	28,41,28,905
		1,56,19,48,849	87,64,67,175
NET CURRENT ASSETS		4,59,06,52,845	3,06,68,48,662
		4,91,77,97,432	3,58,58,79,418
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS			
	16		

Note : The schedules referred to above are an integral part of the Balance Sheet.

For Shenoy & Kamath
Chartered Accountants
Firms Regn. No. 0066735

M. Rathnakar Kamath
Partner
Membership No : 202841

K. Dinesh
Chairman

Jackie Korhonen
Chief Executive Officer and
Managing Director

Srinath Batni
Director

Bangalore
April 11, 2011

Dheeshjith V. G.
Director

U. B. Pravin Rao
Director

Subhash Dhar
Director

Profit and Loss account

in ₹

For the year ended March 31,	Schedule	2011	2010
Income from software services, products and business process management		9,84,34,33,602	7,11,34,64,769
Software development and business process management expenses	11	7,23,70,79,002	5,33,76,36,672
GROSS PROFIT		2,60,63,54,600	1,77,58,28,097
Selling and marketing expenses	12	84,43,34,734	46,58,81,276
General and administration expenses	13	60,12,65,028	55,64,42,342
		1,44,55,99,762	1,02,23,23,618
OPERATING PROFIT BEFORE INTEREST AND DEPRECIATION		1,16,07,54,838	75,35,04,479
Interest		–	–
Depreciation		18,61,46,526	15,71,39,042
OPERATING PROFIT BEFORE TAX		97,46,08,312	59,63,65,438
Other income, net	14	18,48,62,912	9,53,92,319
NET PROFIT BEFORE TAX		1,15,94,71,224	69,17,57,757
Provision for taxation	15	32,39,37,600	22,56,27,191
NET PROFIT AFTER TAX		83,55,33,624	46,61,30,566
EARNINGS PER SHARE			
Equity shares of par value AUD 0.11 /- each			
Basic		82.65	46.11
Number of shares used in computing earnings per share		1,01,08,869	1,01,08,869
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	16		

Note : The schedules referred to above are an integral part of the Profit and Loss account.

For Shenoy & Kamath
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Bangalore
April 11, 2011

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Director

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Director

Subhash Dhar
Director

Schedules to the Balance Sheet

		in ₹	
As at March 31,		2011	2010
1. SHARE CAPITAL			
Authorized			
1,01,08,869 equity shares of AUD 0.11 par value			
Issued, subscribed and paid up			
1,01,08,869 (1,01,08,869) equity shares of AUD 0.11 par value, fully paid	4,36,92,227		4,36,92,227
	<u>4,36,92,227</u>		<u>4,36,92,227</u>
2. RESERVES AND SURPLUS			
Translation difference	1,15,83,08,098		64,56,80,467
General reserve	21,79,30,925		21,79,30,925
Balance in Profit and Loss account	2,67,85,75,800		2,21,24,45,234
Add : Additions during the year	83,55,33,624		46,61,30,566
Add : Transfer upon liquidation of Mainstream	(1,62,43,242)		-
	<u>3,49,78,66,182</u>		<u>2,67,85,75,800</u>
	<u>4,87,41,05,205</u>		<u>3,54,21,87,191</u>

		in ₹	
As at March 31,		2011	2010
5. DEFERRED TAX ASSETS			
Fixed assets		2,51,48,902	2,76,92,357
Sundry debtors		22,14,803	4,16,222
Others		6,12,64,037	4,88,52,978
DTA – long service leave		11,61,69,872	7,93,74,586
		<u>20,47,97,613</u>	<u>15,63,36,144</u>
6. SUNDRY DEBTORS			
Debts outstanding for a period exceeding six months			
Unsecured			
Considered doubtful		73,82,712	13,87,546
Other debts			
Unsecured			
Considered good		15,76,12,618	30,69,64,195
Considered doubtful		-	-
		<u>16,49,95,330</u>	<u>30,83,51,742</u>
Less : Provision for doubtful debts		(73,82,712)	(13,87,546)
		<u>15,76,12,618</u>	<u>30,69,64,195</u>

3 FIXED ASSETS

	Original cost				Depreciation and amortization				Net book value	
	As at Apr 1, 2010	Additions/ Adjustments	Deletions/ Retirement/ Adjustments	As at Mar 31, 2011	As at Apr 1, 2010	For the year	Deletions / Adjustments	As at Mar 31, 2011	As at Mar 31, 2011	As at Mar 31, 2010
Plant and machinery	4,43,23,722	97,90,825	2,86,44,802	2,54,69,745	3,21,01,222	47,81,615	2,44,45,115	1,24,37,722	1,30,32,023	1,22,22,501
Computer equipment	51,91,15,289	11,89,40,375	15,59,56,855	48,20,98,808	33,55,00,773	16,68,49,428	10,32,17,049	39,91,33,151	8,29,65,657	18,36,14,516
Furniture and fittings	18,70,30,015	2,42,82,015	13,54,64,184	7,58,47,846	15,26,12,748	1,45,15,483	11,76,29,680	4,94,98,551	2,63,49,295	3,44,17,266
Total	<u>75,04,69,025</u>	<u>15,30,13,215</u>	<u>32,00,65,841</u>	<u>58,34,16,399</u>	<u>52,02,14,743</u>	<u>18,61,46,526</u>	<u>24,52,91,844</u>	<u>46,10,69,424</u>	<u>12,23,46,975</u>	<u>23,02,54,283</u>
Previous year	39,92,60,723	35,12,08,303	-	75,04,69,025	30,82,64,233	15,71,39,042	(5,48,11,468)	52,02,14,743	23,02,54,283	

As at March 31,		2011	2010
4. INVESTMENTS			
Trade (unquoted) – at cost			
Long-term investments			
In subsidiaries			
Mainstream		-	13,24,40,000
		<u>-</u>	<u>13,24,40,000</u>
In other investments		-	1,94,56,455
Less : Provision for investments		-	(1,94,56,126)
		<u>-</u>	<u>329</u>
Aggregate amount of unquoted investments		<u>-</u>	<u>13,24,40,329</u>

As at March 31,		2011	2010
7. CASH AND BANK BALANCES			
Cash on hand		-	-
Balances with non-scheduled banks in foreign currency			
In deposit accounts		5,46,27,83,304	3,11,58,12,000
In current accounts		2,28,72,114	36,84,59,338
		<u>5,48,56,55,418</u>	<u>3,48,42,71,338</u>

Schedules to the Balance Sheet

As at March 31,	in ₹	
	2011	2010
8. LOANS AND ADVANCES		
Advances		
Prepaid expenses	2,97,77,250	2,64,12,339
For supply of goods and rendering of services	3,85,480	6,12,901
Interest accrued but not due	5,07,95,484	3,15,44,875
Others	23,72,168	11,23,623
	8,33,30,381	5,96,93,738
Unbilled revenues	3,07,27,984	5,85,58,971
Advance income tax	34,54,95,314	–
Loans and advances to employees		
Salary advances	4,87,11,151	3,12,58,644
Electricity and other deposits	10,68,828	25,68,951
	50,93,33,658	15,20,80,304
9. CURRENT LIABILITIES		
Sundry creditors		
Capital	5,84,00,474	–
Goods and services	1,47,75,647	22,35,06,359
Accrued salaries and benefits		
Salaries	46,33,714	69,47,372
Bonus and incentives	18,96,87,033	15,20,22,906
For other liabilities		
Provision for expenses	7,71,76,494	5,87,32,233
Withholding and other taxes payable	15,99,28,599	8,56,24,626
Payable for acquisition of business	–	2,05,80,000
Others	55,71,210	11,08,606
	51,01,73,172	54,85,22,102
Advances received from clients	24,98,60,375	–
Unearned revenue	73,62,084	4,38,16,168
	25,72,22,459	4,38,16,168
	76,73,95,631	59,23,38,270

As at March 31,	in ₹	
	2011	2010
10 PROVISIONS		
Provision for		
Income taxes	40,37,71,811	1,95,46,951
Post-sales client support and warranties	35,48,395	–
Unavailed leave	38,72,33,013	26,45,81,955
	79,45,53,219	28,41,28,905

Schedules to Profit and Loss account

in ₹			in ₹		
For the year ended March 31,	2011	2010	For the Year Ended March 31,	2011	2010
11. SOFTWARE DEVELOPMENT AND BUSINESS PROCESS MANAGEMENT EXPENSES			13 GENERAL AND ADMINISTRATION EXPENSES		
Salaries and bonus including overseas staff expenses	6,11,67,38,290	4,44,89,36,509	Salaries and bonus including overseas staff expenses	26,58,95,815	18,13,30,414
Overseas group health insurance	1,29,22,230	94,46,216	Overseas group health insurance	53,56,659	40,53,591
Contribution to provident and other funds	18,06,239	16,53,734	Contribution to provident and other funds	21,488	27,614
Staff welfare	2,28,73,646	1,55,80,963	Telephone charges	7,48,08,879	10,41,39,290
Technical sub-contractors	62,85,90,102	48,43,38,149	Professional charges	8,91,54,323	12,92,58,377
Overseas travel expenses	16,17,77,144	13,79,87,304	Power and fuel	81,64,693	71,07,887
Visa charges and others	2,59,95,309	1,23,75,132	Traveling and conveyance	2,91,15,190	2,83,40,182
Software packages			Overseas travel expenses	1,07,84,351	43,23,825
For own use	2,65,43,258	7,83,16,713	Visa charges and others	10,93,833	13,00,739
Communication expenses	1,86,55,212	1,39,56,509	Office maintenance	5,71,59,326	4,26,97,326
Computer maintenance	6,31,74,291	51,45,173	Guesthouse maintenance	1,28,325	93,800
Consumables	96,49,901	1,38,84,472	Insurance charges	51,92,773	42,06,883
Rent	14,48,59,623	11,60,15,797	Printing and stationery	40,02,998	45,68,261
Provision for post-sales client support and warranties	34,93,757	–	Donations	11,84,660	40,36,152
	7,23,70,79,002	5,33,76,36,672	Rent	50,05,578	57,90,374
			Advertisements	7,68,640	10,63,941
12 SELLING AND MARKETING EXPENSES			Repairs to building	1,80,684	1,85,971
Salaries and bonus including overseas staff expenses	66,41,38,490	36,62,54,984	Repairs to plant and machinery	33,71,341	24,27,774
Overseas group health insurance	3,86,113	83,918	Rates and taxes	1,56,392	72,06,236
Contribution to provident and other funds	2,67,882	3,04,010	Professional membership and seminar participation fees	56,50,165	54,37,780
Staff welfare	29,83,057	30,67,560	Postage and courier	32,14,654	33,03,749
Overseas travel expenses	5,40,76,239	3,04,39,250	Books and periodicals	8,73,347	11,92,889
Visa charges and others	23,71,466	(4,20,578)	Recruitment and training	39,547	–
Travelling and conveyance	1,37,95,987	1,88,05,792	Provision for bad and doubtful debts	67,76,557	3,91,776
Brand building	75,02,852	28,33,329	Provision for doubtful loans and advances	–	37,934
Professional charges	1,84,74,978	89,22,151	Freight charges	13,60,161	13,61,615
Rent	33,86,423	38,55,968	Bank charges and commission	20,06,543	7,29,718
Marketing expenses	4,23,29,963	2,84,90,957	Research grants	1,60,16,507	85,62,228
Telephone charges	1,20,70,289	3,87,832	Auditor's remuneration		
Printing and stationery	4,68,974	11,77,458	Statutory audit fees	35,33,846	31,77,726
Office maintenance	28,84,664	10,93,281	Others	46,628	9,082
Sales promotion expenses	51,177	4,86,228	Out-of-pocket expenses	1,35,834	15,271
Consumables	49,475	95,927	Miscellaneous expenses	65,291	63,936
Software for own use	11,34,775	3,211		60,12,65,028	55,64,42,342
Communication expenses	8,74,352	–	14 OTHER INCOME, NET		
Rates and taxes	1,70,87,578	–	Interest received on deposits with banks and others	22,99,19,502	13,39,67,805
	84,43,34,734	46,58,81,276	Miscellaneous income	14,74,655	1,31,761
			Exchange gains / (losses)	(4,65,31,245)	(3,87,07,247)
				18,48,62,912	9,53,92,319
			15 PROVISION FOR TAXATION		
			Income taxes	35,33,58,919	22,55,28,806
			Deferred taxes	(2,94,21,319)	98,385
				32,39,37,600	22,56,27,191

Schedules to the standalone financial statements for the year ended March 31, 2011

Significant accounting policies and notes on accounts

Infosys Technologies (Australia) Pty. Limited (the 'Company') is a Company domiciled in Australia.

The Company is of a kind referred to in Class Order 98/0100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006), issued by the Australian Securities & Investments Commission.

(a) Basis of preparation

These financial statements as at the year end March 31, 2011 have been prepared under historical cost convention on the accrual basis. Accounting policies have been consistently applied to all periods presented in the financial statements.

The preparation of the financial report requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and any future periods affected. Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in a Note.

The accounting policies set out below have been applied consistently to all periods presented in the financial report.

The carrying amount of assets, other than deferred tax assets are reviewed at each Balance Sheet date to determine if there is any indication of impairment. If any such indication exists the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The loss is recognized in the income statement, unless an asset has previously been revalued, in which case the impairment loss is recognized as a reversal to the extent of that previous revaluation with any excess recognized through profit or loss. This estimation of the recoverable amount is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The accounting policies set out below have been applied consistently to all periods presented in the financial report.

(b) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the Balance Sheet date and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the Balance Sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the Balance Sheet date.

A deferred tax asset is recognized only to the extent that is probable that future taxable profits will be available against which the temporary difference can be utilized.

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(c) 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.

(d) Revenue recognition

The Company derives revenues primarily from software development and related services. 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, 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 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. Maintenance revenue is recognized ratably over the term of the underlying maintenance arrangement.

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 Profit and Loss account.

(e) Leases

Payments made under operating leases are recognized in the net profit in the statement of comprehensive income on a straight line basis over the term of the lease. Lease incentives received are recognized in the net profit in the statement of comprehensive income as an integral part of the total lease expense.

(f) Other income

Other income comprises interest income on funds invested. Interest income is recognized as it accrues, taking into account the effective yield on the financial asset.

Foreign currency gains and losses are reported on a net basis.

(g) Receivables

All trade and other receivables are stated at amortized cost less impairment losses.

Trade debtors are recognized at the amounts receivable as they are due for settlement no more than 30 days from the date of recognition. Retention debtors represent recoverable amounts for work completed on fixed price contracts which are subject to delayed payment terms.

Collection of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when sufficient doubt exists as to collection.

(h) Fixed assets and intangibles

All assets acquired, including property, plant and equipment are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

Depreciation is calculated on a straight line basis to write off the net cost of each item of property, plant and equipment over its expected useful life to the entity. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The expected useful lives are as follows :

Plant and equipment	5 years
Computer equipment	2 years
Furniture and fittings	5 years

Software product development costs are expensed as incurred unless technical and commercial feasibility of the project is demonstrated, future economic benefits are probable, the Company has an intention and ability to complete and use or sell the software and the costs can be measured reliably. The costs which can be capitalized include the cost of material, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use. Software development costs incurred under contractual arrangements with customers are accounted as cost of sales.

Lease hold improvements are amortized over their estimated useful life.

(i) Employee benefits

(i) Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognized in other creditors in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(ii) Long service leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognized in the provision for employee benefits and is measured in accordance with (i) above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognized in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

Consideration is given, to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Employee benefit on-costs

Employee benefit on-costs, including payroll tax, are recognized and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognized as liabilities.

Obligations for contributions to defined contribution superannuation funds are recognized as an expense in profit or loss when they are due.

(j) Goods and Services Tax

Revenues, expenses and assets are recognized net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognized as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Balance Sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(k) Provisions and contingent liabilities

A provision is recognized when there is a present legal, equitable or constructive obligation as a result of a past event and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain.

A provision for an onerous contract is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

(l) Dividends

Provision is made for the amount of any dividend declared by the directors on or before the end of the financial period but not distributed at Balance Sheet date.

(m) Trade and other payables

Trade and other payables are stated at amortized cost. These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

(o) 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.

(p) Investment

Mainstream Software Pty Ltd was placed in Member's voluntary liquidation by a resolution on 9 September, 2009 and the Company has been deregistered as on 27 July, 2010

16.2. Notes on accounts

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

16.2.1. Aggregate expenses

The aggregate amounts incurred on expenses are as follows :

Aggregate expenses	Year ended March 31,	
	2011	2010
Salaries and bonus including overseas staff expenses	7,04,67,72,595	4,99,65,21,907
Contribution to provident and other funds	20,95,609	19,85,359
Staff welfare	2,58,56,703	1,86,48,523
Overseas group health insurance	1,86,65,002	1,35,83,725
Overseas travel expenses	22,66,37,734	17,27,50,379
Visa charges and others	2,94,60,608	1,32,55,294
Traveling and conveyance	4,29,11,176	4,71,45,974
Technical sub-contractors – subsidiaries	33,06,19,544	22,17,92,470
Technical sub-contractors – others	29,79,70,559	26,25,45,679
Software packages		
For own use	2,76,78,032	7,83,19,925
For service delivery to clients	–	–
Professional charges	10,76,29,301	13,81,80,528
Telephone charges	8,68,79,168	10,45,27,122
Communication expenses	1,95,29,564	1,39,56,509
Power and fuel	81,64,693	71,07,887
Office maintenance	6,00,43,989	4,37,90,607
Guest house maintenance	1,28,325	93,800
Commission charges	–	–
Brand building	75,02,852	28,33,329
Rent	15,32,51,624	12,56,62,138
Insurance charges	51,92,773	42,06,883
Computer maintenance	6,31,74,291	51,45,173
Printing and stationery	44,71,972	57,45,719
Consumables	96,99,376	1,39,80,399
Donations	11,84,660	40,36,152
Advertisements	7,68,640	10,63,941
Marketing expenses	4,23,29,963	2,84,90,957
Repairs to building	1,80,684	1,85,971
Repairs to plant and machinery	33,71,341	24,27,774
Rates and taxes	1,72,43,970	72,06,236
Professional membership and seminar participation fees	56,50,165	54,37,780
Postage and courier	32,14,654	33,03,749
Provision for post-sales client support and warranties	–	–
Books and periodicals	8,73,347	11,92,889
Recruitment and Training	39,547	–

in ₹

Aggregate expenses	Year ended March 31,	
	2011	2010
Provision for bad and doubtful debts	67,76,557	3,91,776
Provision for doubtful loans and advances	–	37,934
Provision for Estimated Losses	34,93,757	–
Commission to non-whole time directors	–	–
Sales promotion expenses	51,177	4,86,228
Freight charges	13,60,161	13,61,615
Bank charges and commission	20,06,543	7,29,718
Auditor's remuneration		
Statutory audit fees	35,33,846	31,77,726
Others	46,628	9,082
Out-of-pocket expenses	1,35,834	15,271
Research grants	1,60,16,507	85,62,228
Miscellaneous expenses	65,291	63,936
	8,68,26,78,764	6,35,99,60,290

16.2.2. Capital commitments and contingent liabilities

Particulars	As at March 31,	
	2011	2010
Estimated amount of unexecuted capital contracts (Net of advances and deposits)	1,65,00,159	96,42,559
Outstanding guarantees and counter guarantees to various banks, in respect of the guarantees given by those banks in favor of various government authorities and others	17,75,90,685	15,85,25,973

16.2.3. Activity in foreign currency

Particulars	Year ended March 31,	
	2011	2010
Earnings in foreign currency (on receipts basis)		
Income from software services and products	9,98,46,60,991	7,10,70,55,331
Interest received from banks and others	22,99,19,502	13,39,67,805
Expenditure in foreign currency (on payments basis)		
Travel expenses (including visa charges)	17,44,54,542	11,88,25,818
Professional charges	10,34,53,365	15,40,57,850
Technical sub-contractors – subsidiaries	33,01,68,128	26,30,79,249
Overseas salaries and incentives	6,98,69,91,126	4,96,22,14,459
Other expenditure incurred overseas for software development	44,81,65,613	43,35,28,935
Net earnings in foreign currency	2,17,13,47,719	1,30,93,16,826

in ₹

16.2.4. 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.

16.2.5. Obligations on long-term, non-cancelable operating leases

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

	Year ended March 31,	
	2011	2010
Lease rentals recognized during the period	15,32,51,624	12,56,62,138

Lease obligations payable	As at March 31,	
	2011	2010
Within one year of the Balance Sheet date	16,55,00,989	15,17,38,727
Due in a period between one year and five years	42,46,55,717	49,09,28,372
Due after five years	38,59,54,849	38,01,09,935

The operating lease arrangements extend up to a maximum of nine years from their respective dates of inception and relates to rented overseas premises. Some of the lease agreements have a price escalation clause.

16.2.6. Related party transactions

List of related parties :

Name of subsidiaries	Nature of Relationship
Infosys Technologies Limited	Controlling Entity
Infosys BPO	Fellow Subsidiary
Infosys China	Fellow Subsidiary
Infosys Consulting	Fellow Subsidiary
Infosys Mexico	Fellow Subsidiary
Infosys Sweden	Fellow Subsidiary
Infosys Brasil	Fellow Subsidiary
Infosys Public Services, Inc.	Fellow Subsidiary
Infosys BPO s. r. o.	Fellow Subsidiary
Infosys BPO (Poland) Sp.Z.o.o	Fellow Subsidiary
Infosys BPO (Thailand) Limited	Fellow Subsidiary
Mainstream Software Pty Limited	Fellow Subsidiary
Infosys Consulting India Limited	Fellow Subsidiary
McCamish Systems LLC	Fellow Subsidiary
Jackie Korhonen	Key Management Personnel

Details of amounts due to or due from as at March 31, 2011 and March 31, 2010 :

Particulars	As at March 31,	
	2011	2010
Sundry debtors		
Infosys Technologies Limited	50,089	20,05,24,000
Infosys China	9,58,696	7,14,644
Infosys BPO (including subsidiaries)	1,11,254	35,40,761
Sundry creditors		
Infosys Technologies Limited	5,37,84,195	6,96,73,000
Infosys China	16,43,545	1,27,27,454
Infosys BPO (including subsidiaries)	33,61,170	9,82,030
Infosys Consulting India Limited	422	-

The details of the related party transactions entered into by the Company and maximum dues from related parties, in addition to the lease commitments described in note 16.2.5, for the year ended March 31, 2011 and March 31, 2010 are as follows :

Particulars	Year ended March 31,	
	2011	2010
Revenue transactions		
Purchase of services		
Infosys Technologies Limited	32,35,42,766	25,00,88,000
Infosys China	70,76,777	1,29,90,968
Sale of services		
Infosys Technologies Limited	8,89,00,03,830	6,34,35,37,000

16.2.7. 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	As at March 31,	
	2011	2010
In current accounts		
National Australia Bank Ltd, Australia	69,30,379	34,91,11,128
Citigroup Pty Ltd, Australia	11,07,445	1,29,74,363
Citibank NA, New Zealand	1,48,34,290	63,73,847
	2,28,72,114	36,84,59,338

16.2.8. Fixed assets

	Year ended March 31,	
	2011	2010
Depreciation charged during the year	18,61,46,526	15,71,39,041

16.2.9. 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

Year ended March 31, 2011 and March 31, 2010 :

	Financial services	Manufacturing	Telecom	Retail	Others	Total
Revenues	4,19,65,77,299	40,72,40,143	4,86,02,35,416	6,55,46,198	31,38,34,546	9,84,34,33,602
	1,79,49,10,268	31,70,75,506	4,64,00,02,001	3,25,600	36,11,51,393	7,11,34,64,769
Identifiable operating expenses	2,70,44,14,820	30,47,32,774	3,05,70,79,388	5,62,81,034	22,00,26,885	6,34,25,34,901
	1,20,57,57,079	23,24,29,995	2,77,18,57,664	3,84,885	26,18,44,494	4,47,22,74,117
Allocated expenses	99,76,79,781	9,68,15,864	1,15,54,55,568	1,55,82,727	7,46,09,940	2,34,01,43,880
	47,63,11,808	8,41,41,704	1,23,13,08,205	86,404	9,58,38,035	1,88,76,86,155
Segmental operating income	49,44,82,698	56,91,505	64,77,00,460	(6,317,563)	1,91,97,721	1,16,07,54,821
	11,28,41,381	5,03,808	63,68,36,133	(145,689)	34,68,864	75,35,04,497
Unallocable expenses						18,61,46,526
						15,71,39,042
Operating income						97,46,08,295
						59,63,65,456
Other income, net						18,48,62,912
						9,53,92,319
Net profit before taxes						1,15,94,71,207
						69,17,57,775
Income taxes						32,39,37,603
						22,56,27,188
Net profit after taxes						83,55,33,604
						46,61,30,587

in ₹

Geographic segments

Year ended March 31, 2011 and March 31, 2010 :

	North America	Europe	India	Rest of the World	Total
Revenues	1,73,13,129	1,54,22,015	2,135	9,81,06,96,323	9,84,34,33,602
	1,77,80,706	1,24,51,677	–	7,08,32,32,386	7,11,34,64,769
Identifiable operating expenses	90,73,118	91,80,048	3,51,136	6,32,39,30,599	6,34,25,34,901
	1,43,35,583	1,18,85,911	–	4,44,60,52,623	4,47,22,74,117
Allocated expenses	41,15,964	36,66,377	508	2,33,23,61,033	2,34,01,43,881
	47,18,431	33,04,277	–	1,87,96,63,447	1,88,76,86,155
Segmental operating income	41,24,048	25,75,591	(3,49,509)	1,15,44,04,691	1,16,07,54,821
	(12,73,308)	(27,38,511)	–	75,75,16,316	75,35,04,497
Unallocable expenses					18,61,46,526
					15,71,39,042
Operating income					97,46,08,295
					59,63,65,456
Other income, net					18,48,62,912
					9,53,92,319
Net profit before taxes					1,15,94,71,207
					69,17,57,775
Income taxes					32,39,37,603
					22,56,27,188
Net profit after taxes					83,55,33,604
					46,61,30,587

16.2.10. 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.

16.3. Transactions with key management personnel

The key management personnel compensation included in employee benefits are as follows :

Particulars of remuneration and other benefits paid to whole-time directors during the year ended March 31, 2011 and March 31, 2010 :

Name	Salary	Contributions to provident and other funds	Perquisites and incentives	Total remuneration
<i>Chief Executive Officer</i>				
Jackie Korhonen	2,56,12,374	36,58,567	1,50,38,427	4,43,09,368
	3,07,33,425	27,65,829	–	3,34,99,254

Financial statements of Infosys Technologies (China) Company Limited

To

The Members of Infosys Technologies (China) Company Limited

We have audited the attached Balance Sheet of Infosys Technologies (China) Company Limited ('the Company') as at 31, December 2010, the Profit and Loss account ('Financial Statement') of the Company for the year ended on that date. These Financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Further, we report that :

- (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
- (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- (c) The Balance sheet and the profit and Loss account dealt with by this report are in agreement with the books of accounts;
- (d) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
 1. in the case of the Balance Sheet, of the State of affairs of the Company as at December 31, 2010; and
 2. in the case of Profit and Loss account, of the Profit of the Company for the year ended on that date.

For Shenoy & Kamath
Chartered accountants
Firms Regn. No. 0066735

M. Rathnakar Kamath
Partner
Membership No. 202841

Bangalore
January 7, 2011

Balance Sheet

		in ₹	
As at December 31,	Schedule	2010	2009
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	1	1,06,34,07,042	65,77,00,983
		1,06,34,07,042	65,77,00,983
Unsecured Loans		23,17,14,154	47,33,08,117
		1,29,51,21,196	1,13,10,09,100
APPLICATION OF FUNDS			
FIXED ASSETS			
Original cost	2	1,20,81,86,666	61,35,02,547
Less : Accumulated depreciation		53,85,56,234	44,92,28,002
Net book value		66,96,30,432	16,42,74,545
DEFERRED TAX ASSETS	3	8,80,10,767	–
CURRENT ASSETS, LOANS AND ADVANCES			
Sundry debtors	4	74,80,93,031	28,32,89,871
Cash and bank balances	5	70,60,52,995	45,86,83,702
Loans and advances	6	15,47,62,702	14,11,41,300
		1,60,89,08,728	88,31,14,873
LESS : CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	7	99,17,43,512	32,59,42,748
Provisions	8	10,69,56,633	2,70,80,779
		1,09,87,00,145	35,30,23,528
NET CURRENT ASSETS		51,02,08,583	53,00,91,345
Reserves and surplus	9	2,72,71,414	43,66,43,209
		1,29,51,21,196	1,13,10,09,100
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS			
	15		

Note : The schedules referred to above are an integral part of the Balance Sheet.

For Shenoy & Kamath
Chartered Accountants
Firms Regn. No. 0066735

S. D. Shibulal
Chairman

N. R. Narayana Murthy
Director

T. V. Mohandas Pai
Director

M. Rathnakar Kamath
Membership No : 202841

Srinath Batni
Director

Prasad Thrikutam
Director

V. G. Dheeshjith
Director

Bangalore
January 7, 2011

Ashok Vemuri
Director

V. R. Rangarajan
Chief Executive Officer
and Director

Profit and Loss account

in ₹

For the year ended December 31,	Schedule	2010	2009
Income from software services, products and business process management		3,23,89,19,094	2,07,08,11,446
Software development and business process management expenses	10	2,21,49,51,036	1,30,65,03,449
GROSS PROFIT		1,02,39,68,058	76,43,07,997
Selling and marketing expenses	11	5,91,10,950	5,91,82,983
General and administration expenses	12	39,66,06,602	21,16,05,803
		45,57,17,552	27,07,88,786
OPERATING PROFIT BEFORE INTEREST AND DEPRECIATION		56,82,50,506	49,35,19,211
Interest		2,62,98,228	2,90,48,963
Depreciation		20,71,22,283	13,06,49,713
OPERATING PROFIT BEFORE TAX		33,48,29,995	33,38,20,536
Other income, net	13	4,57,76,284	6,94,46,873
NET PROFIT BEFORE TAX		38,06,06,279	40,32,67,408
Provision for taxation	14	(2,04,23,567)	–
NET PROFIT AFTER TAX		40,10,29,846	40,32,67,408
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	15		

Note : The schedules referred to above are an integral part of the Profit and Loss account.

For Shenoy & Kamath
Chartered Accountants
Firms Regn. No. 0066735

S. D. Shibulal
Chairman

N. R. Narayana Murthy
Director

T. V. Mohandas Pai
Director

M. Rathnakar Kamath
Membership No : 202841

Srinath Batni
Director

Prasad Thrikutam
Director

V. G. Dheeshjith
Director

Bangalore
January 7, 2011

Ashok Vemuri
Director

V. R. Rangarajan
Chief Executive Officer
and Director

Schedules to the Balance Sheet

in ₹			in ₹		
As at December 31,	2010	2009	As at December 31,	2010	2009
1 SHARE CAPITAL					
Authorized			Unsecured, considered doubtful		
23,000,000 USD	1,10,46,10,000	1,10,46,10,000	Loans and advances to employees	80,920	–
Issued, subscribed and paid up				15,48,43,622	14,11,41,300
23,000,000 USD	1,06,34,07,042	65,77,00,983	Less : Provision for doubtful loans and advances to employees	(80,920)	–
	1,06,34,07,042	65,77,00,983		15,47,62,702	14,11,41,300
3 DEFERRED TAX ASSETS			7 CURRENT LIABILITIES		
Other Assets	8,80,10,767	–	Sundry creditors		
	8,80,10,767	–	Capital	18,14,240	37,16,742
4 SUNDRY DEBTORS			Goods and services	52,14,02,471	20,11,19,967
Debts outstanding for a period exceeding six months			Accrued salaries and benefits		
Unsecured			Salaries	22,83,654	–
Considered doubtful	–	33,62,097	Bonus and incentives	13,30,60,282	8,16,90,895
Other debts			For other liabilities		
Unsecured			Provision for expenses	12,12,34,108	2,52,90,611
Considered good	74,80,93,031	28,32,91,389	Retention monies	97,87,490	5,66,219
	74,80,93,031	28,66,53,486	Withholding and other taxes payable	6,49,705	21,12,978
Less : Provision for doubtful debts	–	(33,63,615)	Others	81,32,551	23,32,060
	74,80,93,031	28,32,89,871		79,83,64,500	31,68,29,471
5 CASH AND BANK BALANCES			Advances received from clients	15,76,20,260	–
Cash on hand	–	4,36,723	Unearned revenue	3,57,58,752	91,13,277
Balances with non-scheduled banks in foreign currency ⁽¹⁾				19,33,79,012	91,13,277
In deposit accounts	23,80,00,000	–		99,17,43,512	32,59,42,748
In current accounts	46,80,52,995	45,82,46,979	8 PROVISIONS		
	706,052,995	4586,83,702	Provision for		
⁽¹⁾ Refer to Note 15.2.6 for details of balances in non-scheduled banks			Income taxes	5,41,36,362	–
			Unavailed leave	5,28,20,272	2,70,80,779
				10,69,56,633	2,70,80,779
As at December 31,	2010	2009	9 RESERVES AND SURPLUS		
6 LOANS AND ADVANCES			Translation difference	5,82,87,731	66,629,680
Advances			Balance in Profit and Loss account	37,00,13,529	77,32,80,938
Prepaid expenses	3,61,66,406	1,26,42,386	Add : (Profits) / Losses during the year	(40,10,29,846)	(40,32,67,409)
For supply of goods and rendering of services	4,67,817	3,30,345		(3,10,16,317)	37,00,13,529
Interest accrued but not due	74,375	–		2,72,71,414	43,66,43,209
Others	1,21,04,104	1,00,07,111			
	4,88,12,702	2,29,79,842			
Unbilled revenues	3,80,83,022	8,87,32,730			
Advance income tax	24,27,635	24,31,612			
Loans and advances to employees					
Salary advances	96,61,222	75,12,407			
Electricity and other deposits	6,39,200	3,16,229			
Rental deposits	5,51,38,921	1,91,68,479			
	15,47,62,702	14,11,41,300			

2 Fixed assets

in ₹

	Original cost			Depreciation and amortization				Net book value		
	As at Jan 1, 2010	Additions / Adjustments	Deletions / Retirement / Adjustments	As at Dec 31, 2010	As at Jan 1, 2010	For the year	Deletions / Adjustments	As at Dec 31, 2010	As at Dec 31, 2010	As at Dec 31, 2009
Leasehold improvement	19,22,09,328	44,67,91,211	8,68,54,825	55,21,45,714	15,25,41,990	10,56,37,518	8,71,30,449	17,10,49,059	38,10,96,655	3,96,67,338
Plant and machinery	5,51,95,968	13,44,48,979	22,70,729	18,73,74,217	2,21,44,034	1,81,83,263	19,19,627	3,84,07,670	14,89,66,547	3,30,51,934
Computer equipment	32,56,20,627	8,86,02,024	2,34,68,590	39,07,54,061	24,59,57,865	7,38,94,655	2,39,65,593	29,58,86,927	9,48,67,134	7,96,62,763
Furniture and fittings	3,95,49,109	4,26,63,708	52,23,584	7,69,89,234	2,78,25,146	92,40,366	47,76,374	3,22,89,138	4,47,00,096	1,17,23,963
Vehicles	9,27,514	(4,074)	–	9,23,440	7,58,967	1,66,481	2,007	9,23,440	–	1,68,547
Total	61,35,02,547	71,25,01,847	11,78,17,728	1,20,81,86,666	44,92,28,002	20,71,22,283	11,77,94,050	53,85,56,234	66,96,30,432	16,42,74,545
Previous year	53,88,63,671	7,49,13,979	2,75,103	61,35,02,547	33,65,82,316	13,06,49,713	1,80,04,027	44,92,28,002	16,42,74,545	

Schedules to Profit and Loss account

	in ₹	
For the year ended December 31,	2010	2009
10 SOFTWARE DEVELOPMENT AND BUSINESS PROCESS MANAGEMENT EXPENSES		
Salaries and bonus including overseas staff expenses	1,82,67,18,160	1,04,35,80,477
Overseas group health insurance	21,56,150	13,00,587
Contribution towards provident and other funds	17,25,942	6,15,362
Staff welfare	5,23,20,289	2,82,17,749
Technical sub-contractors	7,10,98,937	7,55,21,523
Overseas travel expenses	8,02,11,498	3,36,34,382
Visa charges and others	1,26,72,606	1,16,93,455
Software packages		–
For own use	57,01,022	62,31,606
Communication expenses	3,93,67,521	2,73,97,049
Computer maintenance	2,04,34,249	1,69,40,438
Consumables	8,45,432	26,49,021
Rent	10,16,99,229	5,87,21,800
	2,21,49,51,036	1,30,65,03,449
11 SELLING AND MARKETING EXPENSES		
Salaries and bonus including overseas staff expenses	4,60,43,662	4,87,49,857
Overseas group health insurance	(83,491)	62,996
Contribution towards provident and other funds	2,003	7,364
Staff welfare	8,97,525	11,07,913
Overseas travel expenses	16,51,509	11,70,304
Visa charges and others	12,241	7,985
Travel and conveyance	17,27,608	15,83,998
Brand building	1,55,876	1,98,241
Professional charges	9,86,535	7,63,795
Rent	45,79,851	33,40,593
Marketing expenses	23,59,256	16,94,736
Telephone charges	97,403	1,90,242
Printing and stationery	4,20,636	3,04,959
Advertisements	1,41,090	–
Consumables	12,015	–
Software for own use	1,07,231	–
	5,91,10,950	5,91,82,983

	in ₹	
For the year ended December 31,	2010	2009
12 GENERAL AND ADMINISTRATION EXPENSES		
Salaries and bonus including overseas staff expenses	10,24,49,425	6,27,59,059
Overseas group health insurance	1,22,650	6,75,378
Contribution to provident and other funds	1,75,915	50,120
Telephone charges	2,26,86,370	1,43,98,608
Professional charges	6,07,83,441	2,62,61,986
Power and fuel	4,04,70,293	2,20,38,237
Travel and conveyance	5,19,02,098	2,26,66,667
Overseas travel expenses	2,50,34,003	1,51,35,946
Visa charges and others	8,55,923	7,11,599
Office maintenance	5,13,94,739	1,69,53,606
Guesthouse maintenance	32,376	8,505
Insurance charges	39,52,744	33,56,657
Printing and stationery	87,22,807	38,97,179
Donations	–	13,680
Rent	1,46,56,797	1,67,54,374
Advertisements	1,10,910	9,79,912
Repairs to plant and machinery	38,87,095	21,25,356
Rates and taxes	8,37,049	12,59,108
Professional membership and seminar participation fees	18,86,424	5,81,606
Postage and courier	26,09,212	8,84,703
Books and periodicals	2,76,443	34,961
Provision for bad and doubtful debts	(7,39,638)	(22,65,881)
Provision for doubtful loans and advances	13,85,248	5,28,909
Bank charges and commission	9,94,820	6,04,235
Auditor's remuneration		
Statutory audit fees	13,80,410	12,89,074
Miscellaneous expenses	7,39,047	(97,780)
	39,66,06,602	21,16,05,803
13 OTHER INCOME, NET		
Interest received on deposits with banks and others	45,55,975	5,63,779
Miscellaneous income	3,73,37,366	6,91,62,726
Exchange gains / (losses)	38,82,943	(2,79,633)
	4,57,76,284	6,94,46,873
14 PROVISION FOR TAXATION		
Income taxes	6,70,88,973	–
Deferred taxes	(8,75,12,540)	–
	(2,04,23,567)	–

Schedules to the financial statements for the year ended December 31, 2010

15. Significant accounting policies and notes on accounts

15.1. Significant accounting policies

15.1.1. Accounting year

The accounting year of the Company is from January 1 to December 31.

15.1.2. Basis of preparation and measurement

The financial statements of the Company have been prepared on an accrual basis. Unless otherwise stated, the measurement basis used is historical cost.

15.1.3. Reporting currency

The Company's reporting currency is the Renminbi.

15.1.4. Previous period figures

The previous period's figures disclosed in these financial statements have been regrouped / reclassified wherever necessary.

15.1.5. Foreign currency transactions

Foreign currency transactions during the period are translated into Renminbi at the exchange rates quoted by the People's Bank of China at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Renminbi at the exchange rates quoted by the People's Bank of China ruling at the Balance Sheet date. Exchange gains and losses on foreign currency translation are dealt with in the income statement.

Exchange differences which arise during the start-up period are aggregated in the long-term deferred expenses and are then fully charged to the income statement in the month of commencement of operations.

15.1.6. Cash and cash equivalents

Cash comprise cash and cash on deposits with bank.

15.1.7. Provision for bad and doubtful debts

The Company evaluates the accounts receivables periodically for collectability. The need for provisions is assessed based on various factors including the collectability of specific account receivable, risk perceptions of the industry in which the customer operates, and general economic factors, which could affect a customer's ability to settle. The Company also provides for all receivables pending for greater than 180 days.

Provision for other receivables is determined based on their specific nature and management's estimate of their collectability.

15.1.8. Fixed assets

Fixed assets are assets with comparatively high unit values held by the Company for use in the supply of services and for administrative purposes. They are expected to be used for more than one year.

Fixed assets are stated in the Balance Sheet at cost less accumulated depreciation and impairment losses. Construction in progress is stated in the Balance Sheet at cost less impairment losses.

All direct and indirect costs that are related to the construction of fixed assets and incurred before the assets are ready for their intended use are capitalized as construction in progress.

Construction in progress is transferred to fixed assets when it is ready for its intended use. No depreciation is provided against construction in progress.

Fixed assets are depreciated using the straight-line method over their estimated useful lives. The respective estimated useful lives and the

estimated rate of residual values on cost adopted for the Company's fixed assets are as follows :

	Estimated useful life	Estimated rate of residual value
Leasehold improvement	5 years	0%
Computer equipment	2 years	0%
Furniture and fixtures	5 years	0%
Plant and machinery	5 years	0%
Vehicles	5 years	0%

15.1.9. Operating lease charges

Rental payments under operating leases are charged as expenses on a straight-line basis over the lease term.

15.1.10. Provision for impairment

The carrying amounts of assets are reviewed regularly at each Balance Sheet date to determine whether their recoverable amounts have declined below their carrying amounts. Assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The amount by which the carrying amount is reduced is the impairment loss.

The recoverable amount is the greater of the net selling price and the present value of the estimated future cash flows arising from the continuous use of the asset and from the disposal of the asset at the end of its useful life.

Provision for impairment loss is calculated on an item by item basis and recognized as an expense in the income statement.

15.1.11. Income taxes

Income tax is recognized when payable under the tax payable method. Income tax for the period is provided at the applicable tax rate on taxable income.

15.1.12. Provisions and contingent liabilities

Provisions are recognized when the Company has a present obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligations and a reliable estimate can be made.

Where it is not probable that the settlement of the above obligation will cause an outflow of economic benefits, or the amount of the outflow cannot be estimated reliably, the obligation is disclosed as a contingent liability.

15.1.13. Revenue recognition

When it is probable that the economic benefits will flow to the Company and costs can be measured reliably, revenue is recognized in the income statement according to the following methods :

15.1.13.a. Rendering of services

Revenue from software development on fixed-price, fixed-timeframe contracts is recognized as per the proportionate-completion method based on services performed to date as a percentage of the total services to be performed. On time-and-material contracts, revenue is recognized as the related services are rendered. Annual Technical Services revenue and revenue from fixed-price maintenance contracts are recognized proportionately over the period in which services are rendered.

15.1.13.b. Interest income

Interest income is recognized on a time proportion basis according to the principal outstanding and the applicable rate.

15.1.14. Research and development costs

Research and development costs are recognized in the income statement in the period in which they are incurred.

15.1.15. Repair and maintenance expenses

Repair and maintenance expenses (including major overhaul expenses) are recognized in the income statement when incurred.

15.1.16. Retirement benefits

Pursuant to the relevant laws and regulations in the Premature Retirement Compensation (PRC), the Company has joined a defined contribution retirement plan for the eligible employees arranged by a governmental organization. The Company contributes to the retirement scheme at the applicable rate(s) based on the employees' salaries. The required contributions under the retirement plans are charged to the income statement when they are due.

15.1.17. Related parties

If the Company has the power, directly or indirectly, to control, jointly control or exercise significant influence over another party, or vice versa, or where the Company and one or more parties are subject to common control from another party, they are considered to be related parties. Related parties may be individuals or enterprises.

15.1.18. 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.

15.1.19. 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 external and internal sources by checking indications of asset impairment. 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 continual 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 the preceding years.

15.2. Notes on accounts

Amounts in the financial statements are presented in Rupees.

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

15.2.1. Aggregate expenses

The aggregate amounts incurred on expenses are as follows :

	Year ended December 31,	
	2010	2009
Salaries and bonus including overseas staff expenses	1,97,52,11,246	1,15,50,89,393
Contribution to provident and other funds	19,03,860	6,72,848
Staff welfare	5,32,17,814	2,93,25,662
Group health insurance	21,95,309	20,38,960
Travel expenses	17,40,67,486	8,66,04,336
Technical sub-contractors – others	7,10,98,937	7,55,21,523
Software packages		
For own use	58,08,252	62,31,606
Professional charges	6,17,69,976	2,70,25,781
Telephone charges	62,15,12,94	41,98,5,900
Power and fuel	4,04,70,293	2,20,38,237
Office maintenance	5,14,27,115	1,69,62,111
Commission charges	–	–
Brand building	1,55,876	1,98,241
Rent	12,09,35,878	7,88,16,766
Insurance charges	39,52,744	33,56,657
Repair and maintenance	2,04,34,249	1,69,40,438
Printing and stationery	91,43,443	42,02,138
Consumables	8,57,448	26,49,021
Donations	–	13,680
Advertisements	2,52,000	9,79,912
Marketing expenses	23,59,256	16,94,736
Repairs to plant and machinery	38,87,095	21,25,356
Rates and taxes	8,37,049	12,59,108
Professional membership and seminar participation fees	18,86,424	5,81,606
Postage and courier	26,09,212	8,84,703
Books and periodicals	2,76,443	34,961
Provision for bad and doubtful debts	(7,39,638)	(22,65,881)
Provision for doubtful loans and advances	13,85,248	5,28,909
Bank charges and commission	9,94,820	6,04,235
Auditor's remuneration		
Statutory audit fees	13,80,410	12,89,074
Miscellaneous expenses	7,39,047	(97,781)
	2,67,06,68,588	157,72,92,235

15.2.2. Capital commitments and contingent liabilities

Particulars	As at December 31,	
	2010	2009
Estimated amount of unexecuted capital contracts (Net of advances and deposits)	6,75,03,600	29,04,041

15.2.3. Activity in foreign currency

in ₹

Particulars	Year ended December 31,	
	2010	2009
Earnings in foreign currency (on receipts basis)		
Income from software services and products	2,85,04,94,482	1,54,56,08,386
Expenditure in foreign currency (on payments basis)		
Travel expenses (including visa charges)	1,73,69,845	1,08,94,369
Net earnings in foreign currency	2,83,31,24,637	1,53,47,14,017

15.2.4. Obligations on long-term, non-cancelable operating leases

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

in ₹

Particulars	Year ended December 31,	
	2010	2009
Lease rentals recognized during the period	12,09,35,878	7,88,16,766

in ₹

Lease obligations payable :	As at December 31,	
	2010	2009
Within one year of the Balance Sheet date	15,03,68,064	5,37,13,218
Due in a period between one year and five years	44,54,07,626	1,38,80,541
Due after five years	–	–

The operating lease arrangements extend up to a maximum of five years from their respective dates of inception and relates to rented overseas premises. Some of the lease arrangements have a price escalation clause.

15.2.5. Related party transactions

Name of related party	Country	Holding as at December 31,	
		2010	2009
Infosys Technologies Limited	India	100%	100%

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

Details of amounts due to or due from as at December 31, 2010 and December 31, 2009 :

in ₹

Particulars	As at December 31,	
	2010	2009
Loans and advances		
Infosys Technologies Limited	23,17,14,154	47,33,08,117
Sundry debtors		
Infosys Technologies Limited	25,61,20,182	24,33,19,094
Infosys Technologies (Australia) Pty. Limited	12,05,964	–
Infosys BPO Limited (including subsidiaries)	89,66,728	36,66,535
Infosys Consulting, Inc.	6,65,538	–
Sundry creditors		
Infosys Technologies Limited	35,45,78,316	26,12,25,904
Infosys Technologies (Australia) Pty. Limited	7,92,172	42,56,456
Infosys BPO Limited (including subsidiaries)	2,19,11,233	72,47,135
Infosys Consulting, Inc.	4,32,455	–

The details of the related party transactions entered into by the Company for the year ended December 31, 2010 and December 31, 2009 are as follows :

in ₹

Particulars	Year ended December 31,	
	2010	2009
Capital transactions :		
Financing transactions		
Infosys Technologies Limited	40,57,06,059	20,22,75,983
Loans / Advances		
Infosys Technologies Limited	(24,15,93,963)	–
Revenue transactions :		
Purchase of services		
Infosys Technologies Limited	6,35,16,507	7,55,21,523
Interest expenses		
Infosys Technologies Limited	2,62,98,228	2,90,48,963
Sale of services		
Infosys Technologies Limited	229,07,26,769	116,82,12,804
Maximum balances of loans and advances		
Infosys Technologies Limited	47,33,08,117	47,33,08,117

15.2.6 Cash and bank balances

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

in ₹

Balances with non-scheduled banks	As at December 31,	
	2010	2009
In current accounts		
ABN Amro Bank, Shanghai, China	45,63,20,522	38,69,26,323
Pudong Development Bank	34,75,419	6,11,98,651
Hangzhou Merchant Bank	82,57,054	1,01,22,005
In deposit accounts		
ABN Amro Bank, Shanghai, China	23,80,00,000	–
	70,60,52,995	45,82,46,979

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

Maximum balance with non-scheduled banks during the period	Year ended December 31,	
	2010	2009
In current accounts		
Pudong Development Bank	5,92,27,389	6,14,36,334
Hangzhou Merchant Bank	3,30,16,807	2,41,40,628

15.2.7 Fixed assets

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

Depreciation charged during the year	Year ended December 31,	
	2010	2009
	24,25,381	11,79,556

15.2.8 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. These solutions are delivered globally to customers 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

Industry segments

Year ended December 31, 2010 and December 31, 2009 :

	Financial services	Manufacturing	Telecom	Retail	Others	Total
Revenues	90,16,59,591	90,29,02,120	10,82,93,351	58,42,67,321	74,17,96,711	3,23,89,19,094
	70,40,52,034	53,67,92,661	4,45,48,374	23,32,33,357	55,21,85,020	2,07,08,11,446
Identifiable operating expenses	37,56,35,996	42,40,05,801	3,31,54,367	21,06,87,713	27,85,70,117	1,32,20,53,994
	25,57,92,740	20,29,72,321	2,04,97,262	8,38,89,403	14,25,54,220	70,57,05,947
Allocated expenses	37,54,31,200	37,59,48,562	4,50,90,967	24,32,76,047	30,88,67,818	1,34,86,14,594
	29,28,88,786	22,44,51,538	1,87,46,492	9,72,73,865	23,82,25,606	87,15,86,288
Segmental operating income	15,05,92,395	10,29,47,757	3,00,48,017	13,03,03,561	15,43,58,776	56,82,50,506
	15,53,70,507	10,93,68,802	53,04,619	5,20,70,089	17,14,05,194	49,35,19,211
Unallocable expenses						23,34,20,511
						15,96,98,675
Operating income						33,48,29,995
						33,38,20,536
Other income, net						4,57,76,284
						6,94,46,873
Net profit before taxes						38,06,06,279
						40,32,67,408
Net profit after taxes						40,10,29,846
						40,32,67,408

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.

Geographic Segments

Year ended December 31, 2010 and December 31, 2009 :

in ₹

	North America	Europe	India	Rest of the World	Total
Revenues	1,75,91,15,577	37,89,05,148	28,84,197	1,09,80,14,172	3,23,89,19,094
	99,89,88,881	25,58,87,771	22,73,700	81,36,61,093	2,07,08,11,446
Identifiable operating expenses	69,02,79,682	17,12,67,695	18,20,486	45,86,86,131	1,32,20,53,994
	34,38,25,787	9,20,52,467	9,13,436	26,89,14,257	70,57,05,947
Allocated expenses	73,24,56,992	15,77,67,760	12,00,916	45,71,88,926	1,34,86,14,594
	42,40,19,853	10,71,80,635	9,98,826	33,93,86,974	87,15,86,288
Segmental operating income	33,63,78,903	4,98,69,693	(1,37,205)	18,21,39,115	56,82,50,506
	23,11,43,242	5,66,54,669	3,61,439	20,53,59,862	49,35,19,211
Unallocable expenses					23,34,20,511
					15,96,98,675
Operating income					33,48,29,995
					33,38,20,536
Other income, net					4,57,76,284
					6,94,46,873
Net profit before taxes					38,06,06,279
					40,32,67,408
Net profit after taxes					40,10,29,846
					40,32,67,408

Financial statements of Infosys Technologies S. de R. L. de C. V.

To

The Members of Infosys Technologies S. de R. L. de C. V., Mexico

We have audited the attached Balance Sheet of Infosys Technologies S. de R. L. de C. V., Mexico ('the Company') as at December 31, 2010, the Profit and Loss account ('Financial Statement') of the Company for the year ended on that date. These Financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Further, we report that :

- (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
- (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- (c) The Balance sheet and the profit and Loss account dealt with by this report are in agreement with the books of accounts;
- (d) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
 1. in the case of the Balance Sheet, of the State of affairs of the Company as at December 31, 2010; and
 2. in the case of Profit and Loss account, of the Loss of the Company for the year ended on that date.

For Shenoy & Kamath
Chartered Accountants
Firms Regn. No. 0066735

M. Rathnakar Kamath
Partner
Membership No. 202841

Bangalore
January 7, 2011

Balance Sheet

in ₹

As at December 31,	Schedule	2010	2009
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	1	54,67,99,999	40,27,99,999
		54,67,99,999	40,27,99,999
APPLICATION OF FUNDS			
FIXED ASSETS			
Original cost	2	21,99,26,501	15,63,80,667
Less : Accumulated depreciation		14,28,47,397	9,84,65,624
Net book value		7,70,79,104	5,79,15,043
Add : Capital work-in-progress		1,96,812	–
		7,72,75,916	5,79,15,042
CURRENT ASSETS, LOANS AND ADVANCES			
Sundry debtors	3	13,79,78,402	8,92,32,795
Cash and bank balances	4	22,31,27,784	25,66,44,295
Loans and advances	5	10,90,23,587	2,73,77,439
		47,01,29,773	37,32,54,529
LESS : CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	6	11,96,87,889	10,66,30,390
Provisions	7	4,08,60,465	4,33,34,063
		16,05,48,354	14,99,64,453
NET CURRENT ASSETS		30,95,81,419	22,32,90,075
Reserves and surplus	8	15,99,42,664	12,15,94,881
		54,67,99,999	40,27,99,999
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	14		

Note : The schedules referred to above are an integral part of the Balance Sheet.

For Shenoy & Kamath,
Chartered Accountants
Firms Regn. No. 006673S

M Rathnakar Kamath
Partner
Membership No. 202841

Ashok Vemuri
Sole Manager

Bangalore
January 7, 2011

Profit and Loss account

		in ₹	
For the Year Ended December 31,	Schedule	2010	2009
Income from software services, products and business process management		90,31,47,070	65,26,08,476
Software development and business process management expenses	9	72,87,77,505	43,53,04,106
GROSS PROFIT		17,43,69,565	21,73,04,369
Selling and marketing expenses	10	1,15,50,512	21,68,772
General and administration expenses	11	13,65,79,935	10,16,78,508
		14,81,30,447	10,38,47,280
OPERATING PROFIT BEFORE INTEREST AND DEPRECIATION		2,62,39,118	11,34,57,090
Interest		-	-
Depreciation		4,33,13,894	5,39,04,366
OPERATING PROFIT BEFORE TAX		(1,70,74,776)	5,95,52,724
Other income, net	12	(15,05,495)	(82,55,672)
Provision for investments		-	-
NET PROFIT BEFORE TAX		(1,85,80,271)	5,12,97,052
Provision for taxation	13	2,26,23,388	2,54,53,293
NET PROFIT AFTER TAX		(4,12,03,659)	2,58,43,759
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	14		

Note : The schedules referred to above are an integral part of the Profit and Loss account.

For Shenoy & Kamath,
Chartered Accountants
Firms Regn. No. 006673S

M Rathnakar Kamath
Partner
Membership No. 202841

Ashok Vemuri
Sole Manager

Bangalore
January 7, 2011

Schedules to the Balance Sheet

in ₹		
As at December 31,	2010	2009
1 SHARE CAPITAL		
Issued, subscribed and paid up	54,67,99,999	40,27,99,999
	54,67,99,999	40,27,99,999
3 SUNDRY DEBTORS		
Debts outstanding for a period exceeding six months		
Unsecured		
Considered doubtful	10,43,495	6,35,365
Other debts		
Unsecured		
Considered good	13,79,78,402	8,92,32,795
	13,90,21,896	8,98,68,160
Less : Provision for doubtful debts	(10,43,495)	(6,35,365)
	13,79,78,402	8,92,32,795
4 CASH AND BANK BALANCES		
Balances with non-scheduled banks in foreign currency		
In deposit accounts	12,67,00,000	–
In current accounts	9,64,27,784	25,66,44,295
	22,31,27,784	25,66,44,295
5 LOANS AND ADVANCES		
Advances		
Prepaid expenses	88,43,510	72,93,000
Interest accrued but not due	14,430	–
Others	62,16,371	1,16,17,044
	1,50,74,310	1,89,10,044
Unbilled revenues	6,45,00,358	59,15,650
Advance income tax	2,55,84,355	–
Loans and advances to employees		
Salary advances	4,70,788	7,61,371
Electricity and other deposits	33,93,776	17,90,374
	10,90,23,587	2,73,77,439

in ₹		
As at December 31,	2010	2009
6 CURRENT LIABILITIES		
Sundry creditors		
Goods and services	1,08,96,360	54,70,575
Accrued salaries and benefits		
Salaries	27,98,299	–
Bonus and incentives	1,58,46,352	99,47,187
For other liabilities		
Provision for expenses	2,12,70,057	1,39,84,439
Withholding and other taxes payable	4,13,17,741	2,32,90,096
Others	1,28,59,261	1,93,22,327
	10,49,88,070	7,20,14,624
Unearned revenue	1,46,99,819	3,46,15,766
	11,96,87,889	10,66,30,390
7 PROVISIONS		
Provision for		
Income taxes	2,88,62,648	3,62,44,593
Unavailed leave	1,19,97,817	70,89,470
	4,08,60,465	4,33,34,063
8 RESERVES AND SURPLUS		
Translation difference	(24,11,866)	4,44,011
Balance in Profit and Loss account	12,11,50,871	14,69,94,629
Add : (Profits) / Losses during the year	4,12,03,659	(2,58,43,759)
	16,23,54,530	12,11,50,871
	15,99,42,664	12,15,94,882

2 Fixed Assets

in ₹

	Original Cost			Depreciation and amortization				Net Book Value		
	As at Jan 1, 2010	Additions / Adjustments	Deletions / Retirement / Adjustments	As at Dec 31, 2010	As at Jan 1, 2010	For the year	Deletions / Adjustments	As at Dec 31, 2010	As at Dec 31, 2010	As at Dec 31, 2009
Plant and machinery	1,24,26,601	1,21,26,763	–	2,45,53,364	62,03,282	33,29,145	5,30,477	90,01,950	1,55,51,414	62,23,318
Computer equipment	6,11,13,887	2,39,08,795	–	8,50,22,682	4,24,95,279	1,94,85,832	(10,55,305)	6,30,36,416	2,19,86,266	1,86,18,609
Furniture and fitting	8,28,40,179	2,75,10,276	–	11,03,50,455	4,97,67,063	2,04,98,917	(5,43,050)	7,08,09,031	3,95,41,424	3,30,73,115
Total	15,63,80,667	6,35,45,834	–	21,99,26,501	9,84,65,624	4,33,13,894	(10,67,879)	14,28,47,397	7,70,79,104	5,79,15,042
Previous Year	9,10,45,011	6,53,34,196	(1,460)	15,63,80,667	4,52,16,515	5,39,04,366	6,55,256	9,84,65,624	5,79,15,042	

Schedules to Profit and Loss account

		in ₹	
For the year ended December 31,	2010	2009	
9 SOFTWARE DEVELOPMENT AND BUSINESS PROCESS MANAGEMENT EXPENSES			
Salaries and bonus including overseas staff expenses	61,96,72,000	38,11,59,398	
Overseas group health insurance	1,25,61,359	28,07,485	
Contribution to provident and other funds	11,95,873	4,06,160	
Staff welfare	35,12,531	13,49,138	
Technical sub-contractors	51,55,600	6,36,063	
Overseas travel expenses	5,82,06,098	3,99,64,832	
Visa charges and others	12,48,010	7,93,902	
Software packages			
For own use	–	2,70,557	
Communication expenses	1,28,60,045	61,51,308	
Computer maintenance	30,58,980	10,91,621	
Consumables	3,52,886	6,73,642	
Rent	1,09,54,125	–	
	72,87,77,505	43,53,04,106	
10 SELLING AND MARKETING EXPENSES			
Salaries and bonus including overseas staff expenses	93,04,147	11,72,289	
Overseas group health insurance	70,931	20,521	
Contribution to provident and other funds	1,493	–	
Staff welfare	21,353	1,679	
Overseas travel expenses	7,57,134	6,54,208	
Visa charges and others	,157	–	
Travelling and conveyance	6,66,285	2,32,768	
Professional charges	2,49,444	–	
Marketing expenses	4,15,747	28,779	
Telephone charges	58,047	14,462	
Printing and stationery	5,775	2,319	
Office maintenance	–	41,746	
	1,15,50,512	21,68,772	
For the year ended December 31,	2010	2009	
11 GENERAL AND ADMINISTRATION EXPENSES			
Salaries and bonus including overseas staff expenses	2,48,89,360	2,31,65,176	
Overseas group health insurance	4,40,197	60,46,290	
Contribution to provident and other funds	92,626	52,342	
Telephone charges	1,65,15,517	1,21,05,461	
Professional charges	3,17,76,447	2,09,51,265	
Power and fuel	64,35,627	32,87,294	
Traveling and conveyance	1,42,82,278	71,19,913	

		in ₹	
For the year ended December 31,	2010	2009	
<i>General and administration expenses (Contd.)</i>			
Overseas travel expenses	53,11,863	51,17,612	
Visa charges and others	1,09,564	2,32,379	
Office maintenance	1,04,43,338	39,67,644	
Insurance charges	7,95,151	4,37,404	
Printing and stationery	8,12,922	7,68,161	
Rent	2,06,99,410	1,55,81,665	
Advertisements	85,204	3,26,897	
Repairs to plant and machinery	10,66,574	4,18,135	
Rates and taxes	–	6,108	
Professional membership and seminar participation fees	2,09,220	1,49,397	
Postage and courier	2,46,821	1,88,141	
Books and periodicals	4,38,321	50,349	
Provision for bad and doubtful debts	3,60,599	6,83,182	
Freight charges	2,53,275	57,001	
Bank charges and commission	2,80,314	1,68,092	
Auditor's remuneration			
Statutory audit fees	9,21,231	7,26,000	
Others	1,08,133	72,600	
Miscellaneous expenses	5,946	–	
	13,65,79,935	10,16,78,508	
12 OTHER INCOME, NET			
Interest received on deposits with banks and others ⁽¹⁾	2,03,918	65,710	
Miscellaneous income	68,77,806	78,07,691	
Exchange gains / (losses)	(85,87,219)	(1,61,29,073)	
	(15,05,495)	(82,55,672)	
⁽¹⁾ includes tax deducted at source	1,40,791		
13 PROVISION FOR TAXATION			
Income taxes ⁽¹⁾	2,26,23,388	2,54,53,293	
	2,26,23,388	2,54,53,293	
⁽¹⁾ Refer to note 14.2.7			

Schedules to the financial statements for the year ended December 31, 2010

14. Significant accounting policies and notes on accounts

Company overview

Infosys Technologies S. de R. L. de C. V. (Infosys Mexico) enters into contracts with Mexican companies to provide onsite services globally. Infosys Mexico sub-contracts the services to be provided outside Mexico and related territories to Infosys – India (Infosys Technologies Limited) to leverage the global delivery model (discussed later). The roles of Infosys Mexico in relation to these services is limited to marketing, business development, project management and integration of the services provided by Infosys Technologies Limited and final delivery of software to the client.

14.1. Significant accounting policies

14.1.1. Basis of preparation of financial statements

These financial statements as at year ended December 31, 2010 have been prepared under the historical cost convention on the accrual basis except for certain financial instruments which have been measured at fair values. Accounting policies have been applied consistently to all periods presented in these financial statements.

14.1.2. 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.

14.1.3. Revenue recognition

Revenue is primarily derived from software development and related services and from business process management services. 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.

14.1.4. 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.

14.1.5. 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.

14.1.6. 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.

14.1.7. 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 ₹ 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 :

Plant and machinery	5 years
Computer equipment	2 – 5 years
Furniture and fixtures	5 years

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

14.1.8. 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.

14.1.9. Cash and cash equivalents

Cash and cash equivalents comprise cash and cash on deposit with banks.

14.1.10. 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 recognized as an expense on a straight line basis in the Profit and Loss account over the lease term.

14.1.11. Government grants

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

14.1.12. 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.

14.1.13. 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. 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 Income Tax Law in Mexico provides that companies must comply with Maquiladoras provisions regarding transfer pricing. Therefore, requiring the Company to comply with a minimum taxable income, Company has to choose between the two procedures i.e. method of transfer pricing (APA) or the Safe Harbor method. For 2010 and 2009, the Company selected Method of transfer pricing (APA) method for 2010 and Safe Harbor method for 2009 to pay Income Tax.

According to the procedures applied by the Company to determine the income tax there are temporary difference that give rise to deferred taxes for 2010 and 2009, but since Company is determining the taxable income by applying Safe Harbor rule, deferred taxes are not generated. For the year 2010 and 2009, 55% and 70% of the total revenue is recognized related companies including parent company, which is arrived after adding percentage to the cost and expense of operations, except those required in the contract. These revenues are adjusted annually to meet the provisions relating to transfer pricing, according to Mexican law of Income Tax.

For the current year 2010 income tax rate applicable is 30%.

14.2. Notes on accounts

Amounts in the financial statements are presented in Rupees.

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

14.2.1. Aggregate expenses

The aggregate amounts incurred on expenses are as follows :

	Year ended December 31,	
	2010	2009
Salaries and bonus including overseas staff expenses	65,38,65,507	40,54,96,863
Contribution to provident and other funds	12,89,991	4,58,503
Staff welfare	35,33,884	13,50,817
Group health insurance	1,30,72,487	88,74,296
Overseas travel expenses	6,42,75,095	4,57,36,652
Visa charges and others	13,57,731	10,26,281
Travel and conveyance	1,49,48,563	73,52,681
Technical sub-contractors	51,55,600	6,36,063
Software packages		
For own use	–	270,557
Professional charges	3,20,25,891	2,09,51,265
Telephone charges	1,65,73,564	1,21,19,922
Communication expenses	1,28,60,045	61,51,308
Power and fuel	64,35,627	32,87,294
Office maintenance	1,04,43,338	40,09,390

in ₹

in ₹

	Year ended December 31,	
	2010	2009
Rent	3,16,53,534	1,55,81,665
Insurance charges	7,95,151	4,37,404
Computer maintenance	30,58,980	10,91,621
Printing and stationery	8,18,697	7,70,480
Consumables	3,52,886	6,73,643
Advertisements	85,204	3,26,897
Marketing expenses	4,15,747	28,779
Repairs to plant and machinery	10,66,574	4,18,135
Rates and taxes	–	6,108
Professional membership and seminar participation fees	2,09,220	1,49,397
Postage and courier	2,46,821	1,88,141
Books and periodicals	4,38,321	50,349
Provision for bad and doubtful debts	3,60,599	6,83,182
Freight charges	2,53,275	57,001
Bank charges and commission	2,80,314	1,68,091
Auditor's remuneration		
Statutory audit fees	9,21,231	726,000
Others	1,08,133	72,600
Miscellaneous expenses	5,946	–
	87,69,07,952	53,91,51,386

14.2.2. Capital commitments and contingent liabilities

in ₹

Particulars	As at December 31,	
	2010	2009
Estimated amount of unexecuted capital contracts (Net of advances and deposits)	26,53,343	3,75,623

14.2.3. 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.

14.2.4. Obligations on long-term, non-cancelable operating leases

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

in ₹

Particulars	Year ended December 31,	
	2010	2009
Lease rentals recognized during the period	3,20,22,113	1,55,81,665

in ₹

Lease obligations payable :	As at December 31,	
	2010	2009
Within one year of the Balance Sheet date	4,91,98,181	2,12,24,628
Due in a period between one year and five years	7,81,13,723	7,07,48,758
Due after five years	–	–

The operating lease arrangements extend up to a maximum of five years from their respective dates of inception and relates to rented overseas premises. Some of the lease arrangements have a price escalation clause.

14.2.5. Activity in foreign currency :

in ₹

As at December 31,	2010	2009
Earnings in foreign currency (on receipt basis)		
Income from software services and products	85,39,93,334	59,02,95,037
Interest received from banks and others	1,88,920	68,659
Expenditure in foreign currency (on payment basis)		
Overseas travel expenses (including visa charges)	6,14,55,834	4,19,90,918
Professional charges	313,74,813	1,92,49,142
Technical sub-contractors – subsidiaries	–	–
Overseas salaries and incentives	63,52,20,856	40,20,00,878
Other expenditure incurred overseas for software development	11,12,58,367	6,14,28,442
Net earnings in foreign currency	1,48,72,383	6,56,94,316

14.2.6. Related party transactions

List of related parties :

Name of Related party	Country	Holding as at December 31,	
		2010	2009
Infosys Technologies Limited (Holding Company)	India	100%	100%

Details of amounts due to or due from as at December 31, 2010 and December 31, 2009 :

in ₹

Particulars	As at December 31,	
	2010	2009
Sundry debtors		
Infosys Technologies Limited	2,12,60,664	5,03,57,858
Infosys BPO Limited	21,11,080	–
Infosys Tecnologia do Brasil Ltda	–	5,15,776
Sundry creditors		
Infosys Technologies Limited	1,07,27,100	53,51,493
Infosys BPO Limited	1,59,884	86,45,551
Infosys Tecnologia do Brasil Ltda	–	32,456

The details of related party transactions entered by the Company for the year ended December 31, 2010 and December 31, 2009 are as follows :

in ₹

	2010	2009
Capital transactions :		
Infosys Technologies Limited	14,40,00,000	18,45,00,036
Revenue transactions :		
Sale of services		
Infosys Technologies Limited	48,16,67,090	41,73,00,825
Infosys BPO Limited	1,60,41,265	3,93,05,437

14.2.7. Income taxes

As at December 31, 2010, the Company has provided for profit tax of ₹2,26,23,388 (2009 ₹ 2,54,53,293).

14.2.8. 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	As at December 31,	
	2010	2009
In current accounts		
Bank Of America	8,33,75,660	24,61,37,001
Banamex	1,30,52,124	1,05,07,294
In deposit accounts		
Bank Of America	12,67,00,000	
Total cash and bank balances as per Balance Sheet	22,31,27,784	25,66,44,295

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

Maximum balance with non-scheduled banks during the period	Year ended December 31,	
	2010	2009
In current accounts		
Bank Of America	29,23,75,868	18,62,85,945
Banamex – 1	8,63,19,598	8,55,60,000
Banamex – 2	3,23,30,954	2,23,20,000

14.2.9. Fixed assets

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

	Year ended December 31,	
	2010	2009
Depreciation charged during the year	23,24,623	19,10,627

14.2.10. 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.

14.2.11. 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. These solutions are 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

For the year ended December 31, 2010 and December 31, 2009 :

in ₹

	Financial services	Manufacturing	Telecom	Retail	Others	Total
Revenues	48,03,37,679	17,18,77,768	2,35,39,808	21,45,06,749	1,28,85,066	90,31,47,070
	39,39,59,137	9,21,84,633	85,52,525	12,48,84,815	3,30,27,367	65,26,08,476
Identifiable operating expenses	28,71,00,326	8,07,86,393	1,44,85,798	12,59,98,761	76,38,655	51,60,09,933
	20,82,46,931	3,77,16,481	31,60,651	4,92,69,561	1,28,52,065	31,12,45,689
Allocated expenses	19,19,43,176	6,86,82,442	94,06,519	8,57,17,004	51,48,879	36,08,98,019
	13,69,55,270	3,21,82,117	30,26,708	4,40,76,614	1,16,64,987	22,79,05,697
Segmental operating income	12,94,177	2,24,08,933	(3,52,509)	27,90,984	97,533	2,62,39,117
	4,87,56,935	2,22,86,035	23,65,166	3,15,38,639	85,10,314	11,34,57,090
Unallocable expenses						4,33,13,894
						5,39,04,366
Operating income						(1,70,74,777)
						5,95,52,724
Other income, net						(15,05,495)
						(82,55,672)
Net profit before taxes						(1,85,80,272)
						5,12,97,052
Income taxes						2,26,23,388
						2,54,53,293
Net profit after taxes						(4,12,03,660)
						2,58,43,759

Geographic segments

For the year ended December 31, 2010 and December 31, 2009 :

in ₹

	North America	Europe	India	Rest of the World	Total
Revenues	75,71,31,992	2,06,40,041	–	12,53,75,037	90,31,47,070
	58,47,05,389	3,00,89,205	–	3,78,13,882	65,26,08,476
Identifiable operating expenses	43,61,09,423	1,62,39,613	–	6,36,60,898	51,60,09,933
	27,70,93,777	1,18,67,992	–	2,22,83,921	31,12,45,689
Allocated expenses	30,25,50,321	82,47,771	–	5,00,99,927	36,08,98,019
	20,41,98,565	1,04,75,087	–	1,32,32,046	22,79,05,697
Segmental operating income	1,84,72,248	(38,47,343)	–	1,16,14,212	2,62,39,117
	10,34,13,048	77,46,127	–	22,97,915	11,34,57,090
Unallocable expenses					4,33,13,894
					5,39,04,366
Operating income					(1,70,74,777)
					5,95,52,724
Other income, net					(15,05,495)
					(82,55,672)
Net profit before taxes					(1,85,80,272)
					5,12,97,052
Income taxes					2,26,23,388
					2,54,53,293
Net profit after taxes					(4,12,03,659)
					2,58,43,759

Financial statements of Infosys Technologies (Sweden) AB

To

The Members of Infosys Technologies (Sweden) AB

We have audited the attached Balance Sheet of Infosys Technologies (Sweden) AB ('the Company') as at 31, December 2010, the Profit and Loss account ('Financial Statement') of the Company for the year ended on that date. These Financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Further, we report that :

- (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
- (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- (c) The Balance sheet and the profit and Loss account dealt with by this report are in agreement with the books of accounts;
- (d) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
 1. in the case of the Balance Sheet, of the State of affairs of the Company as at December 31, 2010; and
 2. in the case of Profit and Loss account, of the Profit of the Company for the year ended on that date.

For Shenoy & Kamath
Chartered Accountants
Firms Regn. No. 0066735

M. Rathnakar Kamath
Partner
Membership No. 202841

Bangalore
January 7, 2011

Balance Sheet

		in ₹	
As at December 31,	Schedule	2010	2009
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	1	6,53,000	6,53,000
Reserves and surplus	2	66,45,897	23,89,971
		<u>72,98,897</u>	<u>30,42,971</u>
APPLICATION OF FUNDS			
CURRENT ASSETS, LOANS AND ADVANCES			
Sundry debtors	3	77,97,265	67,71,383
Cash and bank balances	4	1,69,54,680	1,50,60,890
Loans and advances	5	25,04,660	7,37,667
		<u>2,72,56,605</u>	<u>2,25,69,940</u>
LESS : CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	6	1,66,60,966	1,81,39,853
Provisions	7	32,96,742	13,87,116
		<u>1,99,57,708</u>	<u>1,95,26,969</u>
NET CURRENT ASSETS		<u>72,98,897</u>	<u>30,42,971</u>
		<u>72,98,897</u>	<u>30,42,971</u>
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	13		

Note : The schedules referred to above are an integral part of the Balance Sheet

For Shenoy & Kamath
Chartered Accountants
Firms Regn. No. 0066735

M. Rathnakar Kamath
Partner
Membership No: 202841

S. D. Shibulal
Chairman

B. G. Srinivas
Director

Bangalore
January 7, 2011

Eric Stephen Paternoster
Director

Rajesh Krishnamurthy
Director

Profit and Loss account

in ₹

For the year ended December 31,	Schedule	2010	2009
Income from software services		11,62,45,436	7,61,76,643
Software development expenses	8	10,11,03,591	6,72,41,892
GROSS PROFIT		1,51,41,845	89,34,751
Selling and marketing expenses	9	14,150	–
General and administration expenses	10	95,92,198	53,53,089
		96,06,348	53,53,089
OPERATING PROFIT BEFORE INTEREST		55,35,497	35,81,662
Interest		–	–
OPERATING PROFIT BEFORE TAX		55,35,497	35,81,662
Other income, net	11	(35,637)	(2,10,136)
NET PROFIT BEFORE TAX		54,99,860	33,71,525
Provision for taxation	12	15,39,960	9,47,585
NET PROFIT AFTER TAX		39,59,900	24,23,940
EARNING PER SHARE			
Equity shares of par value SEK 100 each			
Basic		3,959.90	2,424
Number of shares used in computing basic earnings per share		1,000	1,000
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS			
	13		

Note : The schedules referred to above are an integral part of the Profit and Loss account.

For Shenoy & Kamath
Chartered Accountants
Firms Regn. No. 0066735

M. Rathnakar Kamath
Partner
Membership No: 202841

S. D. Shibulal
Chairman

B. G. Srinivas
Director

Bangalore
January 7, 2011

Eric Stephen Paternoster
Director

Rajesh Krishnamurthy
Director

Schedules to the Balance Sheet

		in ₹	
As at December 31,		2010	2009
1	SHARE CAPITAL		
	Authorized	26,12,000	26,12,000
	4,000 shares of 100 SEK par value		
	Issued, subscribed and paid up		
	1,000 (1,000) shares of 100 SEK par value, fully paid	6,53,000	6,53,000
		6,53,000	6,53,000
2	RESERVES AND SURPLUS		
	Translation difference	2,62,057	(33,969)
	Balance in Profit and Loss account	24,23,940	–
	Add : Profits / (Losses) during the year	39,59,900	24,23,940
		63,83,840	24,23,940
		66,45,897	23,89,971
3	SUNDRY DEBTORS		
	Unsecured		
	Considered good	77,97,265	67,71,383
	Considered doubtful	–	–
		77,97,265	67,71,383
	Less : Provision for doubtful debts	–	–
		77,97,265	67,71,383
4	CASH AND BANK BALANCES		
	Balances with non-scheduled banks in foreign currency		
	In deposit accounts	66,70,000	–
	In current accounts	1,02,84,680	1,50,60,890
		1,69,54,680	1,50,60,890

		in ₹	
As at December 31,		2010	2009
5	LOANS AND ADVANCES		
	Advances		
	Prepaid expenses	7,03,089	4,31,963
	Interest accrued but not due	1,112	–
	Withholding and other taxes receivable	2,78,081	–
		9,82,281	4,31,963
	Advance income tax	14,59,899	2,42,446
	Loans and advances to employees		
	Salary advances	238	–
	Rental deposits	62,243	63,258
		25,04,660	7,37,667
6	CURRENT LIABILITIES		
	Sundry creditors		
	Goods and services	4,84,683	5,74,023
	Accrued salaries and benefits		
	Salaries	–	3
	Bonus and incentives	66,93,748	56,41,040
	For other liabilities		
	Provision for expenses	44,28,593	67,75,793
	Withholding and other taxes payable	50,53,463	51,48,995
	Others	478	–
		1,66,60,966	1,81,39,854
7	PROVISIONS		
	Provision for		
	Income taxes	25,78,817	9,29,186
	Unavailed leave	7,17,925	4,57,929
		32,96,742	13,87,115

Schedules to Profit and Loss account

		in ₹	
For the year ended December 31,		2010	2009
8	SOFTWARE DEVELOPMENT EXPENSES		
	Salaries and bonus including overseas staff expenses	9,08,90,960	6,47,51,317
	Overseas group health insurance	96,77,909	21,10,975
	Overseas travel expenses	65,491	1,09,420
	Rent	4,69,231	2,70,181
		10,11,03,591	6,72,41,892
9	SELLING AND MARKETING EXPENSES		
	Overseas travel expenses	14,150	–
		14,150	–
10	GENERAL AND ADMINISTRATION EXPENSES		
	Telephone charges	59,840	1,31,713
	Professional charges	66,94,574	48,70,601
	Insurance charges	5,82,430	5,154
	Printing and stationery	12,398	–
	Professional membership and seminar participation fees	24,115	15,819
	Postage and courier	27,767	1,047
	Bank charges and commission	94,173	86,703
	Statutory audit fees	20,95,066	1,72,025
	Miscellaneous expenses	1,835	70,026
		95,92,198	53,53,089

		in ₹	
For the year ended December 31,		2010	2009
11	OTHER INCOME, NET		
	Interest received on deposits with banks and others	1,093	–
	Exchange gains / (losses)	(36,731)	(2,10,137)
		(35,637)	(2,10,137)
12	PROVISION FOR TAXATION		
	Income taxes	15,39,960	9,47,585
		15,39,960	9,47,585

Schedules to the financial statements for the year ended December 31, 2010

13. Significant accounting policies and Notes on accounts

Company overview

During March 2009, the holding company incorporated a wholly owned subsidiary in Sweden. The subsidiary also has a branch in Norway as Infosys Technologies (Sweden) AB Norway branch. The Company is engaged in the business of providing software development and consulting solutions.

13.1. Significant accounting policies

13.1.1. Basis of preparation of Financial Statements

The 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, and the provisions of the Companies Act, 1956. 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.

13.1.2. 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.

13.1.3. 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, fixed-timeframe contracts is recognized as per the percentage-of-completion method. Efforts 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. Maintenance revenue is recognized ratably over the term of the underlying maintenance arrangement.

13.1.4. Notes on 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.

13.1.5. 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 and 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.

13.1.6. Income taxes

Income tax expense comprises of only current tax. Income tax expense is recognized in net profit except to the extent that it relates to items recognized directly in equity, in which case it is recognized in other comprehensive income. Current income tax for current and prior periods is recognized at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date.

13.1.7. Earnings per share

Basic earnings per 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.

13.1.8. Cash and cash equivalents

Cash and cash equivalents comprise cash and cash on deposit with banks.

13.1.9. 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 recognized as an expense on a straight-line basis in the Profit and Loss account over the lease term.

13.2. Notes on accounts

13.2.1. Aggregate expenses

The aggregate amounts incurred on expenses are as follows:

Particulars	Year ended December 31,	
	2010	2009
Salaries and bonus including overseas staff expenses	10,05,68,869	6,68,62,291
Overseas travel expenses	79,641	1,09,420
Professional charges	66,94,574	48,70,601
Telephone charges	59,840	1,31,713
Professional membership and seminar participation fees	24,115	15,819
Rent	4,69,231	2,70,181
Insurance charges	5,82,430	5,154
Postage and courier	27,767	1,047
Bank charges and commission	94,173	86,703
Auditor's remuneration		
Statutory audit fees	20,95,066	1,72,025
Printing and Stationery	12,398	–
Miscellaneous expenses	1,835	70,027
	11,07,09,940	7,25,94,981

13.2.2. 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.

13.2.3. Obligations on long-term, non-cancelable operating leases

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

	Year ended December 31,	
	2010	2009
Lease rentals recognized during the period	4,69,231	2,70,181

	Year ended December 31,	
	2010	2009
Lease obligations payable		
Within one year of the Balance Sheet date	1,01,775	3,80,131
Due in a period between one year and five years	–	1,00,815
Due after five years	–	–

13.2.4. Activity in foreign currency

in ₹

Particulars	Year ended December 31,	
	2010	2009
Earnings in foreign currency (on receipt basis)		
Income from software services and products	11,62,45,436	7,61,76,643
Interest received from banks and others	1,093	
Expenditure in foreign currency (on payment basis)		
Overseas travel expenses (including visa charges)	79,641	1,09,420
Professional charges	38,76,363	50,42,626
Technical sub-contractors – subsidiaries		
Overseas salaries and incentives	8,41,97,212	5,91,10,277
Other expenditure incurred overseas for software development	1,09,49,221	26,91,619
Net Earnings in foreign currency	11,07,09,940	7,25,94,981

13.2.5. Related party transactions

List of related parties:

in ₹

Name of Related parties	Country	Year ended December 31,	
		2010	2009
Infosys Technologies Limited	India	100.00%	100.00%

During the year ended December 31, 2009, the holding Company incorporated the wholly-owned subsidiary, Infosys Technologies (Sweden) AB, which was capitalized on July 8, 2009.

Details of amounts due to or due from Year ended Dec 31, 2010 and Dec 31, 2009 :

in ₹

Particulars	Year ended December 31,	
	2010	2009
Sundry debtors		
Infosys Technologies Limited	77,97,265	67,71,383
Sundry creditors		
Infosys Technologies Limited	–	5,65,936

The details of the related party transactions entered into by the Company and maximum dues from subsidiaries for the year ended December 31, 2010 and December 31, 2009 is follows:

in ₹

Particulars	Year ended December 31,	
	2010	2009
Capital transactions		
Financing transactions		
Infosys Technologies Limited	–	6,53,000
Revenue transactions		
Sale of services		
Infosys Technologies Limited	11,62,45,436	7,61,76,643

13.2.6. Cash and bank balances

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

Balances with non-scheduled bank	Year ended December 31,	
	2010	2009
In current accounts		
Nordbanken, Sweden	95,87,472	1,48,63,136
Svenska Handelsbanken, Sweden	6,97,207	1,97,754
In deposit accounts		
Nordbanken, Sweden	66,70,000	–
Total cash and bank balances as per Balance Sheet	1,69,54,680	1,50,60,890

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

Maximum balance with non-scheduled banks during the period	Period ended December 31,	
	2010	2009
In current accounts		
Nordbanken, Sweden	1,76,41,732	2,35,28,736
Svenska Handelsbanken, Sweden	34,33,095	46,70,923

13.2.7. 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. These solutions are 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 manufacturing companies and the retail industries.

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. Europe includes continental Europe (both the east and the west).

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

Year ended December 31, 2010 :

	in ₹		
	Manufacturing	Retail	Total
Revenues	3,36,76,018	8,25,69,418	11,62,45,436
Identifiable operating expenses	1,98,23,417	5,74,63,677	7,72,87,094
Allocated expenses	1,03,10,308	2,31,12,538	3,34,22,846
Segmental operating income	35,42,294	19,93,203	55,35,497
Other income, net			(35,637)
Net profit before taxes			54,99,860
Income taxes			15,39,960
Net profit after taxes			39,59,900

Year ended December 31, 2009 :

	in ₹		
	Manufacturing	Retail	Total
Revenues	2,06,60,755	5,55,15,888	7,61,76,643
Identifiable operating expenses	1,59,28,120	4,01,44,589	5,60,72,709
Allocated expenses	44,81,198	1,20,41,074	1,65,22,272
Segmental operating income	2,51,437	33,30,225	35,81,662
Other income, net			(2,10,137)
Net profit before taxes			33,71,525
Income taxes			9,47,585
Net profit after taxes			24,23,940

Geographic Segments

Year ended December 31, 2010 :

	in ₹	
	Europe	Total
Revenues	11,62,45,436	11,62,45,436
Identifiable operating expenses	7,72,87,094	7,72,87,094
Allocated expenses	3,34,22,845	3,34,22,845
Segmental operating income	55,35,497	55,35,497
Operating income		55,35,497
Other income, net		(35,637)
Net profit before taxes		54,99,860
Income taxes		15,39,960
Net profit after taxes		39,59,900

Year ended December 31, 2009 :

	in ₹	
	Europe	Total
Revenues	7,61,76,643	7,61,76,643
Identifiable operating expenses	5,60,72,709	5,60,72,709
Allocated expenses	1,65,22,272	1,65,22,272
Segmental operating income	35,81,662	35,81,662
Operating income		35,81,662
Other income, net		(2,10,136)
Net profit before taxes		33,71,525
Income taxes		9,47,585
Net profit after taxes		24,23,940

Financial statements of Infosys Tecnologia do Brasil Ltda

To

The Members of Infosys Tecnologia do Brasil Ltda

We have audited the attached Balance Sheet of Infosys Tecnologia do Brasil Ltda ('the Company') as at 31, December 2010, the Profit and Loss account ('Financial Statement') of the Company for the year ended on that date. These Financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall Financial Statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Further, we report that :

- (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
- (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- (c) The Balance sheet and the Profit and Loss account dealt with by this report are in agreement with the books of accounts;
- (d) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
 1. in the case of the Balance Sheet, of the State of affairs of the Company as at December 31, 2010; and
 2. in the case of Profit and Loss account, of the Loss of the Company for the year ended on that date.

For Shenoy & Kamath
Chartered Accountants
Firms Regn. No. 0066735

M. Rathnakar Kamath
Partner
Membership No. 202841

Bangalore
January 7, 2011

Balance Sheet

		in ₹	
As at December 31,	Schedule	2010	2009
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	1	38,08,69,146	17,14,11,417
		<u>38,08,69,146</u>	<u>17,14,11,417</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
Original cost	2	11,18,17,304	9,03,89,201
Less : Accumulated depreciation		5,78,23,746	83,14,652
Net book value		5,39,93,558	8,20,74,549
Add : Capital work-in-progress		–	48,365
		<u>5,39,93,558</u>	<u>8,21,22,914</u>
CURRENT ASSETS, LOANS AND ADVANCES			
Sundry debtors	3	12,93,72,379	1,07,63,754
Cash and bank balances	4	4,72,31,571	5,71,00,613
Loans and advances	5	3,70,60,590	2,17,35,105
		<u>21,36,64,541</u>	<u>8,95,99,472</u>
LESS : CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	6	7,24,33,512	4,21,67,566
Provisions	7	1,12,93,252	–
		<u>8,37,26,764</u>	<u>4,21,67,566</u>
NET CURRENT ASSETS		<u>12,99,37,776</u>	<u>4,74,31,906</u>
Profit and Loss account	8	19,69,37,812	4,18,56,597
		<u>38,08,69,146</u>	<u>17,14,11,417</u>
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	13		

Note : The schedules referred to above are an integral part of the Balance Sheet.

For Shenoy & Kamath
Chartered Accountants
Firms Regn. No. 0066735

M. Rathnakar Kamath
Partner
Membership No. 202841

Dheeshjith V. G.
Sole Manager

Bangalore
January 7, 2011

Profit and Loss account

in ₹ except per share data

For the year ended December 31,	Schedule	2010	2009
Income from software services, products and business process management		33,64,14,717	2,72,07,679
Software development and business process management expenses	9	33,36,29,962	3,55,77,587
GROSS PROFIT		27,84,755	(83,69,908)
Selling and marketing expenses	10	81,79,087	1,41,744
General and administration expenses	11	9,93,18,710	2,84,09,626
		10,74,97,797	2,85,51,370
OPERATING PROFIT BEFORE INTEREST AND DEPRECIATION		(10,47,13,042)	(3,69,21,278)
Interest		-	-
Depreciation		4,75,60,853	83,17,391
OPERATING PROFIT BEFORE TAX		(15,22,73,895)	(4,52,38,669)
Other income, net	12	(49,62,517)	5,77,304
NET PROFIT BEFORE TAX		(15,72,36,412)	(4,46,61,365)
Provision for taxation		-	-
NET PROFIT AFTER TAX		(15,72,36,412)	(4,46,61,365)
EARNINGS PER SHARE			
Equity shares of par value 1 BRL each			
Basic		(16.09)	(30.24)
Number of shares used in computing basic earnings per share		97,72,047	14,77,062
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	13		

Note : The schedules referred to above are an integral part of the Profit and Loss account.

For Shenoy & Kamath
Chartered Accountants
Firms Regn. No. 0066735

M. Rathnakar Kamath
Partner
Membership No. 202841

Dheeshjith V. G.
Sole Manager

Bangalore
January 7, 2011

Schedules to the Balance Sheet

in ₹		
As at December 31,	2010	2009
1 SHARE CAPITAL		
Authorized		
15,000,000 (11,200,000) shares of 1 BRL par value	39,56,80,063	29,51,41,647
Issued, subscribed and paid up		
14,516,997 (6,504,700) shares of 1 BRL par value, fully paid	38,08,69,146	17,14,11,417
	38,08,69,146	17,14,11,417
3 SUNDRY DEBTORS		
Debts outstanding for a period exceeding six months		
Unsecured		
Considered doubtful	4,53,913	–
Other debts		
Unsecured		
Considered good	12,93,72,379	1,07,63,754
	12,98,26,292	1,07,63,754
Less : Provision for doubtful debts	(4,53,913)	–
	12,93,72,379	1,07,63,754
4 CASH AND BANK BALANCES		
Balances with non-scheduled banks in foreign currency		
In deposit accounts	1,35,10,000	–
In current accounts	3,37,21,571	5,71,00,613
	4,72,31,571	5,71,00,613
	–	–
5 LOANS AND ADVANCES		
Advances		
Prepaid expenses	5,82,393	–
For supply of goods and rendering of services	2,26,016	3,00,272
Interest accrued but not due	30,693	–
Withholding and other taxes receivable	1,21,82,243	–
Others	19,09,347	11,60,376
	1,49,30,692	14,60,648
Unbilled revenues	2,21,29,898	2,06,64,192
Loans and advances to employees		
Salary advances	–	(3,89,735)
	3,70,60,590	2,17,35,105

in ₹		
As at December 31,	2010	2009
6 CURRENT LIABILITIES		
Sundry creditors		
Capital	–	1,85,77,221
Goods and services	2,21,20,740	1,35,55,048
Accrued salaries and benefits		
Salaries	52,749	–
Bonus and incentives	81,08,213	2,287
For other liabilities		
Provision for expenses	58,04,455	43,23,653
Withholding and other taxes payable	1,57,61,467	57,09,357
Unearned revenue	2,05,85,888	–
	7,24,33,512	42,167,566
7 PROVISIONS		
Unavailed leave	1,12,93,252	–
	1,12,93,252	–
8 PROFIT AND LOSS ACCOUNT		
Translation difference	(49,59,965)	(2,804,768)
Balance in Profit and Loss account	4,46,61,365	–
Add : (Profits) / Losses during the year	15,72,36,412	4,46,61,365
	20,18,97,777	4,46,61,365
	19,69,37,812	4,18,56,597

Schedules to the Balance Sheet (Contd.)

2. FIXED ASSETS

in ₹

Particulars	Original Cost			Depreciation and amortization			Net book value			
	As at Jan 1, 2010	Additions / Adjustments	Deletions / Retirement / Adjustments	As at Dec 31, 2010	As at Jan 1, 2010	For the year	Deletions / Adjustments	As at Dec 31, 2010	As at Dec 31, 2010	As at Dec 31, 2009
Plant and machinery	1,24,08,132	12,57,502	–	1,36,65,634	9,84,677	46,31,674	(1,96,974)	58,13,325	78,52,309	1,14,23,455
Computer equipment	3,59,40,725	1,72,91,180	–	5,32,31,905	41,22,403	2,64,93,506	(10,79,862)	3,16,95,771	2,15,36,134	3,18,18,322
Furniture and fitting	4,20,40,344	28,79,420	–	4,49,19,764	32,07,572	1,64,35,673	(6,71,404)	2,03,14,649	2,46,05,115	3,88,32,772
Total	9,03,89,201	2,14,28,102	–	11,18,17,303	83,14,652	4,75,60,853	(19,48,240)	5,78,23,745	5,39,93,558	8,20,74,549
Previous year	–	9,03,89,201	–	9,03,89,201	–	83,17,392	2,739	83,14,652	8,20,74,549	

Schedules to Profit and Loss account

		in ₹	
For the year ended December 31,		2010	2009
9	SOFTWARE DEVELOPMENT AND BUSINESS PROCESS MANAGEMENT EXPENSES		
	Salaries and bonus including overseas staff expenses	24,70,58,610	1,85,17,962
	Overseas group health insurance	7,14,373	4,531
	Contribution to provident and other funds	5,92,644	43,698
	Staff welfare	25,60,700	3,49,062
	Technical sub-contractors	2,09,49,696	1,16,69,981
	Overseas travel expenses	5,40,07,220	33,46,970
	Visa charges and others	9,27,779	(14,908)
	Software packages		
	For own use	–	164,300
	Communication expenses	61,94,455	–
	Computer maintenance	2,30,717	10,75,148
	Consumables	50,674	21,863
	Rent	12,078	3,98,980
	Provision for post-sales client support and warranties	3,31,016	–
		33,36,29,962	3,55,77,587
10	SELLING AND MARKETING EXPENSES		
	Salaries and bonus including overseas staff expenses	66,27,066	–
	Overseas group health insurance	5,856	–
	Staff welfare	14,509	–
	Overseas travel expenses	7,81,664	–
	Travelling and conveyance	2,33,953	–
	Brand building	3,28,636	(5,640)
	Marketing expenses	1,43,471	1,47,384
	Telephone charges	12,709	–
	Sales promotion expenses	31,223	–
		81,79,087	1,41,744

		in ₹	
For the year ended December 31,		2010	2009
11	GENERAL AND ADMINISTRATION EXPENSES		
	Salaries and bonus including overseas staff expenses	2,21,36,020	9,62,835
	Overseas group health insurance	21,18,094	(9,043)
	Contribution to provident and other funds	16,009	4,165
	Telephone charges	1,34,77,370	8,82,781
	Professional charges	2,23,22,277	84,04,591
	Power and fuel	4,02,439	70,133
	Traveling and conveyance	28,83,607	1,34,000
	Overseas travel expenses	32,87,360	50,47,061
	Visa charges and others	3,05,660	29,876
	Office maintenance	1,36,99,704	35,40,333
	Insurance charges	6,53,420	–
	Printing and stationery	4,74,719	3,56,252
	Rent	1,38,59,012	77,73,822
	Repairs to plant and machinery	35,479	2,25,250
	Rates and taxes	17,26,780	3,74,822
	Postage and courier	4,94,150	16,253
	Books and periodicals	1,236	–
	Provision for bad and doubtful debts	4,47,698	–
	Bank charges and commission	7,90,862	4,61,885
	Miscellaneous expenses	1,86,814	1,34,610
		9,93,18,710	2,84,09,626
12	OTHER INCOME, NET		
	Interest received on deposits with banks and others	30,273	–
	Miscellaneous income	451	–
	Exchange gains / (losses)	(49,93,241)	5,77,304
		(49,62,517)	5,77,304

Schedules to the financial statements for the year ended December 31, 2010

13. Significant accounting policies and notes on accounts

Company overview

During August 2009, the holding Company incorporated a wholly-owned subsidiary in Brazil. Infosys Tecnologia do Brasil Ltda (Infosys Brasil) provides end-to-end business solutions that leverage technology, thereby enabling its clients to enhance business performance. The Company's operations are to provide 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 also offers business process management services.

13.1. Significant accounting policies

13.1.1. Basis of preparation of the financial statements

These financial statements as at and the year ended December 31, 2010 have been prepared under the historical cost convention on the accrual basis except for certain financial instruments which have been measured at fair values. Accounting policies have been applied consistently to all periods presented in these financial statements.

13.1.2. Use of estimates

The preparation of the financial statements requires the Management to make estimates, judgments and assumptions. These estimates, judgments and assumptions affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. 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 consolidated financial statements.

13.1.3. Revenue recognition

The Company derives revenues primarily from software development and related services, from business process management 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, fixed-timeframe contracts is recognized as per the percentage-of-completion method. Efforts 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. Maintenance revenue is recognized ratably over the term of the underlying maintenance arrangement.

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.

13.1.4. Provisions and contingent liabilities

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive 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 discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

13.1.5. 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.

13.1.6. 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.

13.1.7. 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 ₹ 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 :

Plant and machinery	5 years
Computer equipment	2 – 5 years
Furniture and fixtures	5 years

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

13.1.8. Foreign currency transactions

Foreign currency denominated monetary assets and liabilities are translated into the relevant functional currency at exchange rates in effect at the Balance Sheet date. The gains or losses resulting from such translations are included in net profit. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at

the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction

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

13.1.9. 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.

13.1.10. Cash and cash equivalents

Cash and cash equivalents comprise cash and cash on deposit with banks and corporations.

13.1.11. Leases

Lease payments under operating leases are recognized as an expense on a straight-line basis in the Profit and Loss account over the lease term.

13.1.12. Earnings per share

Basic earnings per 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.

13.2. Notes on Accounts

13.2.1. Aggregate expenses

The aggregate amounts incurred on expenses are as follows :

	Year ended December 31,	
	2010	2009
Salaries and bonus including overseas staff expenses	27,86,60,018	1,94,76,284
Contribution to provident and other funds	6,08,653	47,864
Staff welfare	25,75,209	3,49,062
Overseas travel expenses	5,93,09,684	83,94,031
Visa charges and others	–	14,968
Travel and conveyance	31,17,560	1,34,000
Technical sub-contractors – others	2,09,49,696	1,16,69,981
Software packages		
For own use	–	1,64,300
Professional charges	2,23,22,277	84,04,591
Telephone charges	1,34,90,079	8,82,781
Power and fuel	4,02,439	70,133
Communication expenses	61,94,455	–
Insurance charges	6,53,420	–
Brand building	3,28,637	–
Provision for bad and doubtful debts	4,47,697	–
Provision for post sales client support and warranties	3,31,016	–
Office maintenance	1,36,99,704	35,40,333
Rent	1,38,71,090	81,72,802
Computer maintenance	2,30,717	10,75,148
Printing and stationery	4,74,719	3,56,252

in ₹

	Year ended December 31,	
	2010	2009
Consumables	50,674	21,863
Books and periodicals	1,236	–
Sales promotion expenses	31,223	
Marketing expenses	1,43,471	1,41,744
Repairs to plant and machinery	35,479	2,25,250
Rates and taxes	17,26,780	3,74,822
Postage and courier	4,94,150	16,253
Bank charges and commission	7,90,862	4,61,885
Miscellaneous expenses	1,86,814	1,34,610
	44,11,27,759	6,41,28,957

13.2.2. Capital commitments and contingent liabilities

in ₹

Particulars	As at December 31,	
	2010	2009
Estimated amount of unexecuted capital contracts		
(Net of advances and deposits)	–	1,56,05,150

13.2.3. 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.

13.2.4. Activity in foreign currency

in ₹

Particulars	Year ended December 31,	
	2010	2009
Earnings in foreign currency (on receipt basis)		
Income from software services and products	22,45,00,959	1,62,74,316
Interest received from banks and others	–	–
Expenditure in foreign currency (on payment basis)		
Overseas travel expenses (including visa charges)	5,49,16,994	17,93,232
Professional charges	2,18,16,475	23,27,816
Technical sub-contractors – subsidiaries	–	–
Overseas salaries and incentives	25,61,80,376	1,44,28,139
Other expenditure incurred overseas for software development	5,76,23,537	2,58,73,757
Net earnings in foreign currency	(16,60,36,423)	(2,81,48,628)

13.2.5. Obligations on long-term, non-cancelable operating leases

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

in ₹

Particulars	As at December 31,	
	2010	2009
Lease rentals recognized during the period	1,38,59,012	77,73,822

Lease obligations payable :	As at December 31,	
	2010	2009
Within one year of the Balance Sheet date	1,93,76,582	1,36,61,190
Due in a period between one year and five years	2,90,64,874	2,73,22,380
Due after five years	–	–

The operating lease arrangements extend up to a maximum of three years from their respective dates of inception and relates to rented overseas premises. Some of the lease agreements have a price escalation clause.

13.2.6. Related party transactions

List of related parties :

Name of Holding Company	Country	Holding, as at December 31,	
		2010	2009
Infosys Technologies Limited	India	100%	100%

Details of amounts due to or due from as at December 31, 2010 and December 2009 :

Particulars	As at December 31,	
	2010	2009
Sundry debtors		
Infosys BPO Limited	5,17,206	87,867
Infosys Mexico	–	32,456
Infosys Technologies Limited	36,25,467	30,28,546
Sundry creditors		
Infosys BPO Limited	21,91,993	63,67,220
Infosys Mexico	–	5,15,776
Infosys Poland	1,83,56,073	–
Infosys Technologies Limited	15,72,674	83,78,106

The details of the related party transactions entered into by the Company for the years ended December 31, 2010 and December 31, 2009 is as follows :

Particulars	Year ended December 31,	
	2010	2009
Capital transactions :		
Financing transactions		
Infosys Technologies Limited	20,94,57,729	17,14,11,417
Sale of services		
Infosys Technologies Limited	5,44,25,960	2,01,14,945

13.2.7. 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	As at December 31,	
	2010	2009
In current accounts		
Citibank SA	3,37,21,571	5,71,00,613
	3,37,21,571	5,71,00,613
In deposit accounts		
Citibank SA	1,35,10,000	–
	1,35,10,000	–

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

Maximum balance with non-scheduled banks during the period	As at December 31,	
	2010	2009
In current accounts		
Citibank SA	11,82,40,190	10,57,60,900

13.2.8. 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. These solutions are 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 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 manufacturing companies and the retail industries.

Income and direct expenses in relation to segments are 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 others comprises all rest of the world 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

Year ended December 31, 2010 :

	in ₹			
	Manufacturing	Telecom	Retail	Total
Revenues	26,71,15,301	20,40,433	6,72,58,983	33,64,14,717
Identifiable operating expenses	20,32,33,239	6,83,273	4,39,80,377	24,78,96,889
Allocated expenses	15,34,26,468	11,71,990	3,86,32,412	19,32,30,870
Segmental operating income	(8,95,44,406)	1,85,170	(1,53,53,806)	(10,47,13,042)
Unallocable expenses				4,75,60,853
Operating Income				(15,22,73,895)
Other income, net				(49,62,517)
Net profit / (loss) before taxes				(15,72,36,412)
Net profit / (loss) after taxes				(15,72,36,412)

Year ended December 31, 2009 :

	in ₹			Total
	Manufacturing	Retail		
Revenues	1,95,42,730	76,64,949		2,72,07,679
Identifiable operating expenses	74,07,688	4,85,318		78,93,006
Allocated expenses	4,03,93,156	1,58,42,795		5,62,35,950
Segmental operating income	(2,82,58,114)	(86,63,164)		(3,69,21,278)
Unallocable expenses				83,17,392
Operating Income				(4,52,38,669)
Other income, net				5,77,304
Net profit / (loss) before taxes				(4,46,61,365)
Net profit / (loss) after taxes				(4,46,61,365)

Geographic Segments

Year ended December 31, 2010 :

	in ₹			
	North America	Europe	Rest of the world	Total
Revenues	7,49,09,102	7,16,18,799	18,98,86,816	33,64,14,717
Identifiable operating expenses	5,70,27,562	4,93,40,171	1,41,52,915	24,78,96,889
Allocated expenses	4,30,26,509	4,11,36,615	1,09,06,746	19,32,30,870
Segmental operating income	(2,51,44,969)	(1,88,57,987)	(6,07,10,086)	(10,47,13,042)
Unallocable expenses				4,75,60,853
Operating Income				(15,22,73,895)
Other income, net				(49,62,517)
Net profit / (loss) before taxes				(15,72,36,412)
Net profit / (loss) after taxes				(15,72,36,412)

Year ended December 31, 2009 :

	in ₹			Total
	North America	Europe		
Revenues	1,23,17,884	1,48,89,795		2,72,07,679
Identifiable operating expenses	29,50,702	49,42,305		78,93,006
Allocated expenses	2,54,60,015	3,07,75,935		5,62,35,950
Segmental operating income	(1,60,92,833)	(2,08,28,445)		(3,69,21,278)
Unallocable expenses				83,17,392
Operating Income				(4,52,38,669)
Other income, net				5,77,304
Net profit / (loss) before taxes				(4,46,61,365)
Net profit / (loss) after taxes				(4,46,61,365)

Financial statements of Infosys Public Services, Inc.

To

The Members of Infosys Public Services, Inc.

We have audited the attached Balance Sheet of Infosys Public Services, Inc., USA ('the Company') as at 31st, March 2011, the Profit and Loss account ('Financial Statement') of the Company for the year ended on that date. These Financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Further, we report that :

- (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
- (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- (c) The Balance sheet and the Profit and Loss account dealt with by this report are in agreement with the books of accounts;
- (d) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
 1. in the case of the Balance Sheet, of the State of affairs of the Company as at March 31, 2011; and
 2. in the case of Profit and Loss account, of the Loss of the Company for the year ended on that date.

For Shenoy & Kamath
Chartered accountants
Firms regn. No. 0066735

M. Rathnakar kamath
Partner
Membership No. 202841

Bangalore
April 11, 2011

Balance Sheet

		in ₹	
As at March 31,	Schedule	2011	2010
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	1	23,48,50,000	23,48,50,000
		23,48,50,000	23,48,50,000
APPLICATION OF FUNDS			
CURRENT ASSETS, LOANS AND ADVANCES :			
Cash and bank balances	2	21,93,26,543	22,32,14,968
Loans and advances	3	3,512	–
		21,93,30,055	22,32,14,968
LESS : CURRENT LIABILITIES AND PROVISIONS :			
Current liabilities	4	1,16,50,470	–
		1,16,50,470	–
NET CURRENT ASSETS		20,76,79,585	22,32,14,968
Profit and Loss account	5	2,71,70,415	1,16,35,032
		23,48,50,000	23,48,50,000
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	9		

Note : The schedules referred to above are an integral part of the Balance Sheet

For Shenoy & Kamath
Chartered Accountants
Firms regn. No. 0066735

M. Rathnakar Kamath
Membership No : 202841

Prof. Jeffrey S. Lehman
Chairperson

T. V. Mohandas Pai
Director

Bangalore
April 11, 2011

S. D. Shibulal
Director

Eric S. Paternoster
Chief Executive Officer and
Director

Profit and Loss account

		in ₹	
For the year ended March 31,	Schedule	2011	2010
Income from software services, products and business process management		-	-
Software development and business process management expenses	6	7,239	-
GROSS PROFIT		(7,239)	-
Selling and Marketing expenses		-	-
General and administration expenses	7	1,50,73,368	13,69,228
		1,50,73,368	13,69,228
OPERATING PROFIT BEFORE INTEREST AND DEPRECIATION		(1,50,80,607)	(13,69,228)
Interest		-	-
Depreciation		-	-
OPERATING PROFIT BEFORE TAX		(1,50,80,607)	(13,69,228)
Other income, net	8	9,00,166	67,597
NET PROFIT BEFORE TAX		(1,41,80,441)	(13,01,631)
Provision for taxes		-	-
NET PROFIT AFTER TAX		(1,41,80,441)	(13,01,631)
EARNINGS PER SHARE			
Equity shares of US \$0.50 par value each			
Basic		(1.42)	(0.13)
Number of shares used in computing basic earnings per share		1,00,00,000	1,00,00,000
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	9		

Note : The schedules referred to above are an integral part of the Profit and Loss account

For Shenoy & Kamath
Chartered Accountants
Firms regn. No. 0066735

M. Rathnakar Kamath
Membership No : 202841

Prof. Jeffrey S. Lehman
Chairperson

T. V. Mohandas Pai
Director

Bangalore
April 11, 2011

S. D. Shibulal
Director

Eric S. Paternoster
Chief Executive Officer and
Director

Schedules to the Balance Sheet

		in ₹	
As at March 31,		2011	2010
1	SHARE CAPITAL		
	Authorized :		
	2,50,00,000 common stock of US \$0.50 par value	58,72,50,000	58,72,50,000
	Issued, subscribed and paid up :		
	1,00,00,000 (1,00,00,000) common stock of US \$0.50 par value, fully paid	23,48,50,000	23,48,50,000
		<u>23,48,50,000</u>	<u>23,48,50,000</u>
2	CASH AND BANK BALANCES		
	Balances with non-scheduled banks in foreign currency		
	In deposit accounts	20,07,00,000	–
	In current accounts	1,86,26,543	22,32,14,968
		<u>21,93,26,543</u>	<u>22,32,14,968</u>

		in ₹	
As at March 31,		2011	2010
3	LOANS AND ADVANCES		
	Interest Accrued but not due	3,512	–
	Others	–	–
		<u>3,512</u>	<u>–</u>
4	CURRENT LIABILITIES		
	Sundry creditors		
	Capital	11,48,909	–
	For other liabilities		
	Provision for expenses	1,05,01,561	–
		<u>1,16,50,470</u>	<u>–</u>
5	PROFIT AND LOSS ACCOUNT		
	Translation Difference	1,16,88,343	1,03,33,400
	Balance in Profit and Loss Account	13,01,631	–
	Add : (Profits) / Losses during the year	1,41,80,441	13,01,631
		<u>1,54,82,072</u>	<u>13,01,631</u>
		<u>2,71,70,415</u>	<u>1,16,35,032</u>

Schedules to Profit and Loss account

		in ₹	
For the year ended March 31,		2010	2009
6	SOFTWARE DEVELOPMENT AND BUSINESS PROCESS MANAGEMENT EXPENSES		
	Staff welfare	7,239	–
		7,239	–
7	GENERAL AND ADMINISTRATION EXPENSES		
	Salaries and bonus including overseas staff expenses	24,64,914	–
	Overseas group health insurance	2,184	–
	Telephone charges	10,436	–
	Professional charges	76,35,292	12,30,147
	Overseas travel expenses	88,482	–
	Rates and taxes	262,913	–
	Commission to non-whole time directors	44,99,000	–
	Bank charges and commission	1,10,148	1,39,081
	Auditor's remuneration		
	Statutory audit fees	–	–
		1,50,73,368	13,69,228

		in ₹	
For the year ended March 31,		2010	2009
8	OTHER INCOME, NET		
	Interest received on deposits with banks and others	9,08,454	67,597
	Exchange gains / (losses)	(8,288)	–
		9,00,166	67,597

Schedules to the financial statements for the year ended March 31, 2011

9. Significant accounting policies and Notes on accounts

Company overview

Infosys Public Services Inc. (‘the Company’) was incorporated on October 9, 2009. The purpose of the Company is to engage in any lawful act or activity for which corporation may be organized under the Delaware General Corporation Law, as the same exists or as may hereafter be amended from time to time.

9.1. Significant accounting policies

9.1.1. Basis of preparation of financial statements

The 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 of 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). 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.

9.1.2. 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.

9.1.3. Notes on 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.

9.1.4. 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.

9.1.5. Earnings per share

Basic earnings per share is computed by dividing the net profit / (loss) after tax by the weighted average number of equity shares outstanding during the period.

9.1.6. Cash and cash equivalents

Cash and cash equivalents comprise cash and cash on deposit with banks.

9.2. Notes on accounts

9.2.1. Aggregate expenses

The aggregate amounts incurred on expenses are as follows :

Particulars	Period ended March 31,	
	2011	2010
Salaries and bonus including overseas staff expenses	24,67,097	–
Overseas travel expenses	88,482	–
Staff welfare	7239	–
Professional charges	76,35,292	12,30,146
Telephone charges	10,436	–
Bank charges and commission	1,10,148	1,39,081
Rates and taxes	2,62,913	–
Commission to non-whole-time directors	44,99,000	–
	1,50,80,607	13,69,228

9.2.2. Activity in foreign currency

Particulars	Year ended March 31,	
	2011	2010
Earnings in foreign currency (receipt basis)		
Income from software services and products		
Interest received from banks and others	9,08,454	67,957
Expenditure in foreign currency (on payment basis)		
Overseas travel expenses (including visa charges)	11,945	
Professional charges	16,32,731	12,30,147
Technical sub-contractors-subsidiaries		
Overseas salaries and incentives	14,08,742	
Other expenditure incurred overseas for software development	1,15,604	1,39,081
	31,69,022	13,69,228
Net Earnings in foreign currency	(22,60,568)	(13,01,271)

9.2.3. 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.

9.2.4. Related party transactions

List of related parties :

Name of related parties	Country	Year ended March 31,	
		2011	2010
Infosys Technologies Limited	India	100.00%	100.00%

The details of the related party transactions entered into by the Company and maximum dues from related parties for the year ended March 31, 2011 is as follows :

Particulars	Period ended March 31,	
	2011	2010
Capital transactions :		
Financing transactions		
Infosys Technologies Limited	23,48,50,000	23,48,50,000
Revenue transactions :		
Sale of services	–	–
Infosys Technologies Limited	–	–

9.2.5. Cash and bank balances

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

Balances with non-scheduled bank	Year ended March 31,	
	2011	2010
In current accounts, Bank of America	1,86,26,543	22,32,14,968
In deposit accounts, Bank of America	20,07,00,000	–
Total cash and bank balances as per Balance Sheet	21,93,26,543	22,32,14,968

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

Maximum balance with non-scheduled banks during the period	Period ended March 31,	
	2011	2010
Bank of America, U.S.	22,58,17,871	23,33,50,000

Financial statements of Infosys Consulting, Inc.

To

The Members of Infosys Consulting, Inc., USA

We have audited the attached Balance Sheet of Infosys Consulting, Inc., USA ('the Company') as at March 31, 2011, the Profit and Loss account ('Financial Statement') of the Company for the year ended on that date. These Financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Further, we report that :

- (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
- (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- (c) The Balance sheet and the profit and Loss account dealt with by this report are in agreement with the books of accounts;
- (d) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
 1. in the case of the Balance Sheet, of the State of affairs of the Company as at March 31, 2011; and
 2. in the case of Profit and Loss account, of the Profit of the Company for the year ended on that date.

For Shenoy & Kamath
Chartered Accountants
Firms Regn. No. 0066735

M. Rathnakar Kamath
Partner
Membership No. 202841

Bangalore
April 11, 2011

Balance Sheet

		in ₹	
As at March 31,	Schedule	2011	2010
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	2,40,07,72,500	2,40,07,72,500
		2,40,07,72,500	2,40,07,72,500
APPLICATION OF FUNDS			
Fixed assets			
Original cost	2	7,26,32,004	4,91,16,423
Less : Accumulated depreciation		5,13,34,766	4,19,95,052
Net book value		2,12,97,237	71,21,371
Add : Capital work-in-progress		-	-
		2,12,97,237	71,21,371
Investments	3	1,00,27,095	1,00,27,095
Deferred tax assets	4	38,65,62,786	84,68,08,586
Current assets, loans and advances			
Sundry debtors	5	1,73,45,68,854	81,87,32,687
Cash and bank balances	6	1,01,66,08,822	12,53,33,111
Loans and advances	7	48,21,69,494	24,14,97,259
		3,23,33,47,170	1,18,55,63,057
Less : Current liabilities and provisions			
Current liabilities	8	2,05,16,28,891	1,38,66,06,795
Provisions	9	25,96,03,621	8,75,74,621
		2,31,12,32,512	1,47,41,81,416
Net current assets		92,21,14,658	(28,86,18,359)
Profit and Loss account	10	1,06,07,70,724	1,82,54,33,808
		2,40,07,72,500	2,40,07,72,500

Note : The schedules referred to above are an integral part of the Balance Sheet.

For Shenoy & Kamath
Chartered Accountants
Firms Regn. No. 0066735

S. D. Shibulal
Chairman

Stephen R. Pratt
Chief Executive Officer and Managing
Director

N. R. Narayana Murthy
Director

M. Rathnakar Kamath
Membership No : 202841

Ashok Vemuri
Director

Chandra Shekar Kakal
Director

Bangalore
April 11, 2011

Raj Joshi
Director

B. G. Srinivas
Director

Profit and Loss account

in ₹

For the year ended March 31,	Schedule	2011	2010
Income from software services, products and business process management		8,41,19,95,522	4,64,19,21,657
Software development and business process management expenses	11	4,52,73,19,946	2,48,43,12,292
GROSS PROFIT		3,88,46,75,576	2,15,76,09,365
Selling and marketing expenses	12	95,53,43,774	76,88,34,616
General and administration expenses	13	1,58,37,07,112	1,18,50,12,254
		2,53,90,50,885	1,95,38,46,871
OPERATING PROFIT BEFORE INTEREST AND DEPRECIATION		1,34,56,24,691	20,37,62,494
Interest		–	–
Depreciation		97,97,540	90,49,810
OPERATING PROFIT BEFORE TAX		1,33,58,27,151	19,47,12,684
Other income, net	14	1,05,62,078	(64,16,783)
Provision for investments		–	–
NET PROFIT BEFORE TAX		1,34,63,89,229	18,82,95,901
Provision for taxation	15	56,27,51,631	(85,71,92,158)
NET PROFIT AFTER TAX		78,36,37,597	1,04,54,88,059
EARNINGS PER SHARE			
Common Stock of par value 1 US\$ each			
Basic		14.25	19.23
Number of shares used in computing basic earnings per share		5,50,00,000	5,43,69,863
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	16		

Note : The schedules referred to above are an integral part of the Profit and Loss account.

For Shenoy & Kamath
Chartered Accountants
Firms Regn. No. 006673S

S. D. Shibulal
Chairman

Stephen R. Pratt
Chief Executive Officer and Managing
Director

N. R. Narayana Murthy
Director

M. Rathnakar Kamath
Membership No : 202841

Ashok Vemuri
Director

Chandra Shekar Kakal
Director

Bangalore
April 11, 2011

Raj Joshi
Director

B. G. Srinivas
Director

Schedules to the Balance Sheet

		in ₹	
As at March 31,		2011	2010
1	SHARE CAPITAL		
	Authorized		
	7,50,00,000 common stock of US\$ 1.00 par value	3,11,03,50,000	3,11,03,50,000
	Issued, subscribed and paid up		
	5,50,00,000 (5,50,00,000) common stock of US\$ 1.00 par value, fully paid	2,40,07,72,500	2,40,07,72,500
		2,40,07,72,500	2,40,07,72,500
3	INVESTMENTS		
	Trade (unquoted) – at cost		
	Long-term investments		
	In subsidiaries		
	Infosys Consulting India Limited	1,00,27,095	1,00,27,095
		1,00,27,095	1,00,27,095
4	DEFERRED TAX ASSETS		
	Others	38,65,62,786	84,68,08,586
		38,65,62,786	84,68,08,586
5	SUNDRY DEBTORS		
	Debts outstanding for a period exceeding six months		
	Unsecured		
	Considered doubtful	2,04,179	–
	Other debts		
	Unsecured		
	Considered good	1,73,45,68,854	81,87,32,687
	Considered doubtful	–	–
		1,73,47,73,032	81,87,32,687
	Less : Provision for doubtful debts	(2,04,179)	
		1,73,45,68,854	81,87,32,687
6	CASH AND BANK BALANCES		
	Cash on hand	–	–
	Balances with non-scheduled banks in foreign currency		
	In deposit accounts	80,27,15,266	
	In current accounts	21,38,93,556	12,53,33,111
		1,01,66,08,822	12,53,33,111

		in ₹	
As at March 31,		2011	2010
7	LOANS AND ADVANCES		
	Advances		
	Prepaid expenses	31,25,852	24,04,817
	Interest accrued but not due	1,14,095	–
	Others	3,39,66,234	2,86,60,788
		3,72,06,181	3,10,65,604
	Unbilled revenues	38,94,90,145	19,39,79,481
	Advance income tax	4,04,61,343	–
	Loans and advances to employees		
	Housing and other loans	2,47,896	3,30,218
	Salary advances	1,47,63,929	1,61,21,956
		48,21,69,494	24,14,97,259
8	CURRENT LIABILITIES		
	Sundry creditors		
	Capital	23,71,76,028	–
	Goods and services	1,01,22,597	27,02,48,753
	Accrued salaries and benefits		
	Salaries	97,74,416	–
	Bonus and incentives	1,38,39,20,379	49,41,11,850
	For other liabilities		
	Provision for expenses	21,05,55,166	56,18,08,543
	Withholding and other taxes payable	7,78,69,006	2,37,35,595
	Others	1,85,988	57,07,225
		1,92,96,03,581	1,35,56,11,966
	Advances received from clients	4,53,22,877	–
	Unearned revenue	767,02,433	3,09,94,829
		12,20,25,310	3,09,94,829
		2,05,16,28,891	1,38,66,06,795
9	PROVISIONS		
	Provision for		
	Income taxes	6,39,49,710	–
	Unavailed leave	19,56,53,911	8,75,74,621
	Gratuity payable	–	–
		25,96,03,621	8,75,74,621
10	RESERVES AND SURPLUS		
	Translation difference	(97,02,291)	(2,86,76,805)
	Balance in Profit and Loss account	1,85,41,10,612	2,89,95,98,671
	Add : (Profits) / Losses during the year	(78,36,37,597)	(1,04,54,88,059)
		1,07,04,73,015	1,85,41,10,612
		1,06,07,70,724	1,82,54,33,808

2. Fixed assets

in ₹

	Original cost			As at of March 31, 2011	Depreciation and amortization			Net book value		
	As at April 1 2010	Additions during the year	Deletions during the year		As at April 1, 2010	For the year	Deductions during the year	As at March 31, 2011	As at March 31, 2011	As at Dec 31, 2010
Computer equipment	4,91,16,423	2,35,15,581	–	7,26,32,004	4,19,95,052	97,97,540	4,57,825	5,13,34,766	2,12,97,237	71,21,371
	4,91,16,423	2,35,15,581	–	7,26,32,004	4,19,95,052	97,97,540	4,57,825	5,13,34,766	2,12,97,237	71,21,371
Previous year	4,79,24,268	11,92,155	–	4,91,16,423	3,77,79,106	90,49,810	48,33,864	4,19,95,052	71,21,371	–

Schedules to the Profit and Loss account

in ₹			in ₹		
For the year ended March 31,	2011	2010	For the year ended March 31,	2011	2010
11 SOFTWARE DEVELOPMENT AND BUSINESS PROCESS MANAGEMENT EXPENSES			13 GENERAL AND ADMINISTRATION EXPENSES		
Salaries and bonus including overseas staff expenses	2,51,35,86,848	1,47,25,74,813	Salaries and bonus including overseas staff expenses	1,11,22,94,638	84,53,73,746
Overseas group health insurance	8,66,69,569	3,53,17,533	Overseas group health insurance	4,02,92,139	2,70,84,925
Contribution to provident and other funds	11,272	21,065	Contribution to provident and other funds	2,968	–
Staff welfare	3,46,58,474	19,91,485	Telephone charges	4,61,91,357	3,30,21,633
Technical sub-contractors	1,41,05,20,750	68,64,30,440	Professional charges	9,41,14,647	8,72,51,377
Overseas travel expenses	47,17,25,780	27,82,40,223	Power and fuel	1,31,284	72,384
Visa charges and others	1,61,558	99,103	Travelling and conveyance	14,78,44,801	7,13,16,849
Communication expenses	–	103,971	Overseas travel expenses	7,60,68,062	7,23,37,467
Consumables	19,62,820	12,49,793	Visa charges and others	2,85,087	10,43,769
Rent	80,22,875	82,83,866	Office maintenance	26,93,813	19,69,544
	4,52,73,19,946	2,48,43,12,292	Guesthouse maintenance	1,980	5,967
			Insurance charges	25,93,968	25,56,294
12 SELLING AND MARKETING EXPENSES			Printing and stationery	36,75,082	22,49,358
Salaries and bonus including overseas staff expenses	83,70,43,882	68,61,45,585	Rent	1,35,49,204	1,40,97,547
Overseas group health insurance	2,96,46,447	1,02,01,838	Rates and taxes	1,04,79,571	1,13,00,905
Staff welfare	14,70,814	–	Professional membership and seminar participation fees	90,53,218	34,19,635
Overseas travel expenses	6,04,53,945	5,54,88,973	Postage and courier	21,92,495	16,07,453
Travelling and conveyance	1,18,89,943	1,35,46,791	Books and periodicals	25,84,647	25,17,704
Commission and earnout charges	(73,39,860)	(1,34,12,180)	Provision for bad and doubtful debts	5,11,656	–
Brand building	11,60,742	15,28,155	Bank charges and commission	1,03,561	5,65,691
Professional charges	15,04,256	–	Miscellaneous expenses	1,90,42,935	72,20,006
Rent	1,41,74,447	1,10,26,093		1,58,37,07,112	1,18,50,12,254
Marketing expenses	27,04,403	19,49,595	14 OTHER INCOME, NET		
Telephone charges	16,14,846	17,78,169	Interest received on deposits with banks and others	1,25,357	25,144
Printing and stationery	2,44,307	2,82,749	Exchange gains / (losses)	1,04,36,720	(64,41,927)
Office maintenance	35,196	74,603		1,05,62,078	(64,16,783)
Sales promotion expenses	5,61,103	–	15 PROVISION FOR TAXATION		
Consumables	1,79,302	1,87,930	Income taxes	9,66,99,538	5,55,159
Rates and taxes	–	36,315	Deferred taxes	46,60,52,093	(85,77,47,316)
	95,53,43,774	76,88,34,616		56,27,51,631	(85,71,92,158)

Schedules to the Financial Statements for the year ended March 31, 2011

16. Significant accounting policies and notes on accounts

Company overview

Infosys Consulting, Inc. (ICI) is a wholly-owned subsidiary of Infosys Technologies Limited. ICI is singularly focused on making clients more competitive, and does so with rigorous linkages to client value, a set of proprietary competitive benchmarking tools, and the Infosys global delivery model.

16.1. Significant accounting policies

16.1.1. Basis of preparation of financial statements

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

16.1.2. Use of estimates

The preparation of the financial statements in conformity with GAAP requires the 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.

16.1.3. Revenue recognition

The Company derives revenues primarily from consulting services. Arrangements with customers for consulting services are either on a fixed price, fixed-timeframe or on a time and material basis. Revenue on time-and-material contracts is recognized as the related services

are rendered. Revenue from fixed-price, fixed-timeframe contracts is recognized as per the proportional performance method using an output measure of performance. 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. When the Company receives advances for services, such amounts are reported as client deposits until all conditions for revenue recognition are met.

16.1.4. 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.

16.1.4.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.

16.1.4.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.

16.1.5. 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.

16.1.6. 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 ₹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.

16.1.7. 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.

16.1.8. 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 and 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.

16.1.9. 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. 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 a situation where unabsorbed depreciation and carry forward business loss exist, 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 assets can be realized. Deferred tax assets, other than in a 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.

16.1.10. 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.

16.1.11. 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 the Management's intention at the time of purchase. 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.

16.1.12. Cash and cash equivalents

Cash and cash equivalents comprise cash and cash on deposit with banks and corporations.

16.1.13. 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.

16.2. Notes on accounts

Amounts in the financial statements are presented in Indian rupees

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

16.2.1. Aggregate expenses

The aggregate amounts incurred on expenses are as follows :

Year ended March 31,	2011	2010
Salaries and bonus including overseas staff expenses	4,46,29,25,368	3,00,40,94,261
Contribution to provident and other funds	14,240	20,948
Staff welfare	3,61,29,287	19,91,485
Group health insurance	15,66,08,154	7,26,04,296
Overseas travel expenses	60,82,47,787	40,60,66,663
Visa charges and others	4,46,645	11,42,872
Travel and conveyance	15,97,34,744	8,48,63,640
Technical sub-contractors – others	1,41,05,20,750	68,64,30,440
Professional charges	9,56,18,903	8,72,51,377
Telephone charges	4,78,06,203	3,47,99,803
Communication expenses	–	1,03,971
Power and fuel	1,31,284	72,384
Office maintenance	27,29,009	20,44,147
Guest house maintenance	1,980	5,967
Commission / Earnout charges	(73,39,860)	(1,34,12,180)
Brand building	11,60,742	15,28,155
Rent	3,57,46,526	3,34,07,506
Insurance charges	25,93,968	25,56,294
Printing and stationery	39,19,389	25,32,107
Consumables	21,42,122	14,37,724
Marketing expenses	27,04,403	19,49,595
Rates and taxes	1,04,79,571	1,13,37,220
Professional membership and seminar participation fees	90,53,218	34,19,635
Postage and courier	21,92,495	16,07,453
Books and periodicals	25,84,647	25,17,704
Provision for bad and doubtful debts	5,11,656	–

	in ₹	
Year ended March 31,	2011	2010
Sales promotion expenses	5,61,103	–
Bank charges and commission	1,03,561	5,65,691
Miscellaneous expenses	1,90,42,935	72,20,006
	7,06,63,70,832	3,07,87,89,341

16.2.2. Quantitative details

The Company is primarily engaged in business consultancy services. The production and sale of such services 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.

16.2.3. Obligations on long-term, non-cancelable operating leases

	in ₹	
Year ended March 31,	2011	2010
Lease rentals recognized during the period	3,57,46,526	3,34,07,506

16.2.4. Related party transactions

Details of amounts due to or due from as at March 31, 2011 and March 31, 2010 :

	in ₹	
Particulars	As at March 31,	
	2011	2010
Sundry debtors		
Infosys Technologies Limited	17,45,99,429	43,37,70,005
Infosys BPO Limited (including subsidiaries)	36,38,322	–
Infosys Consulting India Limited	2,07,626	14,06,073
Sundry creditors		
Infosys Technologies Limited	23,70,87,565	26,21,65,557
Infosys BPO Limited (including subsidiaries)	3,699	–
Infosys Consulting India Limited	3,70,120	82,31,152

The details of the related party transactions entered into by the Company for the years ended March 31, 2011 and March 31, 2010 are as follows :

	in ₹	
Particulars	Year ended March 31,	
	2011	2010
Capital transactions :		
Financing transactions		
Infosys Consulting India Limited – Investment	1,00,00,000	1,00,00,000
Infosys Technologies Limited	–	49,89,00,000
Revenue transactions:		
Purchase of shared services including facilities and personnel		
Infosys Consulting India Limited	3,07,83,270	9,05,77,956
Infosys Technologies Limited	72,01,42,193	25,26,16,732
Infosys BPO Limited (including subsidiaries)	99,41,301	3,81,52,915

	in ₹	
Particulars	Year ended March 31,	
	2011	2010
Sale of services		
Infosys Technologies limited	3,94,36,32,088	377,92,87,351
Infosys BPO Limited (including subsidiaries)	7,56,21,223	1,31,85,540
Infosys Consulting India Limited	6,74,377	–

16.2.5. Transactions with key management personnel ⁽¹⁾

	in ₹	
Particulars	Year ended March 31,	
	2011	2010
Whole-time directors		
Salary, Perquisites and Contribution to funds	18,17,47,229	16,60,38,199
Total remuneration	18,17,47,229	16,60,38,199

⁽¹⁾ Key management personnel comprise Directors

16.2.6. Income taxes

The details of the provision for income tax and deferred taxes are as follows :

	in ₹	
Year ended March 31,	2011	2010
Provision for income tax	9,66,99,538	5,55,159
Deferred tax	46,60,52,093	(85,77,47,316)
	56,27,51,631	(85,71,92,158)

16.2.7. Cash and bank balances

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

	in ₹	
Balances with non-scheduled banks	As at March 31,	
	2011	2010
In current accounts		
HSBC Bank, U.K.	27,27,79,899	1,37,29,261
Bank of America, U.S.	74,38,28,923	11,16,03,849
	1,01,66,08,822	12,53,33,110

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

	in ₹	
Maximum balance with non-scheduled banks during the period	Year ended March 31,	
	2011	2010
In current accounts		
HSBC Bank, U.K.	27,27,79,899	1,37,29,261
Bank of America, U.S.	74,38,28,923	48,12,94,941

16.2.8. Details of Investments

	in ₹	
Particulars	As at March 31,	
	2011	2010
Subsidiary – Infosys Consulting India Limited	1,00,27,095	1,00,27,095

16.2.9. 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. These solutions are 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 east and west), Ireland and the United Kingdom; and the Rest of the World comprises 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

For the years ended March 31, 2011 and March 31, 2010 :

	Financial services	Manufacturing	Telecom	Retail	Others	Total
Revenues	1,69,22,25,290	1,51,15,33,446	33,59,06,719	1,77,55,71,722	3,09,67,58,345	8,41,19,95,522
	68,95,57,919	1,05,40,41,784	43,16,09,381	54,45,84,652	1,92,21,27,921	4,64,19,21,657
Identifiable operating expenses	88,10,67,428	69,22,07,314	13,84,55,443	86,28,56,567	1,69,30,45,408	4,26,76,32,160
	32,95,93,900	57,72,00,480	15,95,96,511	26,20,92,788	95,67,01,262	2,28,51,84,941
Allocated expenses	56,30,16,985	50,28,99,353	11,17,58,871	59,07,47,015	1,03,03,16,446	2,79,87,38,671
	31,98,24,533	48,88,76,150	20,01,85,169	25,25,84,340	89,15,04,030	2,15,29,74,222
Segmental operating income	24,81,40,877	31,64,26,779	8,56,92,405	32,19,68,140	37,33,96,490	1,34,56,24,690
	4,01,39,486	(1,20,34,846)	7,18,27,701	2,99,07,524	7,39,22,629	20,37,62,494
Unallocable expenses						97,97,540
						90,49,810
Operating income						1,33,58,27,151
						19,47,12,684
Other income, net						1,05,62,078
						(64,16,783)
Net profit before taxes						1,34,63,89,228
						18,82,95,901
Income taxes						56,27,51,631
						(85,71,92,157)
Net profit after taxes						78,36,37,597
						1,04,54,88,058

in ₹

Geographic Segments

For the years ended March 31, 2011 and March 31, 2010 :

in ₹

	North America	Europe	India	Rest of the World	Total
Revenues	6,50,45,43,103	1,75,52,19,562	10,72,49,971	4,49,82,885	8,41,19,95,522
	3,15,95,24,702	1,46,08,03,219	–	2,15,93,737	4,64,19,21,658
Identifiable operating expenses	3,36,31,43,890	80,30,27,558	6,72,84,150	3,41,76,563	4,26,76,32,160
	1,58,87,55,840	67,36,79,138	39,73,140	1,87,76,823	2,28,51,84,941
Allocated expenses	2,16,41,13,886	58,39,75,687	3,56,82,929	1,49,66,168	2,79,87,38,671
	1,46,54,22,241	67,75,36,569	–	1,00,15,412	2,15,29,74,222
Segmental operating income	97,72,85,327	36,82,16,317	42,82,892	(41,59,846)	1,34,56,24,690
	10,53,46,621	10,95,87,512	(39,73,140)	(71,98,498)	20,37,62,495
Unallocable expenses					97,97,540
					90,49,810
Operating income					1,33,58,27,151
					19,47,12,685
Other income, net					1,05,62,078
					(64,16,783)
Net profit before taxes					1,34,63,89,228
					18,82,95,903
Income taxes					56,27,51,631
					(85,71,92,157)
Net profit after taxes					78,36,37,597
					1,04,54,88,060

Financial statements of Infosys Consulting India Limited

To

The Members of Infosys Consulting India Limited

We have audited the attached balance sheet of Infosys Consulting India Limited ('the Company') as at 31 March 2011, the profit and loss account and the cash flow statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 ('the Order'), as amended, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that :

- (i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- (iii) the balance sheet, the profit and loss account and the cash flow statement dealt with by this report are in agreement with the books of account;
- (iv) in our opinion, the balance sheet, the profit and loss account and the cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- (v) on the basis of written representations received from the directors, as at 31 March 2011 and taken on record by the Board of Directors, we report that none of the directors are disqualified as at 31 March 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 on the said date; and
- (vi) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
 - (a) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2011;
 - (b) in the case of the profit and loss account, of the profit for the year ended on that date; and
 - (c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

For B S R & Co.
Chartered Accountants
Firms Regn. No. 101248W

Supreet Sachdev
Partner
Membership No. 205385

Bangalore
April 11, 2011

Annexure to the auditors' report

The Annexure referred to in the auditors' report to the members of Infosys Consulting India Limited ('the Company') for the year ended 31 March 2011. We report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified every year. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) No fixed assets have been disposed off during the year. Thus paragraph 4(i)(c) of the Order is not applicable.
- (ii) The Company is a service company, primarily rendering information technology consultancy services. Accordingly it does not hold any physical inventories. Thus, paragraph 4(ii) of the Order is not applicable.
- (iii) The Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956 ('the Act'). Accordingly, paragraphs 4(iii)(a) to 4(iii)(g) of the Order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and sale of services. The activities of the Company do not involve purchase of inventories and the sale of goods. We have not observed any major weakness in the internal control system during the course of the audit.
- (v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
- (b) In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements referred to in (v) (a) above and exceeding the value of ₹5 lakh with any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size of the Company and the nature of its business.
- (viii) The Central Government has not prescribed the maintenance of cost records under section 209(1) (d) of the Act for any of the services rendered by the Company.
- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Income-tax, Service tax and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of Investor Education and Protection Fund, Employees' State Insurance, Sales-tax, Wealth tax, Customs duty and Excise duty.

There were no dues on account of cess under section 441A of the Act, since the aforesaid section has not yet been made effective by the Central Government.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Income-tax, Service tax and other material statutory dues were in arrears as at 31 March 2011 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, there are no dues of Income Tax, Service Tax and cess which have not been deposited with the appropriate authorities on account of any dispute.
- (x) The Company has been registered for a period of less than five years. Thus, paragraph 4(x) of the Order is not applicable.
- (xi) The Company did not have any outstanding dues to any financial institution, banks or debenture holders during the year.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund / nidhi / mutual benefit fund/ society.
- (xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) The Company did not have any term loans outstanding during the year.

- (xvii) The Company has not raised any funds on short-term basis.
- (xviii) The Company has not made any preferential allotment of shares to firms, parties and companies covered in the Register maintained under section 301 of the Act.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money by public issues during the year.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For B S R & Co.
Chartered Accountants
Firms Regn. No. 101248W

Supreet Sachdev
Partner
Membership No. 205385

Bangalore
April 11, 2011

Balance Sheet

		in ₹	
As at March 31,	Schedule	2011	2010
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	1	1,00,00,000	1,00,00,000
Reserves and surplus	2	3,21,47,352	1,24,06,887
		4,21,47,352	2,24,06,887
APPLICATION OF FUNDS			
FIXED ASSETS			
Original cost	3	1,17,31,375	43,56,215
Less : Accumulated depreciation		47,44,126	9,97,667
Net book value		69,87,249	33,58,548
DEFERRED TAX ASSETS, NET	4	50,037	31,31,734
CURRENT ASSETS, LOANS AND ADVANCES			
Sundry debtors	5	3,79,41,484	2,10,69,586
Cash and bank balances	6	2,18,67,988	2,56,36,189
Loans and advances	7	4,78,62,764	92,52,753
		10,76,72,236	5,59,58,528
LESS : CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	8	6,03,77,492	2,99,28,449
Provisions	9	1,21,84,678	1,01,13,474
NET CURRENT ASSETS		3,51,10,066	1,59,16,605
		4,21,47,352	2,24,06,887
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	16		

Note : The schedules referred to above are an integral part of the Balance Sheet.

As per our report attached

for B S R & Co.
Chartered Accountants
Firm registration number : 101248W

for and on behalf of Board of Directors of
Infosys Consulting India Limited

Supreet Sachdev
Partner
Membership No. 205385

S. D. Shibulal
Director

Chandra Shekar Kakal
Director

B. G. Srinivas
Director

Bangalore
April 11, 2011

Profit and Loss account

in ₹, except per share data

	Schedule	For the year ended March 31, 2011	For the period from August 19, 2009 to March 31, 2010
Income from software services		27,95,52,878	9,28,43,311
Software development expenses	10	19,07,16,063	6,77,28,548
GROSS PROFIT		8,88,36,815	2,51,14,763
General and administration expenses	11	4,56,87,213	1,39,35,007
		4,56,87,213	1,39,35,007
OPERATING PROFIT BEFORE DEPRECIATION		4,31,49,602	1,11,79,756
Depreciation		37,46,459	9,97,667
OPERATING PROFIT AFTER DEPRECIATION		3,94,03,144	1,01,82,089
Other income, net	12	9,18,634	(9,06,936)
PROFIT BEFORE TAX		4,03,21,777	92,75,153
Provision for taxation	13	2,05,81,312	(31,31,734)
NET PROFIT AFTER TAX		1,97,40,465	1,24,06,887
Balance brought forward from previous year		1,24,06,887	–
AMOUNT AVAILABLE FOR APPROPRIATION		3,21,47,352	1,24,06,887
Balance in Profit and Loss account		3,21,47,352	1,24,06,887
EARNINGS PER SHARE			
Equity shares of par value ₹10/- each ⁽¹⁾			
Basic and diluted		19.74	23.96
Number of shares used in computing earnings per share ⁽¹⁾			
Basic and diluted		10,00,000	5,17,808
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	16		

Notes : The schedules referred to above are an integral part of the Profit and Loss account.

⁽¹⁾ refer to note 16.2.10

As per our report attached

for B S R & Co.
Chartered Accountants
Firm registration number : 101248W

for and on behalf of Board of Directors of
Infosys Consulting India Limited

Supreet Sachdev
Partner
Membership No. 205385

S. D. Shibulal
Director

Chandra Shekar Kakal
Director

B. G. Srinivas
Director

Bangalore
April 11, 2011

Cash Flow statement

	Schedule	For the year ended March 31, 2011	For the period from August 19, 2009 to March 31, 2010
<i>in ₹</i>			
CASH FLOWS FROM OPERATING ACTIVITIES			
NET PROFIT BEFORE TAX		4,03,21,777	92,75,153
Adjustments to reconcile net profit before tax to cash provided by operating activities			
Depreciation		37,46,459	9,97,667
Interest income		(11,07,482)	(91,951)
Changes in current assets and liabilities			
Sundry debtors		(1,68,71,898)	(2,10,69,586)
Loans and advances	14	43,17,486	(76,76,207)
Current liabilities and provisions	15	3,25,20,248	3,96,65,611
		6,29,26,590	2,11,00,687
Income taxes paid		(2,02,09,652)	(12,00,000)
NET CASH GENERATED BY OPERATING ACTIVITIES		4,27,16,938	1,99,00,687
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(73,75,160)	(43,56,215)
Investment in fixed deposits		(4,00,00,000)	
Interest received		8,90,021	91,717
NET CASH USED IN INVESTING ACTIVITIES		(4,64,85,139)	(42,64,498)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of share capital		–	10,000,000
NET CASH USED IN FINANCING ACTIVITIES		–	10,000,000
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(37,68,201)	2,56,36,189
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		2,56,36,189	–
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	6	2,18,67,988	2,56,36,189
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	16		

Note : The schedules referred to above are an integral part of the Cash Flow statement.

As per our report attached

for B S R & Co.
Chartered Accountants
Firm registration number : 101248W

for and on behalf of Board of Directors of
Infosys Consulting India Limited

Supreet Sachdev
Partner
Membership No. 205385

S. D. Shibulal
Director

Chandra Shekar Kakal
Director

B. G. Srinivas
Director

Bangalore
April 11, 2011

Schedules to the Balance Sheet

		<i>in ₹ except as otherwise stated</i>	
As at March 31,		2011	2010
1	SHARE CAPITAL		
	Authorized		
	Equity shares, ₹10/- par value		
	10,00,000 (10,00,000) equity shares	1,00,00,000	1,00,00,000
	Issued, subscribed and paid up		
	Equity shares, ₹10/- par value	1,00,00,000	1,00,00,000
	10,00,000 (10,00,000) equity shares fully paid up		
	Of the above 9,99,994 (9,99,994) equity shares are held by Infosys Consulting Inc., the Company's holding company		
	The ultimate holding company is Infosys Technologies Limited.		
		1,00,00,000	1,00,00,000

		<i>in ₹ except as otherwise stated</i>	
As at March 31,		2011	2010
2	RESERVES AND SURPLUS		
	Balance in Profit and Loss account	3,21,47,352	1,24,06,887
		3,21,47,352	1,24,06,887

3 FIXED ASSETS

in ₹ except as otherwise stated

Description	Original cost			As at March 31, 2011	Accumulated depreciation			Net book value		
	As at April 1 , 2010	Additions during the year	Deductions the year during		As at April 1 ,2010	For the year	Deductions during the year	As at March 31, 2011	As at March 31, 2011	As at March 31, 2010
Computer equipment	43,56,215	73,75,160	–	1,17,31,375	9,97,667	37,46,459	–	47,44,126	69,87,249	33,58,548
	43,56,215	73,75,160	–	1,17,31,375	9,97,667	37,46,459	–	47,44,126	69,87,249	33,58,548
Previous year	–	43,56,215	–	43,56,215	–	9,97,667	–	9,97,667	33,58,548	

in ₹ except as otherwise stated

As at March 31,	2011	2010
4 DEFERRED TAX ASSETS / (LIABILITIES)		
On unavailed leave	6,07,116	32,34,442
Less : Deferred tax liability for fixed assets	(5,57,079)	(1,02,708)
Net deferred tax assets	50,037	31,31,734
5 SUNDRY DEBTORS		
Debts outstanding for a period exceeding six months		
Unsecured, considered doubtful	–	–
Other debts		
Unsecured		
Considered good ⁽¹⁾	3,79,41,484	2,10,69,586
Considered doubtful	–	–
	3,79,41,484	2,10,69,586
⁽¹⁾ Includes dues from related parties (refer to note 16.2.6)	1,24,53,277	1,85,70,901
6 CASH AND BANK BALANCES		
Cash on hand	–	–
Balances with scheduled banks ⁽¹⁾		
In current accounts	2,18,17,988	2,55,86,189
In deposit accounts	50,000	50,000
Balances with non-scheduled banks ⁽¹⁾		
In current accounts	–	–
	2,18,67,988	2,56,36,189

Notes : ⁽¹⁾ Refer to note 16.2.9 for details of balances with scheduled banks

in ₹ except as otherwise stated

As at March 31,	2011	2010
7 LOANS AND ADVANCES		
Unsecured, considered good		
Advances		
Prepaid expenses	4,22,655	12,84,996
For supply of goods and rendering of services	–	1,86,182
Advance to gratuity trust (refer to note 16.2.12)	32,071	13,982
Withholding and other taxes receivable	8,54,351	7,649
Interest accrued but not due	2,17,461	234
Loans and advances to employees	22,26,190	47,83,398
	37,52,728	62,76,441
Advance income taxes, net of provisions	27,10,036	–
MAT credit entitlement (refer to note 16.2.8)	–	15,76,312
Deposits with financial Institutions	4,00,00,000	–
Rental deposits (refer to note 16.2.6)	14,00,000	14,00,000
	4,78,62,764	92,52,753
8 CURRENT LIABILITIES		
Sundry creditors		
Goods and services ⁽¹⁾	63,99,308	35,31,151
Accrued salaries and benefits		
Salaries	–	14,10,482
Bonus and incentives	5,10,23,304	2,27,62,031
Deferred revenues	15,14,968	–
For other liabilities		
Provision for expenses	14,11,189	21,96,915
Withholding and other taxes payable	28,723	27,870
	6,03,77,492	2,99,28,449
⁽¹⁾ Includes dues to related parties (refer to note 16.2.6)	46,34,185	35,31,151
9 PROVISIONS		
Provision for		
Income taxes, net of advance tax (refer to note 16.2.8)	–	3,76,312
Unavailed leave	1,21,84,678	97,37,162
	1,21,84,678	1,01,13,474

Schedules to the Profit and Loss account

in ₹ except as otherwise stated

	For the year ended March 31, 2011	For the period from August 19, 2009 to March 31, 2010
10 SOFTWARE DEVELOPMENT EXPENSES		
Salaries and bonus including overseas staff expenses	15,42,83,861	5,27,46,972
Overseas group health insurance	44,840	7,952
Contribution to provident and other funds	1,09,97,948	66,50,567
Staff welfare	38,54,786	9,72,439
Overseas travel expenses	1,94,28,111	71,64,970
Visa charges and others	7,13,974	53,883
Software packages for own use	73,205	4,888
Consumables	13,19,338	1,26,877
	19,07,16,063	6,77,28,548
11 GENERAL AND ADMINISTRATION EXPENSES		
Salaries and bonus including overseas staff expenses	1,52,68,903	47,54,155
Contribution to provident and other funds	11,21,414	7,82,529
Professional charges	1,14,96,642	19,36,303
Telephone charges	27,31,564	8,13,378
Traveling and conveyance	77,76,450	19,49,125
Overseas travel expenses	–	77,343
Insurance charges	7,12,067	–
Rent (refer to note 16.2.5)	55,25,784	27,62,892
Rates and taxes	3,14,445	3,54,450
Auditor's remuneration		
Statutory audit fees	5,56,518	4,50,000
Miscellaneous expenses	1,83,426	54,832
	4,56,87,213	1,39,35,007

in ₹ except as otherwise stated

	For the year ended March 31, 2011	For the period from August 19, 2009 to March 31, 2010
12 OTHER INCOME, NET		
Interest received on deposits with banks and others ⁽¹⁾	11,07,482	91,951
Gains / (losses) on foreign currency, net	(1,88,848)	(9,98,887)
	9,18,634	(9,06,936)
⁽¹⁾ Includes tax deducted at source	89,843	7,649
13 PROVISION FOR TAXATION		
Income taxes (refer to note 16.2.8)	1,59,23,303	15,76,312
MAT credit entitlement (refer to note 16.2.8)	15,76,312	(15,76,312)
Deferred taxes	30,81,697	(31,31,734)
	2,05,81,312	(31,31,734)

Schedules to Cash Flow statement

in ₹ except as otherwise stated

	For the year ended March 31, 2011	For the period from August 19, 2009 to March 31, 2010
14 CHANGE IN LOANS AND ADVANCES		
Movement as per the Balance Sheet	3,86,10,011	92,52,753
Less : Interest accrued but not due	2,17,461	234
Deposits with financial Institutions	4,00,00,000	-
MAT credit entitlement	-	15,76,312
Advance income taxes	27,10,036	-
	(43,17,486)	76,76,207

in ₹ except as otherwise stated

	For the year ended March 31, 2011	For the period from August 19, 2009 to March 31, 2010
15 CHANGE IN CURRENT LIABILITIES AND PROVISIONS		
Movement as per the Balance Sheet	3,25,20,248	4,00,41,923
Less : Income tax provision	-	3,76,312
	3,25,20,248	3,96,65,611

Schedules to the financial statements

16. Significant accounting policies and notes on accounts

Company overview

Infosys Consulting India Limited (ICIL) was incorporated on 19 August 2009 as a public limited company under the Companies Act 1956. ICIL is a wholly-owned subsidiary of Infosys Consulting Inc., U.S. The ultimate holding company is Infosys Technologies Limited. The Company provides end-to-end business solutions that leverage technology, thereby enabling clients to enhance business performance. ICIL is singularly focussed on making clients more competitive, and does so with rigorous linkages to client value, a set of proprietary competitive benchmarking tools, and the Infosys Global Delivery Model.

16.1. Significant accounting policies

16.1.1. Basis of preparation of financial statements

The financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis. GAAP comprises mandatory accounting standards as prescribed by the Companies (Accounting Standards) Rules, 2006 and the provisions of the Companies Act, 1956. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. The financial statements have been presented in Indian Rupees.

16.1.2. Use of estimates

The preparation of the financial statements in conformity with GAAP requires the 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 provisions for doubtful debts, future obligations under employee retirement benefit plans, income taxes and the useful lives of fixed 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.

16.1.3. Revenue recognition

Revenue is primarily derived from providing software development and related services which is billed on a cost plus basis, in accordance with the terms of the agreement with the holding company. Arrangements with other customers for software development and related services are either on a fixed-price, fixed-time frame 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 time frame 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.

Interest is recognized using the time-proportion method, based on rates implicit in the transaction.

16.1.4. 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.

Provisions for onerous contracts, i.e. contracts where the expected unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it, are recognized when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event based on a reliable estimate of such obligation.

16.1.5. Fixed 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.

16.1.6. Depreciation

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 ₹5,000/-) are depreciated over a period of one year from the date of acquisition. The Management estimates the useful lives for the other fixed assets as follows :

Computer equipment	2 years
--------------------	---------

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

16.1.7. Retirement benefits to employees

16.1.7.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 Consulting India 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.

16.1.7.b. Superannuation

Certain employees of Infosys Consulting India Limited are also participants in the superannuation plan ('the Plan') which is a defined contribution plan. The Company has no further obligations to the Plan beyond its monthly contributions. A portion of the monthly contribution amount is paid directly to the employees as an allowance and the balance amount is contributed to Infosys Consulting India Limited Employees' Superannuation Trust.

16.1.7.c. Provident fund

Eligible employees receive benefits from a provident fund, which is a defined contribution 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. Amounts collected under the provident fund plan are deposited with Life Insurance Corporation of India. The Company has no further obligations under the provident fund plan beyond its monthly contributions.

16.1.7.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 an 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 Profit and Loss account in the period in which the absences occur.

16.1.8. 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.

16.1.9. 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 and 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.

16.1.10. 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 a 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.

16.1.11. 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 year.

16.1.12. Cash and cash equivalents

Cash and cash equivalents comprise cash and cash on deposits with banks and corporations.

16.1.13. 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.

16.1.14. 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 recognized as an expense on a straight line basis in the Profit and Loss account over the lease term.

16.2. Notes on accounts

Amounts in the financial statements have been presented in Indian Rupees.

16.2.1. Aggregate expenses

The aggregate amounts incurred on expenses are as follows :

	in ₹	
	For the year ended March 31, 2011	For the period from August 19, 2009 to March 31, 2010
Salaries and bonus including overseas staff expenses	16,95,52,764	5,75,01,127
Contribution to provident and other funds	1,21,19,362	74,33,096
Staff welfare	38,54,786	9,72,439
Overseas group health insurance	44,840	7,952
Overseas travel expenses	1,94,28,111	72,42,313
Visa charges and others	7,13,974	53,883
Traveling and conveyance	77,76,450	19,49,125
Software packages for own use	73,205	4,888
Professional charges	1,14,96,642	19,36,303
Telephone charges	27,31,564	8,13,378
Insurance charges	7,12,067	-
Rent	55,25,784	27,62,892
Consumables	13,19,338	1,26,877
Rates and taxes	3,14,445	3,54,450
Auditor's remuneration		
Statutory audit fees	5,56,518	4,50,000
Miscellaneous expenses	1,83,426	54,832
	<u>23,64,03,276</u>	<u>8,16,63,555</u>

16.2.2. Capital commitments and contingent liabilities

Particulars	in ₹	
	As at March 31,	
	2011	2010
Estimated amount of unexecuted capital contracts (Net of advances and deposits)	-	21,55,200
Outstanding guarantees and counter guarantees to various banks, in respect of the guarantees given by those banks in favor of various government authorities and others	50,000	50,000

16.2.3. Quantitative details

The Company is primarily engaged in providing software and technology consultancy services. The sale of such services 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.

16.2.4. Earnings and expenditure in foreign currency

in ₹

Particulars	For the year ended March 31, 2011	For the period from August 19, 2009 to March 31, 2010
Earnings in foreign currency (on receipts basis)		
Income from software services	20,88,67,522	8,23,46,804
Expenditure in foreign currency (on payment basis)		
Overseas travel expenses	15,195,376	4,246,418
Others	1,431,350	44,762

16.2.5. Obligations on long-term, non-cancelable operating leases

The lease rentals charged during the period and maximum obligations on long-term, non-cancelable operating leases payable as per the rentals stated in the agreement is as follows :

in ₹

	For the year ended March 31, 2011	For the period from August 19, 2009 to March 31, 2010
Lease rentals recognized during the year	55,25,784	27,62,892

in ₹

Lease obligations payable :	As at	
	March 31, 2011	March 31, 2010
Within one year of the Balance Sheet date	27,62,892	55,25,784
Due in a period between one year and five years	-	27,62,892
Due after five years	-	-

The Company has entered into non-cancellable operating lease arrangements for premises with Infosys Technologies Limited. The existing operating lease arrangement is for a period of 24 months from its dates of inception. The lease rentals paid are included as a component of services purchased from Infosys Technologies Limited (refer Note 16.2.6 below).

16.2.6. Related party transactions

List of related parties :

Name of related parties	Country
Infosys Technologies Limited ⁽¹⁾	India
Infosys BPO Limited (Infosys BPO) ⁽³⁾	India
Infosys Technologies (China) Company Limited ('Infosys China') ⁽³⁾	China
Infosys (Australia) Pty. Limited ⁽³⁾	Australia
Infosys Consulting Inc. ⁽²⁾	USA

Notes : ⁽¹⁾ Infosys Technologies Limited is the ultimate holding company

⁽²⁾ Infosys Consulting Inc. is the holding company

⁽³⁾ Subsidiaries of Infosys Technologies Limited

Details of amounts due to or due from related parties are as follows :

Particulars	As at March 31,	
	2011	2010
Sundry debtors		
Infosys Technologies Limited	1,16,43,905	1,01,97,771
Infosys China	4,38,440	1,41,149
Infosys (Australia) Pty. Limited	419	–
Infosys Consulting Inc.	3,70,513	82,31,152
Infosys BPO	–	829
Sundry creditors		
Infosys Technologies Limited	28,92,517	17,67,597
Infosys China	6,59,405	3,33,590
Infosys Consulting Inc.	2,07,325	14,06,073
Infosys BPO	8,74,938	23,891
Rental deposit		
Infosys Technologies Limited	14,00,000	14,00,000

The details of the related party transactions entered into by the Company are as follows :

Particulars	in ₹	
	For the year ended March 31, 2011	For the period from August 19, 2009 to March 31, 2010
Capital transactions :		
Purchase of Fixed Assets		
Infosys Technologies Limited	6,55,683	43,56,215
Revenue transactions :		
Rental deposit given		
Infosys Technologies Limited	–	14,00,000
Purchase of shared services including facilities and personnel		
Infosys Technologies Limited	57,08,904	27,62,892
Infosys BPO	1,02,01,466	17,00,000
Sale of services		
Infosys Consulting Inc.	20,60,88,055	9,05,77,956
Infosys Technologies Limited	5,05,29,820	–

16.2.7. Transactions with key management personnel

Key management personnel comprise of the Board of Directors. List of key management personnel includes :

Particulars	Designation
S. D. Shibulal	Director
B. G. Srinivas	Director
Chandra Shekar Kakal	Director

The key management personnel is being remunerated from other companies of the group.

16.2.8. Income taxes

The provision for taxation represents amount of tax computed in accordance with income tax laws of India under the Income Tax Act, 1961. The Company, registered with the STPI, believes that it may not be able to utilize the STPI benefits. Accordingly, provision for tax has been recorded without considering the income tax benefits that may be available under STPI scheme. The Company had estimated that such benefits would have been available for previous years and had accordingly recorded for a MAT credit entitlement for ₹15,76,312, which was subsequently reversed in this year. Further, the Company has provided for additional income tax for ₹17,45,830 pertaining to the previous period. During the current year, the Company has provided for income tax for ₹1,41,77,474 for the year ended March 31 2011.

16.2.9. Cash and bank balances

Details of balances as on Balance Sheet dates with scheduled banks :

Balances with scheduled banks in India	As at March 31,	
	2011	2010
In current accounts		
Citibank	2,11,25,404	2,33,42,086
Citibank – EEFC account in U.S. Dollar	6,92,584	22,44,103
	2,18,17,988	2,55,86,189
In deposit accounts		
Canara Bank	50,000	50,000
	50,000	50,000
Total bank balances as per Balance Sheet	2,18,67,988	2,56,36,189

16.2.10. Earning per share

Particulars	For the year ended March 31, 2011	For the period from August 19, 2009 to March 31, 2010
Weighted average number of shares	10,00,000	5,17,808
Net profit after tax attributable to equity share holders (₹)	1,97,40,465	1,24,06,887
Basic and diluted earnings per share (₹)	19.74	23.96
Par value of shares (₹)	10	10

The Company does not have any potentially dilutive equity shares.

16.2.11. 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. Accordingly, revenues represented along type of service 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

The only segment by service type is consulting services. Hence the Company does not have a primary classification of segments.

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 and Rest of the World comprising all other places except, those mentioned above and India.

Geographic segments

Year ended March 31, 2011 and period from August 19, 2009 to March 31, 2010 :

Particulars	in ₹			
	North America	India	ROW	Total
Revenues	20,60,88,041	5,69,12,930	1,65,51,906	27,95,52,878
	9,05,77,956	22,65,355	–	9,28,43,311

16.2.12. Gratuity Plan

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

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

Particulars	in ₹	
	As at March 31,	
	2011	2010
Obligations at the beginning of the year	1,78,56,342	–
Transfer of obligation ⁽¹⁾	–	1,57,40,981
Service cost	1,15,92,710	15,40,325
Interest cost	11,78,178	6,15,472
Actuarial (gain) / loss	11,16,674	(40,436)
Benefits paid	(62,47,689)	–
Amendment in benefit plans	–	–
Obligations at the end of the year	2,54,96,215	1,78,56,342
Defined benefit obligation liability as at the Balance Sheet is fully funded by the Company		
Change in plan assets		
Plan assets at the beginning of the year, at fair value	21,29,344	–
Expected return on plan assets	5,36,267	19,337
Actuarial gain (loss)	(78,306)	537
Contributions	1,34,47,689	21,09,469
Benefits paid	(62,47,689)	–
Plan assets at the end of the year, at fair value	97,87,305	21,29,343
Reconciliation of present value of the obligation and the fair value of the plan assets :		
Fair value of plan assets at the end of the year	97,87,305	21,29,343
Reimbursement (obligation) / asset ⁽¹⁾	1,57,40,981	1,57,40,981
Present value of the defined benefit obligations at the end of the year	2,54,96,215	1,78,56,342
Asset recognized in the Balance Sheet	32,071	13,982
Assumptions		
Interest rate	7.91%	7.82%
Estimated rate of return on plan assets	7.91%	9.00%
Weighted average expected rate of salary increase	9.36%	7.27%

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

Particulars	For the year ended March 31 2011	For the period from August 19 2009 to March 31 2010
Gratuity cost for the year		
Service cost	1,15,92,710	15,40,325
Interest cost	11,78,178	6,15,472
Expected return on plan assets	(5,36,267)	(19,338)
Actuarial (gain) / loss	11,94,980	(40,973)
Plan amendment amortization	–	–
Net gratuity cost	1,34,29,601	20,95,486
Actual return on plan assets	4,57,961	19,875

Notes : ⁽¹⁾ During the previous year, a reimbursement asset of ₹1,57,40,981 was transferred from Infosys Technologies Limited towards settlement of gratuity liability of the Company.

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

As of March 31, 2011, the plan assets have been primarily invested in government securities. The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

The Company expects to contribute approximately ₹1,50,00,000 to the gratuity trust for fiscal 2012.

16.2.12.a. Provident Fund

The Company contributed ₹95,92,533 and ₹39,58,869 during the year ended March 31, 2011 and period ended March 31, 2010, respectively.

16.2.12.b. Superannuation

The Company contributed ₹72,88,732 and ₹35,13,690 to the Superannuation Trust during the year ended March 31, 2011 and period ended March 31, 2010, respectively.

16.2.13 Dues to micro and small enterprises

The company has no dues to micro and small enterprises during the year ended March 31, 2011 and March 31, 2010 and as at March 31, 2011 and March 31, 2010.

16.2.14 Unhedged foreign currency exposure

As of March 31, 2011 and March 31, 2010, the company's net foreign currency exposures that are not hedged by a derivative instrument or otherwise is ₹2,26,65,831 and ₹71,83,603 respectively.

16.2.15 Previous year figures

The financial statements of the previous year is prepared for the period from August 19, 2009 (the date of incorporation) to March 31, 2010 ('the period'). The amounts are therefore not comparable with the current year financials. Previous period figures have been regrouped/reclassified, wherever necessary, to conform to the current year's presentation.

Financial statements of Infosys BPO Limited

To

The Members of Infosys BPO Limited

We have audited the attached Balance Sheet of Infosys BPO Limited ('the Company') as at 31 March 2011, the Profit and Loss account and the cash flow statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 ('the Order'), as amended, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that :

- (i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- (iii) the Balance Sheet, the Profit and Loss account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (iv) in our opinion, the Balance Sheet, the Profit and Loss account and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- (v) on the basis of written representations received from the directors, as at 31 March 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as at 31 March 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 on the said date; and
- (vi) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2011;
 - (b) in the case of the Profit and Loss account, of the profit for the year ended on that date; and
 - (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For B S R & Co.
Chartered Accountants
Firms Regn. No. 101248W

Supreet Sachdev
Partner
Membership No. 205385

Bangalore
April 11, 2011

Annexure to the auditors' report

The Annexure referred to in the auditors' report to the members of Infosys BPO Limited ('the Company') for the year ended 31 March 2011. We report that :

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified during the year. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) Fixed assets disposed off during the year were not substantial, and therefore, do not affect the going concern assumption.
- (ii) The Company is a service Company, primarily rendering business process management services. Accordingly it does not hold any physical inventories. Thus, paragraph 4 (w) of the Order is not applicable.
- (iii) (a) The Company has granted loans to two body corporates covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount outstanding (in aggregate) during the year was ₹11,12,46,614 and the year-end balance of such loans was ₹Nil.
- (b) In our opinion, the rate of interest and other terms and conditions on which loans have been granted to the body corporates listed in the register maintained under Section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the Company.
- (c) In the case of loans granted to the body corporates listed in the register maintained under Section 301, the borrowers have been regular in repaying the interest as stipulated. The terms of repayment of the arrangement do not stipulate any repayment schedule and are repayable on demand. The amounts have been repaid on demand.
- (d) There are no overdue amounts (either interest or principal) of rupees one lakh or more in respect of loans granted to body corporates listed in the register maintained under Section 301 of the Companies Act, 1956.
- (e) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, paragraphs 4 (iii)(e) to 4 (iii)(g) of the Order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and sale of services. The activities of the Company do not involve purchase of inventory and the sale of goods. We have not observed any major weakness in the internal control system during the course of the audit.
- (v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.
- (b) In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements referred to in (v) (a) above and exceeding the value of ₹5 lakh with any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size of the Company and the nature of its business.
- (viii) The Central Government has not prescribed the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 for any of the services rendered by the Company.
- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted / accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax, Sales-tax, Service tax and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of Investor Education and Protection Fund, Wealth tax, Customs duty and Excise duty.

There were no dues on account of cess under Section 441A of the Companies Act, 1956, since the aforesaid section has not yet been made effective by the Central Government.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Sales tax, Service tax and other material statutory dues were in arrears as at 31 March 2011 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, there are no dues of Sales-Tax, Service Tax and cess which have not been deposited with the appropriate authorities on account of any dispute. According to the information and explanations given to us, the following dues of Income tax have not been deposited by the Company on account of dispute.

Name of the statute	Nature of dues demanded	Amount demanded	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Interest / Tax Demands	4,121,490	AY 2004-05	Income Tax Appellate Tribunal, Bangalore
Income Tax Act, 1961	Interest / Tax Demands	13,853,275 ⁽¹⁾	AY 2006-07	Income Tax Appellate Tribunal, Bangalore

⁽¹⁾ Net of amounts paid ₹1,37,90,470.

- (x) The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.
- (xi) The Company did not have any outstanding dues to any financial institutions, banks or debenture holders during the year.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund / nidhi / mutual benefit fund / society.
- (xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) The Company did not have any term loans outstanding during the year.
- (xvii) The Company has not raised any funds on short-term basis. Accordingly, paragraph 4(xvii) of the Order is not applicable.
- (xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money by public issues during the year.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For B S R & Co.
Chartered Accountants
Firms Regn. No. 101248W

Supreet Sachdev
Partner
Membership No. 205385

Bangalore
April 11, 2011

Balance Sheet

in ₹

	Schedule	March 31, 2011	March 31, 2010
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	1	33,82,77,510	33,82,77,510
Reserves and surplus	2	11,06,76,29,347	9,01,92,68,645
		11,40,59,06,857	9,35,75,46,155
APPLICATION OF FUNDS			
FIXED ASSETS			
Original cost	3	4,05,90,29,754	3,89,73,66,154
Less : Accumulated depreciation		2,25,95,92,410	1,80,87,19,841
Net book value		1,79,94,37,344	2,08,86,46,313
Capital work-in-progress		24,71,40,056	47,18,607
		2,04,65,77,400	2,09,33,64,920
INVESTMENTS	4	3,40,85,58,878	5,30,46,01,906
DEFERRED TAX ASSET	5	23,64,94,783	16,64,76,463
CURRENT ASSETS, LOANS AND ADVANCES			
Sundry debtors	6	2,15,54,19,787	1,82,96,06,376
Cash and bank balances	7	5,33,53,36,646	2,09,77,31,970
Loans and advances	8	2,70,91,25,383	1,94,02,46,087
		10,19,98,81,816	5,86,75,84,433
LESS : CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	9	4,16,62,77,009	3,85,11,69,493
Provisions	10	31,93,29,011	22,33,12,074
NET CURRENT ASSETS		5,71,42,75,796	1,79,31,02,866
		11,40,59,06,857	9,35,75,46,155
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	16		

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached

for B S R & Co.

Chartered Accountants

Firm's registration number : 101248W

Supreet Sachdev
Partner
Membership No. 205385

T. V. Mohandas Pai
Chairman and Director

D. Swaminathan
Managing Director and
Chief Executive Officer

S. D. Shibulal
Director

Prof. Jayanth R. Varma
Director

Sridar A. Iyengar
Director

B. G. Srinivas
Director

Eric S. Paternoster
Director

Abraham Mathews
Head – Finance

Bangalore
April 11, 2011

N. R. Ravikrishnan
Company Secretary

Profit and Loss account

		in ₹	
	Schedule	Year ended March 31,	
		2011	2010
INCOME			
Revenues from business process management services		11,29,11,47,909	11,26,63,70,226
		11,29,11,47,909	11,26,63,70,226
COST OF REVENUES	11	6,67,74,86,031	6,01,57,47,344
GROSS PROFIT		4,61,36,61,878	5,25,06,22,882
SELLING AND MARKETING EXPENSES	12	95,58,64,076	78,42,59,246
GENERAL AND ADMINISTRATION EXPENSES	13	1,38,79,69,780	1,25,44,62,780
OPERATING PROFIT BEFORE DEPRECIATION		2,26,98,28,022	3,21,19,00,856
Depreciation	3	50,74,55,954	53,86,79,767
OPERATING PROFIT AFTER DEPRECIATION		1,76,23,72,068	2,67,32,21,089
Other Income	14	44,45,93,206	25,81,45,382
Impairment for investments		6,21,66,191	–
PROFIT BEFORE TAX		2,14,47,99,083	2,93,13,66,471
Provision for taxation	15	9,64,38,381	19,32,34,404
NET PROFIT AFTER TAX		2,04,83,60,702	2,73,81,32,067
Balance brought forward from the previous year		4,75,29,76,166	4,01,48,44,099
AMOUNT AVAILABLE FOR APPROPRIATION		6,80,13,36,868	6,75,29,76,166
Amount transferred to general reserve		6,00,00,00,000	2,00,00,00,000
BALANCE CARRIED FORWARD		80,13,36,868	4,75,29,76,166
Total		6,80,13,36,868	6,75,29,76,166
EARNINGS PER SHARE			
Equity shares of par value ₹10 each			
Basic		60.55	80.94
Diluted		60.55	80.94
Weighted average of number of shares used in computing earnings per share :	16.2.16		
Basic		3,38,27,751	3,38,27,751
Diluted		3,38,27,751	3,38,27,751
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	16		

The schedules referred to above form an integral part of the Profit and Loss account.

As per our report attached

for B S R & Co.

Chartered Accountants

Firm's registration number : 101248W

Supreet Sachdev
Partner
Membership No. 205385

T. V. Mohandas Pai
Chairman and Director

D. Swaminathan
Managing Director and Chief
Executive Officer

S. D. Shibulal
Director

Prof. Jayanth R. Varma
Director

Sridar A. Iyengar
Director

B. G. Srinivas
Director

Eric S. Paternoster
Director

Abraham Mathews
Head – Finance

Bangalore
April 11, 2011

N. R. Ravikrishnan
Company Secretary

Cash Flow statement

in ₹

	Year ended March 31,	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	2,14,47,99,083	2,93,13,66,471
Adjustments to reconcile profit before tax to cash provided by operating activities		
Depreciation	50,74,55,954	53,86,79,767
Interest income	(31,83,30,127)	(17,43,07,868)
Dividend income	(3,40,79,908)	(4,74,31,253)
Profit on sale of investments	–	(22,44,820)
Provision for investments	6,21,66,191	–
(Profit) / Loss on sale of fixed assets	(2,44,780)	(30,361)
Effect of exchange differences on translation of foreign currency cash and cash equivalents	24,75,177	1,20,30,006
Changes in current assets and liabilities		
Sundry debtors	(32,58,13,411)	30,75,92,996
Loans and advances	(33,70,93,312)	(30,13,19,934)
Other current assets		
Current liabilities	32,85,33,418	(25,96,51,877)
Provisions	7,63,51,645	8,73,81,251
	2,10,62,19,930	3,09,20,64,378
Income tax paid during the year, net	(37,27,02,209)	(59,78,73,925)
Other receivables from subsidiary		–
NET CASH GENERATED BY OPERATING ACTIVITIES	1,73,35,17,721	2,49,41,90,453
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets and change in capital work-in-progress / advances	(47,64,27,487)	(42,08,87,019)
Proceeds from sale of fixed assets	25,77,931	34,54,197
Interest received	26,59,04,970	18,76,89,275
Dividend received	3,40,79,908	4,74,31,253
Purchase of units in liquid mutual funds	(3,49,22,26,735)	(8,85,62,17,762)
Proceeds from sale of units in liquid mutual funds	5,29,44,69,763	6,85,02,84,795
Investment in subsidiary	–	(1,72,63,75,858)
Proceeds from repayment of investment in subsidiary	3,16,33,809	–
Loans given to subsidiaries	(11,20,08,880)	(27,67,76,124)
Loans repaid by subsidiaries	11,35,58,853	16,83,45,259
NET CASH GENERATED / (USED) IN INVESTING ACTIVITIES	1,66,15,62,132	(4,02,30,51,984)
CASH FLOWS FROM FINANCING ACTIVITIES		
NET CASH FLOWS FROM FINANCING ACTIVITIES		
Effect of exchange differences on translation of foreign currency cash and cash equivalents	(24,75,177)	(1,20,30,006)
NET CHANGE IN CASH AND CASH EQUIVALENTS	3,39,26,04,676	(1,54,08,91,537)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	2,44,27,31,970	3,98,36,23,507
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR ⁽¹⁾	5,83,53,36,646	2,44,27,31,970

⁽¹⁾ Cash and cash equivalents aggregating ₹583,53,36,646 (₹244,27,31,970 as at March 31, 2010) comprises cash on hand amounting to ₹92,621 (₹84,850 as at March 31, 2010), balances with banks amounting to ₹533,52,44,025 (₹209,76,47,120 as at March 31, 2010) and deposits with financial institution / body corporate amounting to ₹50,00,00,000 (₹34,50,00,000 as at March 31, 2010).

This is the Cash Flow statement referred to in our report of even date.

As per our report attached

for B S R & Co.

Chartered Accountants

Firm's registration number : 101248W

Supreet Sachdev
Partner
Membership No. 205385

T. V. Mohandas Pai
Chairman and Director

D. Swaminathan
Managing Director and Chief
Executive Officer

S. D. Shibulal
Director

Prof. Jayanth R. Varma
Director

Sridar A. Iyengar
Director

B. G. Srinivas
Director

Eric S. Paternoster
Director

Abraham Mathews
Head – Finance

Bangalore
April 11, 2011

N. R. Ravikrishnan
Company Secretary

Schedules to the Balance Sheet

		in ₹	
As at March 31,		2011	2010
1	SHARE CAPITAL		
	Authorised		
	Equity shares, ₹10 (₹10)		
	par value		
	12,33,75,000		
	(12,33,75,000)		
	equity shares	1,23,37,50,000	1,23,37,50,000
		1,23,37,50,000	1,23,37,50,000
	Issued, Subscribed And		
	Paid Up		
	Equity shares, ₹10 (₹10)		
	par value ⁽¹⁾		
	3,38,27,751		
	(3,38,27,751) equity		
	shares fully paid up	33,82,77,510	33,82,77,510
	[Of the above,		
	3,38,22,319		
	(3,38,22,319) equity		
	shares are held by		
	Infosys Technologies		
	Limited, the company's		
	holding company]		
		33,82,77,510	33,82,77,510

⁽¹⁾ For details of options in respect of the above shares refer to note 16.2.18

		in ₹	
As at March 31,		2011	2010
2	RESERVES AND SURPLUS		
	Securities premium account		
	at the beginning and end of		
	the year	25,48,97,789	25,48,97,789
	Capital Redemption Reserve	1,13,94,690	1,13,94,690
	General Reserve – opening		
	balance	4,00,00,00,000	2,00,00,00,000
	Add : Transfer from Profit and		
	Loss account during the year	6,00,00,00,000	2,00,00,00,000
	General Reserve – closing		
	balance	10,00,00,00,000	4,00,00,00,000
	Balance in Profit and Loss		
	account	80,13,36,868	4,75,29,76,166
		11,06,76,29,347	9,01,92,68,645

3 FIXED ASSETS

		in ₹									
Particulars	Original cost			Cost as of March 31, 2011	Accumulated depreciation			Net book value			
	Cost as of April 01, 2010	Additions during the year	Deletions during the year		As of April 01, 2010	For the year	Deductions during the year	As of March 31, 2011	As of March 31, 2011	As of March 31, 2010	
Goodwill	19,03,70,324	–	–	19,03,70,324	–	–	–	–	19,03,70,324	19,03,70,324	
Land – Leasehold	11,55,00,000	–	–	11,55,00,000	16,87,659	11,93,790	–	28,81,449	11,26,18,551	11,38,12,341	
Buildings	89,56,46,731	3,06,10,044	–	92,62,56,775	6,86,33,130	6,17,42,387	–	13,03,75,517	79,58,81,258	82,70,13,601	
Lease hold improvements	34,83,96,319	10,78,732	40,53,255	34,54,21,796	21,00,98,874	6,65,99,416	40,53,255	27,26,45,035	7,27,76,761	13,82,97,445	
Plant and machinery	96,30,89,908	4,35,45,805	47,66,326	1,00,18,69,387	41,17,50,342	18,05,92,375	34,73,405	58,88,69,312	41,30,00,075	55,13,39,566	
Computer equipment	97,92,41,434	14,02,54,865	4,86,88,332	1,07,08,07,967	83,61,18,782	14,36,83,912	4,81,18,869	93,16,83,825	13,91,24,142	14,31,22,652	
Furniture and fixtures	40,51,21,438	50,90,690	14,08,623	40,88,03,505	28,04,31,054	5,36,44,074	9,37,856	33,31,37,272	7,56,66,233	12,46,90,384	
	3,89,73,66,154	22,05,80,136	5,89,16,536	4,05,90,29,754	1,80,87,19,841	50,74,55,954	5,65,83,385	2,25,95,92,410	1,79,94,37,344	2,08,86,46,313	
Previous year	3,06,88,70,954	95,76,32,721	12,91,37,521	3,89,73,66,154	1,39,57,53,759	53,86,79,767	12,57,13,685	1,80,87,19,841	2,08,86,46,313		

In ₹

As at March 31,	2011	2010
4 INVESTMENTS		
Non-traded (unquoted)		
Long-term – at cost		
Investment in Subsidiaries		
Infosys BPO s.r.o., Czech Republic, a wholly owned subsidiary	3,49,78,993	3,49,78,993
Infosys BPO (Poland) Sp.Z.o.o, a wholly owned subsidiary	58,68,81,768	58,68,81,768
5,000 (5,000) equity shares of PLN 500 each, fully paid		
Infosys BPO (Thailand) Ltd, a wholly owned subsidiary	–	9,38,00,000
70,000 (70,000) equity shares of THB 1,000 each, fully paid ⁽³⁾		
McCamish Systems LLC, a wholly owned subsidiary ⁽¹⁾	2,58,07,63,358	2,58,07,63,358
	3,20,26,24,119	3,29,64,24,119
Less : Provision for investments ⁽³⁾	–	–
	3,20,26,24,119	3,29,64,24,119
Other investments (unquoted)		
Current investments (unquoted) – at lower of cost or fair value		
Liquid mutual funds ⁽²⁾	20,59,34,759	2,00,81,77,787
	3,40,85,58,878	5,30,46,01,906

⁽¹⁾ Refer to note 16.2.14a⁽²⁾ Refer to note 16.2.14⁽³⁾ Refer to note 16.2.14b

5 DEFERRED TAX ASSET		
Fixed assets	16,32,44,481	13,08,73,277
Provisions	7,06,85,231	3,52,99,143
Others	25,65,071	3,04,043
	23,64,94,783	16,64,76,463

In ₹

As at March 31,	2011	2010
6 SUNDRY DEBTORS		
Debts outstanding for a period exceeding six months		
Unsecured, considered doubtful	1,74,10,555	46,14,832
Other debts		
Unsecured, considered good ⁽¹⁾	2,15,54,19,787	1,82,96,06,376
Unsecured, considered doubtful	–	–
	2,17,28,30,342	1,83,42,21,208
Less : Provision for doubtful debts	1,74,10,555	46,14,832
	2,15,54,19,787	1,82,96,06,376
⁽¹⁾ Of which dues from subsidiary companies (refer to note 16.2.12)	66,511	35,21,087
7 CASH AND BANK BALANCES		
Cash on hand	92,621	84,850
Balances with scheduled banks		
In current accounts	21,93,68,458	10,83,93,509
In deposit accounts	5,01,50,23,000	1,85,50,63,000
Balances with non-scheduled banks ⁽¹⁾		
In current accounts	10,08,52,567	13,41,90,611
	5,33,53,36,646	2,09,77,31,970

⁽¹⁾ Refer to note 16.2.10 for details of maximum balances held with non scheduled banks

		In ₹	
As at March 31,		2011	2010
8	LOANS AND ADVANCES		
	Unsecured, considered good		
	Advances		
	Prepaid expenses	2,40,00,051	4,41,75,125
	Advance to gratuity fund (refer to note 16.2.17)	1,00,65,608	1,19,81,312
	For supply of goods and rendering of services	9,71,68,052	7,52,84,179
	Interest accrued and not due	5,93,60,642	69,35,485
	Loans given to subsidiaries ⁽¹⁾	–	15,49,973
	Loans and advances to employees	11,35,09,870	11,77,23,114
		<u>30,41,04,223</u>	<u>25,76,49,188</u>
	Deposits with financial institution and body corporate ⁽²⁾	73,50,00,000	34,50,00,000
	Deposits with government authorities	25,000	11,10,766
	Rental deposits	23,07,12,049	22,07,23,931
	Electricity and other deposits	89,91,863	1,09,26,753
	Customer recoverables	2,24,43,803	1,48,53,961
	Unbilled revenue	26,78,08,796	18,83,87,668
	Advance income tax, net	20,82,91,231	19,47,37,436
	Withholding taxes and other receivable	10,15,786	10,73,438
	Cenvat credit receivable	25,24,16,240	22,23,11,699
	MAT credit entitlement (refer to note 16.2.9)	63,05,23,541	41,81,66,536
	Mark to market gain on forward exchange contract and options	4,77,92,851	6,53,04,711
		<u>2,70,91,25,383</u>	<u>1,94,02,46,087</u>
	Unsecured, considered doubtful		
	Loans and advances to employees	24,13,729	15,94,627
		<u>2,71,15,39,112</u>	<u>1,94,18,40,714</u>
	Less : Provision for doubtful loans and advances to employees	24,13,729	15,94,627
		<u>2,70,91,25,383</u>	<u>1,94,02,46,087</u>

⁽¹⁾ Refer to note 16.2.12 for details

⁽²⁾ Refer to note 16.2.11 for details

		In ₹	
As at March 31,		2011	2010
9	CURRENT LIABILITIES		
	Sundry creditors		
	For expenses ⁽¹⁾	2,86,32,227	4,22,07,471
	Salaries and allowances	32,35,05,656	23,97,29,154
	Ex-gratia and incentives	1,04,98,41,121	86,67,47,334
	For other liabilities		
	Provision for expenses	1,93,39,46,604	1,87,21,06,250
	Retention monies	4,29,78,153	5,64,04,055
	Withholding taxes and other payables	1,70,46,578	1,06,80,007
		<u>3,39,59,50,339</u>	<u>3,08,78,74,271</u>
	Contingent consideration (refer to note 16.2.14a)	65,07,14,000	65,50,91,000
	Advances received from clients	3,24,33,733	3,14,73,081
	Deferred revenue (refer to note 16.2.15)	8,71,78,937	7,67,31,141
		<u>4,16,62,77,009</u>	<u>3,85,11,69,493</u>
	⁽¹⁾ Of which dues to subsidiary company (refer note 16.2.12)	–	59,29,031
10	PROVISIONS		
	Provision for leave encashment	24,92,77,108	17,13,97,911
	Provision for income taxes, net	1,96,65,292	–
	Provisions for SLA compliance ⁽¹⁾	5,03,86,611	5,19,14,163
		<u>31,93,29,011</u>	<u>22,33,12,074</u>

⁽¹⁾ Refer to note 16.2.19 for details of Provision for SLA compliance.

Schedules to the Profit and Loss account

		in ₹	
Year ended March 31,		2011	2010
11	COST OF REVENUES		
	Salaries including overseas staff expenses	4,58,62,99,921	4,12,84,48,582
	Staff welfare	4,37,89,585	(12,02,909)
	Contribution to provident and other funds	22,70,48,160	18,73,49,290
	Travelling expenses	24,17,93,550	29,08,12,800
	Conveyance	13,08,42,185	12,61,82,179
	Cost of software for own use	23,78,66,711	16,84,94,855
	Computer maintenance	98,28,471	63,39,320
	Communication expenses	28,94,01,922	22,77,94,847
	Rent	35,15,13,877	35,30,95,942
	Office maintenance	1,49,37,713	2,81,04,088
	Consultancy charges	37,53,55,896	37,05,00,833
	Consumables	1,98,00,585	63,16,150
	Recruitment and training expenses	12,38,67,080	11,05,00,237
	Insurance	46,63,803	36,50,289
	Other miscellaneous expenses	2,04,76,572	93,60,841
		6,67,74,86,031	6,01,57,47,344
12	SELLING AND MARKETING EXPENSES		
	Salaries including overseas staff expenses	75,52,59,434	63,30,56,512
	Staff welfare	1,01,285	46,866
	Contribution to provident and other funds	5,25,581	5,30,189
	Brand building and advertisement	1,94,46,326	69,16,780
	Travelling expenses	9,56,74,808	7,87,39,294
	Communication expenses	1,16,25,596	2,30,90,178
	Conveyance	2,47,095	4,07,442
	Rent	1,97,27,384	1,07,89,865
	Printing, stationery and office maintenance	10,88,832	14,10,386
	Insurance	–	28,75,870
	Marketing expenses	3,98,18,972	63,98,467
	Recruitment expenses	28,56,097	1,20,30,214
	Professional charges	82,65,566	52,42,839
	Professional memberships and seminars	2,59,689	22,28,749
	Other miscellaneous expenses	9,67,411	4,95,595
		95,58,64,076	78,42,59,246
13	GENERAL AND ADMINISTRATION EXPENSES		
	Salaries	63,21,49,020	55,09,44,403
	Staff welfare	1,67,48,650	1,13,31,236
	Contribution to provident and other funds	2,60,27,438	2,14,61,220
	Conveyance	1,44,30,754	2,70,81,022
	Consumables	1,20,96,048	85,92,824
	Cost of software for own use	1,17,81,679	76,35,041
	Rent	3,18,44,906	3,23,76,796

13 GENERAL AND ADMINISTRATION EXPENSES (Contd.)

		in ₹	
Year ended March 31,		2011	2010
	Telephone and communication charges	2,10,40,756	2,96,74,309
	Legal and professional charges	6,48,48,953	4,87,43,255
	Printing and stationery	87,59,667	57,15,428
	Office maintenance	24,53,35,168	21,84,41,204
	Power and fuel	17,64,29,955	17,70,80,350
	Recruitment and training expenses	59,16,133	1,67,75,836
	Insurance	7,05,98,056	6,35,95,157
	Rates and taxes	2,17,97,669	1,81,08,947
	Donations	–	59,60,028
	Auditor's remuneration :		
	Audit fees	23,00,000	20,90,000
	Out-of-pocket expenses	–	–
	Bank charges and commission	24,86,576	12,51,323
	Postage and courier	45,27,131	35,86,210
	Professional membership and seminar participation fees	6,07,726	4,69,241
	Provision for doubtful debts	1,27,95,723	11,31,118
	Provision for doubtful loans and advances	8,21,763	8,62,912
	Other miscellaneous expenses	46,26,009	15,54,920
		1,38,79,69,780	1,25,44,62,780
14	OTHER INCOME		
	Interest income ⁽¹⁾ :		
	On deposits with financial institutions and body corporate	3,37,76,378	2,01,96,794
	On deposits with banks	28,34,79,899	15,03,41,222
	On loans to subsidiary	10,73,850	37,69,852
	Dividends from liquid mutual fund investments	3,40,79,908	4,74,31,253
	Profit on sale of investments	–	22,44,820
	Profit on sale of fixed assets	2,44,780	30,361
	Exchange gain / (loss), net	7,94,97,766	1,47,22,880
	Miscellaneous income	1,24,40,625	1,94,08,200
		44,45,93,206	25,81,45,382
	⁽¹⁾ Tax deducted at source on interest income	3,15,12,346	2,65,54,996
15	PROVISION FOR TAXATION		
	Current taxes ⁽¹⁾	37,88,13,706	43,17,28,128
	Deferred taxes	(7,00,18,320)	(4,68,75,053)
	MAT credit entitlement	(21,23,57,005)	(19,16,18,671)
		9,64,38,381	19,32,34,404

⁽¹⁾ Refer to note 16.2.9 for details

Balance Sheet abstract and Company's General Business Profile

Registration Details :

Registration Number	030310
CIN Number	7220 KA 2002 PLC 030310
State Code	08

Balance Sheet Date	March 31, 2011
Capital raised during the year	
Public Issue	–
Rights Issue	–
Bonus Issue	–
Private Placements	–
Preferential offer of shares under Employees Stock Option Plan	–
Position of mobilization and deployment of funds :	
Total liabilities	11,40,59,06,857
Total assets	11,40,59,06,857
Sources of Funds	
Paid up capital	33,82,77,510
Reserves and surplus	11,06,76,29,347
Secured loans	–
Unsecured loans	–
Application of Funds	
Net fixed assets	2,04,65,77,400
Investments	3,40,85,58,878
Net Current assets	5,95,07,70,579
Miscellaneous expenditure	–
Accumulated losses	–
Performance of the Company :	
Turnover	11,29,11,47,909
Other Income	44,45,93,206
Total Income	11,73,57,41,115
Total Expenditure	9,52,87,75,841
Extraordinary Expenses	6,21,66,191
Profit / (Loss) before tax	2,14,47,99,083
Extraordinary Income	–
Profit / (Loss) after tax	2,04,83,60,702
Earnings per share from ordinary activities (Basic)	60.55
Earnings per share from ordinary activities (Diluted)	60.55
Dividend rate (%)	–
Generic names of principal products / services of the Company	Business Process Outsourcing
Item code no. (ITC Code)	85 24 91 19
Product description	Software – others

T. V. Mohandas Pai
Chairman and Director

D. Swaminathan
*Managing Director and
Chief Executive Officer*

S. D. Shibulal
Director

Prof. Jayanth R. Varma
Director

Sridar A. Iyengar
Director

B. G. Srinivas
Director

Eric S. Paternoster
Director

Abraham Mathews
Head – Finance

Bangalore
April 11, 2011

N. R. Ravikrishnan
Company Secretary

Statement pursuant to Section 212 of the Companies Act, 1956

in ₹

Subsidiary	Infosys BPO s.r.o.	Infosys BPO (Poland) Sp.Z.o.o	McCamish Systems LLC
Financial period ended	March 31, 2011	March 31, 2011	March 31, 2011
Holding Company interest	100%	100%	100%
Net aggregate profits / losses of the subsidiary for the current period so far as it concerns the members of the holding Company			
a. Dealt with or provided for in the accounts of the holding Company	–	–	–
b. Not dealt with or provided for in the accounts of the holding Company	1,54,83,585	11,44,16,291	(19,68,44,090)
Net aggregate profits / losses for previous financial years of the subsidiary so far as it concerns the members of the holding Company			
a. Dealt with or provided for in the accounts of the holding Company	–	–	–
b. Not dealt with or provided for in the accounts of the holding Company	24,08,02,313	23,34,53,862	(1,01,30,21,431)

T. V. Mohandas Pai
Chairman and Director

D. Swaminathan
*Managing Director and
Chief Executive Officer*

S. D. Shibulal
Director

Prof. Jayanth R. Varma
Director

Sridar A. Iyengar
Director

B. G. Srinivas
Director

Eric S. Paternoster
Director

Abraham Mathews
Head – Finance

Bangalore
April 11, 2011

N. R. Ravikrishnan
Company Secretary

Schedules to the financial statements for the year ended March 31, 2011

16. SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

Company overview

Infosys BPO Limited ('Infosys BPO' or 'the Company') was incorporated as Progeon Limited on April 3, 2002 to provide business process management services to organizations that outsource their business processes. Infosys BPO is a majority owned and controlled subsidiary of Infosys Technologies Limited ('Infosys', NASD NM : INFY). The Company helps clients improve their competitive positioning by managing their business processes in addition to providing increased value. The name of the Company was changed from Progeon Limited to Infosys BPO Limited with effect from August 29, 2006.

16.1. Significant accounting policies

16.1.1 Basis of preparation of financial statements

These interim financial statements are prepared under the historical cost convention, in accordance with Generally Accepted Accounting Principles in India ('GAAP') on accrual basis except for certain financial instruments which are measured at fair values. GAAP comprises accounting standards as specified in rule 3 of the Companies (Accounting Standards) Rules 2006, and the relevant provisions of the Companies Act, 1956 to the extent applicable. 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.

16.1.2. Use of estimates

The preparation of the financial statements in conformity with GAAP requires that the management of the company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as of the date of the financial statements. Examples of such estimates includes provision for doubtful debts, future obligations under employee retirement benefit plans, provision for income taxes, provision for SLA and the useful lives of fixed assets.

Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

16.1.3 Revenue recognition

The Company derives its revenues primarily from business process management services, on time-and-material, fixed-price, fixed-time frame and unit-price basis. Revenue on time-and-material contracts is recognized as the related services are rendered. Revenue from fixed-price, fixed-time frame contracts, where there is no uncertainty as to measurement and 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. Revenues from unit-priced contracts are recognized as transactions are processed based on objective measures of output. Cost and earnings in excess of billings are classified as unbilled revenue while billing in excess of cost and earnings is classified as deferred 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. When the Company receives advances for its services, such amounts are reflected as advance received from clients until all conditions for revenue recognition are met. The Company presents revenues net of service taxes and value added taxes in its Profit and Loss account.

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 increase 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. The Company recognizes changes in the estimated amount of obligation for discount using cumulative catch-up approach. The discounts are passed on the customer either as direct payments or as a reduction of payments due from customer.

Profit on sale of investment is recorded on the transfer of title from the Company and is determined as the difference between the sale price and the carrying value of the investment. Interest on deployment of surplus funds is recognized using time proportion method, based on underlying interest rates. Dividend income is recognized when the Company's right to receive dividend is established.

16.1.4. Expenditure

The cost of software user licenses purchased for rendering business process management services is charged to revenue when put to use. 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 recognized as an expense on a straight line basis in the Profit and Loss account over the lease term.

16.1.5. Fixed assets, intangible assets and capital work in-progress

Fixed assets are stated at cost, after reducing accumulated depreciation and impairment up to the date of the Balance Sheet. Direct costs are capitalized until the assets are ready for use and include financing costs relating to any borrowing attributable to acquisition or construction of those fixed assets which necessarily take a substantial period of time to get ready for their intended use. Capital work-in-progress includes the cost of fixed assets that are not yet ready for their intended use and advances paid to acquire fixed assets before the Balance Sheet date. Intangible assets are recorded at the consideration paid for acquisition of such assets and are carried at cost, less, accumulated amortization and impairment. Goodwill on amalgamation is tested periodically for impairment.

16.1.6. Depreciation

Depreciation on fixed assets is determined using the straight-line method based on useful lives of assets as estimated by the Company. Depreciation for assets purchased / sold during the period is proportionately charged. Individual assets costing ₹ 5,000 or less are depreciated within a year of acquisition. Leasehold improvements are written off over the lower of the lease term or the useful life of the asset. Leasehold land is amortized over the lease period. Intangible assets are amortized over their useful life on a straight line basis commencing from the date the asset is available to the Company for its use. Management estimates the useful lives for the various fixed assets as follows :

Building	Fifteen years
Computer equipment	Two years
Plant and machinery	Five years
Furniture and fixtures	Five years

16.1.7. Employee Benefits

16.1.7a. Gratuity

In accordance with the Payment of Gratuity Act, 1972, Infosys BPO provides for gratuity, a defined benefit retirement plan (the 'Gratuity Plan') covering all 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 eligible salary and the tenure of employment. Liabilities with regard to the Gratuity Plan are determined by an actuarial valuation, carried out at the period end by an independent actuary using the projected unit credit method, based upon which Company contributes to the Infosys BPO employees Gratuity Fund Trust (the 'Trust'). The trustee administers contributions made to the Trust and invests the corpus with LIC of India.

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 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.

16.1.7b. Superannuation

Certain employees of Infosys BPO are eligible for superannuation benefits. The Company contributes ₹100 annually for the superannuation benefits of the employees. The Company has no further obligations to the superannuation plan beyond the yearly contribution to the trust fund, the corpus of which is invested with the LIC of India.

16.1.7c. Provident fund

Eligible employees receive benefits from a provident fund, which is a defined contribution plan. Both the employee and the Company make monthly contributions to this provident fund plan equal to a specified percentage of the covered employee's salary. Amounts collected under the provident fund plan are deposited in a Government administered provident fund. The Company has no further obligations under the provident fund plan beyond its monthly contributions.

16.1.7d. 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.

16.1.8. Foreign currency transactions

Revenue from overseas clients and collections deposited in bank accounts are recorded at the exchange rate as of the date of the respective transactions. Expenditure in foreign currency is accounted at the exchange rate prevalent when such expenditure is incurred. Disbursements made out of bank accounts are reported at a rate that approximates the actual monthly rate. Exchange differences are recorded when the amount actually received on sales or actually paid when expenditure is incurred is converted into Indian rupees. The exchange differences arising on foreign currency transactions are recognized as income or expense in the period in which they arise. Monetary assets and monetary liabilities denominated in foreign currency are translated at the exchange rate prevalent at the date of the Balance Sheet. The resulting difference is also recorded in the Profit and Loss account. 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.

16.1.9. Forward contracts and option contracts in foreign currencies

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

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

Forward and options contracts are fair valued at each reporting date. The Company records the mark to market gain or loss on effective hedges 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 contract or option contracts as an effective hedge, 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 an effective hedge, a gain or loss is recognized in the Profit and Loss account. Currently the 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.

16.1.10. Income tax

Income taxes are computed using the tax effect accounting method, where taxes are accrued in the same period the related revenue and expenses arise. A provision is made for income tax for the period 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 Alternative Tax (MAT) paid in accordance with the tax laws, which gives rise to future economic benefits in the form of adjustment of future income tax liability, is considered as an asset 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. Accordingly, it is recognized as an asset in the Balance Sheet when it is probable that the future economic benefit associated with it will flow to the Company and the 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 being considered. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on prevailing enacted or substantively enacted regulations. Deferred tax assets in situation of unabsorbed depreciation and carry forward business losses exist, are recognized only to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax assets, other than in situation of unabsorbed depreciation and carry forward business losses 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 Balance Sheet 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.

16.1.11. Provisions and contingent liability

The Company recognizes a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a present obligation that cannot be estimated reliably or a possible or present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made. Provisions are made for all known losses and liabilities and future unforeseeable factors that may affect the profit on fixed-price business process management contracts.

Provisions for onerous contracts, i.e. contracts where the expected unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it, are recognized when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event based on a reliable estimate of such obligation.

16.1.12. Impairment of assets

Management periodically assesses using, external and internal sources, whether there is an indication that an asset (including goodwill) 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 i.e. 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 there has been a change in the estimates used to determine the recoverable amount since the last 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.

16.1.13. Earnings per share

In determining earnings per share, the Company considers the net profit after tax. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the year. Diluted earnings per share are computed using the weighted average number of basic and dilutive common equivalent shares outstanding during the year, except where the result would be anti-dilutive. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date.

16.1.14. Investments

Trade investments are investments made to enhance the Company's business interests. Investments are either classified as current or long-term based on the management's intention at the time of purchase. Current investments are carried at the lower of cost and fair value, determined on an individual investment basis. Cost for overseas investments comprises the Indian rupee value of the consideration paid for the investment. Long-term investments are carried at cost and provisions recorded to recognize any diminution, other than temporary, in the carrying value of each investment.

16.1.15. Cash Flow statement

Cash flows are reported using the Indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, financing and investing activities of the Company are segregated. Cash flows in foreign currency are accounted at average monthly exchange rates that approximate the actual rates of exchange prevailing at the date of the transaction.

16.1.16. Employee Stock Options

The Company applies the intrinsic value-based method of accounting prescribed by Accounting Research Committee of the Institute of Chartered Accountants of India, Accounting for employee share based payments, to account for its fixed plan stock options. Under this method, compensation expense is recorded on the date of grant only if the current market price of the underlying stock exceeds the exercise price. The options vest on a graded basis; however there is no compensation expense since the grants are made at exercise prices equal to or greater than fair market value, as of the date of the grant.

16.2. Notes to financial statements

16.2.1. Capital commitments and contingent liabilities

	in ₹	
	As at March 31, 2011	As at March 31, 2010
Estimated amount of unexecuted capital contracts (net of advance and deposits)	65,38,84,579	12,39,09,532
Forward contracts outstanding :		
US\$ / INR	\$ 45,500,000	\$ 39,000,000
(Equivalent approximate in ₹)	(202,93,00,000)	(175,11,00,000)
GBP / US\$	£ 5,000,000	£ 3,500,000
(Equivalent approximate in ₹)	(35,90,00,000)	(23,78,60,000)
Claims against the Company not acknowledged as debts	-	-

As of the Balance Sheet date, the Company's net foreign currency exposure that is not hedged by a derivative instrument or otherwise is ₹Nil (₹Nil as at March 31, 2010).

16.2.2. Export obligation

The Company has an export obligation towards the Software Technology Parks of India, in respect of duty free capital imports made by it. The remaining export obligation was Nil as at March 31, 2011 and March 31, 2010.

16.2.3. Aggregate expenses

Following are the aggregate amounts incurred on certain specific expenses that are required to be disclosed under Schedule VI to the Companies Act, 1956 :

	in ₹	
	Year ended March 31,	
	2011	2010
Salaries and ex-gratia including overseas staff expenses	5,97,37,08,375	5,31,24,49,497
Staff welfare	6,06,39,520	1,01,75,193
Contribution to provident and other funds	25,36,01,179	20,93,40,699
Overseas travel expenses	33,74,68,358	36,95,52,094
Consumables	3,18,96,633	1,49,08,974
Computer maintenance	98,28,471	63,39,320
Cost of software for own use	24,96,48,390	17,61,29,896
Communication expenses	32,20,68,274	28,05,59,334
Consultancy charges	37,53,55,896	37,05,00,833
Travel and conveyance	14,55,20,034	15,36,70,643
Rent	40,30,86,167	39,62,62,603
Printing and stationery	98,48,499	71,25,814
Office maintenance	26,02,72,881	24,65,45,292
Legal and professional charges	7,31,14,519	5,39,86,094
Brand building	1,94,46,326	69,16,780

16.2.3. Aggregate expenses (Contd.)

	Year ended March 31,	
	2011	2010
Recruitment and training expenses	13,26,39,310	13,93,06,287
Power and fuel	17,64,29,955	17,70,80,350
Insurance charges	7,52,61,859	7,01,21,316
Rates and taxes	2,17,97,669	1,81,08,947
Donations	–	59,60,028
Auditor's remuneration :		
Audit fees	23,00,000	20,90,000
Bank charges and commission	24,86,576	12,51,323
Postage and courier	45,27,131	35,86,210
Professional membership and seminar participation fees	8,67,415	26,97,990
Provision for bad and doubtful debts	1,27,95,723	11,31,118
Provision for bad and doubtful loans and advances	8,21,763	8,62,912
Marketing expenses	3,98,18,972	63,98,467
Other miscellaneous expenses	2,60,69,992	1,14,11,356
Total	9,02,13,19,887	8,05,44,69,370

16.2.4. Quantitative details

The Company is engaged in providing business process management services. The sale of such services cannot be expressed in any generic unit. Hence, it is not possible to give the quantitative details of services rendered and certain information as required under paragraphs 3, 4C and 4D of part II of Schedule VI to the Companies Act, 1956.

16.2.5 Imports (valued on the cost, insurance and freight basis)

	Year ended March 31,	
	2011	2010
Capital goods	6,62,02,041	6,09,28,256

16.2.6. Expenditure in foreign currency (on payment basis)

	Year ended March 31,	
	2011	2010
Salary, legal and professional charges	1,33,94,27,779	1,50,51,89,183
Overseas travel expenses and relocation expenses	38,32,12,225	42,60,57,841
Bank charges, consultancy and others	70,08,41,363	55,41,30,936
Communication	21,79,26,254	14,39,18,243
	2,64,14,07,621	2,62,92,96,203

16.2.7. Earnings in foreign currency (on receipt basis)

	Year ended March 31,	
	2011	2010
From business process management services	10,90,00,11,448	11,05,35,29,120

16.2.8. Obligations on long-term non-cancellable operating leases

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

	Year ended March 31,	
	2011	2010
Lease rentals charged during the year	40,30,86,167	39,62,62,603

	As at March	As at March
	31, 2011	31, 2010
Lease obligations :		
Within one year of the Balance Sheet date	8,50,28,088	10,89,75,438
Due in a period between one year and five years	8,12,09,462	9,35,84,295
Later than five years	–	–

The Company has entered into non-cancellable operating lease arrangements for premises with Infosys Technologies Limited and others. The existing operating lease arrangements extend for periods between 36 months and 72 months from their respective dates of inception. The lease rentals paid are included as a component of services purchased from Infosys Technologies Limited (also refer Note 16.2.12 below).

16.2.9. Provision for taxation

The Company benefits from certain significant tax incentives provided to firms rendering business process management services under Indian tax laws. These incentives presently include an exemption from payment of Indian corporate income taxes for a period of ten consecutive years of operation of software development facilities designated as 'Software Technology Parks' (the 'STP Tax Holiday'). The period of the STP Tax Holiday available to such companies is restricted to 10 consecutive years beginning from the financial year when the unit started rendering business process management services or March 31, 2011, whichever is earlier.

The Company also has operations in a Special Economic Zone (SEZ). 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. Pursuant to the amendments in the Indian Income Tax Act, the Company has calculated its tax liability after considering Minimum Alternate Tax (MAT). The MAT liability can be carried forward and set off against the future tax liabilities. Accordingly, ₹63,05,23,541 was carried forward and shown under 'Loans and Advances' in the Balance Sheet as of March 31, 2011 and ₹41,81,66,536 as of March 31, 2010.

During the year ended March 31, 2011 the Company has provided ₹4,44,75,547 as additional provision for tax and ₹9,42,08,313 as additional MAT credit entitlement for earlier years.

16.2.10. Cash and bank balances

	Year ended March 31,	
	2011	2010
Cash on hand	92,621	84,850

Details of balances as on Balance Sheet dates with non-scheduled banks :

Balances with non-scheduled banks	in ₹	
	As at March 31, 2011	As at March 31, 2010
In current accounts		
ICICI Bank, London	67,23,007	1,06,84,997
PNC Bank, New Jersey ⁽¹⁾	2,23,000	2,24,500
Bank of America, California	7,26,58,909	8,38,42,099
Deutsche Bank, Philippines	1,66,57,487	3,81,24,631
Royal Bank of Canada, Ontario	45,90,164	13,14,384
	10,08,52,567	13,41,90,611

⁽¹⁾ This represents restricted bank balance, in trust account, in accordance with collection agency licensing requirements in US.

Details of balances as on Balance Sheet dates with scheduled banks :

Balances with scheduled banks	in ₹	
	As at March 31, 2011	As at March 31, 2010
In current accounts		
Citibank	3,20,400	12,44,514
Deutsche Bank	72,15,811	64,51,133
Deutsche Bank – EEFC account in Euro	16,34,655	55,91,061
Deutsche Bank – EEFC account in United Kingdom Pound Sterling	19,59,860	50,58,140
Deutsche Bank – EEFC account in US dollars	1,87,70,059	41,00,082
ICICI Bank	9,77,80,843	3,32,11,141
ICICI Bank – EEFC account in Euro	7,95,75,167	74,75,628
ICICI Bank – EEFC account in United Kingdom Pound Sterling	41,67,262	1,45,79,067
ICICI Bank – EEFC account in US dollars	77,80,267	3,06,23,644
State Bank of India	1,64,134	59,099
	21,93,68,458	10,83,93,509
In deposit accounts		
Allahabad Bank	61,50,00,000	50,00,00,000
Axis Bank Limited	60,00,00,000	–
Bank of Maharashtra	18,00,00,000	–
Canara Bank	75,00,00,000	–
Central Bank of India	–	–
ICICI Bank	22,00,00,000	49,50,40,000
IDBI Bank	54,00,00,000	–
Indian Overseas Bank	18,00,00,000	9,00,00,000
Kotak Mahindra Bank	–	35,50,00,000
Oriental Bank of Commerce	75,00,00,000	–
State Bank of Hyderabad	30,00,00,000	24,00,00,000
State Bank of India	23,000	23,000
Syndicate Bank	4,00,00,000	17,50,00,000
South Indian Bank Limited	25,00,00,000	–
Vijaya Bank	49,00,00,000	–
Yes Bank	10,00,00,000	–
	5,01,50,23,000	1,85,50,63,000

Maximum balances held in non – scheduled banks	in ₹	
	Year ended March 31, 2011	2010
In current accounts :		
ICICI Bank, London	4,08,84,293	3,46,60,072
PNC Bank, New Jersey	2,35,350	2,52,580

Maximum balances held in non – scheduled banks	in ₹	
	Year ended March 31, 2011	2010
Bank of America, California	18,06,59,160	23,89,68,846
Deutsche Bank, Philippines	9,77,16,012	12,99,37,963
Royal Bank of Canada, Ontario	1,06,90,435	89,77,435

16.2.11. Loans and advances

Deposits with financial institution and body corporate comprise :

	in ₹	
	As at March 31, 2011	As at March 31, 2010
Deposits with financial institution :		
Housing Development Finance Corporation Limited	50,00,00,000	34,50,00,000
Life Insurance Corporation of India	23,50,00,000	–

Maximum balance held

	in ₹	
	Year ended March 31, 2011	2010
Deposits with financial institution :		
Housing Development Finance Corporation Limited	50,00,00,000	50,00,00,000
Life Insurance Corporation of India	23,50,00,000	–

16.2.12. Related party transactions

Name of the related party	Country	Holding as at	
		March 31, 2011	March 31, 2010
List of related parties :			
Infosys Technologies Limited	India	Holding Company	Holding Company
Infosys BPO s.r.o.	Czech Republic	100%	100%
Infosys BPO (Poland) Sp.Z.o.o	Poland	100%	100%
Infosys BPO (Thailand) Limited ⁽¹⁾	Thailand	–	100%
McCarnish Systems LLC	United States	100%	100%
Infosys Consulting Inc ⁽²⁾	United States		
Infosys Technologies (Australia) Pty Limited ('Infosys Australia') ⁽²⁾	Australia		
Infosys Technologies S. de R. L. de C. V. ('Infosys Mexico') ⁽²⁾	Mexico		
Infosys Technologies (China) Company Limited ('Infosys China') ⁽²⁾	China		
Infosys Tecnologia do Brasil Ltda ('Infosys Brasil') ⁽²⁾	Brazil		
Infosys Consulting India Limited ⁽³⁾	India		

⁽¹⁾ Liquidated effective March 18, 2011.

⁽²⁾ Wholly owned subsidiaries of Infosys Technologies Limited i.e. fellow subsidiaries.

⁽³⁾ Wholly owned subsidiary of Infosys Consulting Inc

List of key management personnel

Name of the Related Party	Designation
T. V. Mohandas Pai	Chairman and Director
D. Swaminathan ⁽¹⁾	Managing Director and Chief Executive Officer
Amitabh Chaudhry ⁽²⁾	Managing Director and Chief Executive Officer
S. D. Shibulal	Director
Prof. Jayanth R. Varma	Director
Sridar A. Iyengar	Director
B. G. Srinivas	Director
Eric S. Paternoster	Director

⁽¹⁾ Appointed as Managing Director and Chief Executive Officer effective January 16, 2010

⁽²⁾ Managing Director and Chief Executive Officer till January 15, 2010

The details of the related party transactions entered into by the Company, for the year ended March 31, 2011 and 2010 are as follows :

in ₹

Particulars	Year ended March 31,	
	2011	2010
Capital transactions :		
Financial transactions		
Loans		
Infosys BPO (Poland) Sp.Z.o.o	–	(7,27,19,108)
McCamish Systems LLC	(15,49,973)	1,549,973
Revenue transactions :		
Purchase of services		
Infosys BPO s.r.o.	16,26,623	6,81,630
Infosys Consulting Inc.	1,76,45,583	1,34,84,238
Infosys BPO (Poland) Sp.Z.o.o	–	52,42,650
Infosys Mexico	2,02,96,180	3,42,83,644
McCamish Systems LLC	60,84,062	–
Purchase of shared services including facilities and personnel :		
Infosys Technologies Limited	73,39,43,837	65,65,21,775
Infosys BPO s.r.o.	4,02,543	3,79,696
Infosys BPO (Poland) Sp.Z.o.o	44,695	44,83,679
Infosys Consulting Inc.	–	15,22,842
Infosys BPO (Thailand) Limited	1,220	–
McCamish Systems LLC	1,22,20,764	–
Infosys Australia	2,67,61,644	2,09,96,658
Infosys Mexico	28,47,985	24,03,063
Infosys China	89,37,566	16,28,225
Infosys Brasil	13,57,877	1,59,748
Interest Income		
Infosys BPO (Poland) Sp.Z.o.o	–	18,75,759
Infosys BPO s.r.o.	–	3,44,121
Infosys BPO (Thailand) Limited	1,81,233	–
McCamish Systems LLC	8,92,617	15,49,972
Sale of services		
Infosys BPO s.r.o.	–	52,44,663
McCamish Systems LLC	4,51,77,009	–
Sale of shared services including facilities and personnel		
Infosys Technologies Limited	1,10,75,66,483	63,16,87,140
Infosys BPO s.r.o.	89,14,375	53,68,721
Infosys BPO (Poland) Sp.Z.o.o	15,51,838	7,39,431
Infosys BPO (Thailand) Limited	–	75,593

in ₹

Particulars	Year ended March 31,	
	2011	2010
McCamish Systems LLC	3,32,33,566	23,90,915
Infosys Australia	3,44,19,371	1,11,15,990
Infosys Mexico	63,03,004	60,20,021
Infosys China	1,63,25,479	53,83,218
Infosys Consulting Inc.	24,229	2,281
Infosys Brasil	1,49,36,410	72,75,970
Infosys Consulting India Limited	1,00,36,532	32,870

The Company has received certain managerial services from Mr. T. V. Mohandas Pai and Mr. S. D. Shibulal, directors of the Company who are also directors of Infosys Technologies Limited, at no cost.

Infosys Technologies Limited, the parent company has issued performance guarantees to certain clients for executed contracts.

Details of amounts due to or due from and maximum dues from related party for the year ended March 31, 2011 and year ended March 31, 2010.

in ₹

Particulars	As at March	
	31, 2011	31, 2010
Loans and Advances :		
McCamish Systems LLC	–	15,49,973
Deposit given for shared services		
Infosys Technologies Limited	6,89,00,000	6,89,00,000
Debtors		
Infosys Technologies Limited	2,07,85,682	5,82,90,185
Infosys BPO s.r.o.	41,423	10,64,220
Infosys BPO (Poland) Sp.Z.o.o	25,088	12,52,487
Infosys BPO (Thailand) Limited	–	1,220
McCamish Systems LLC	–	12,03,160
Infosys Consulting, Inc.	3,697	2,245
Infosys Australia	33,45,694	9,82,637
Infosys Mexico	6,46,607	2,59,921
Infosys China	2,29,89,664	1,08,23,121
Infosys Brasil	–	1,46,980
Infosys Consulting India Limited	8,76,208	23,892
Creditors :		
Infosys Technologies Limited	1,40,12,209	2,24,52,343
Infosys BPO s.r.o.	–	1,07,610
Infosys BPO (Poland) Sp.Z.o.o	–	58,21,421
Infosys Consulting Inc	16,69,423	14,85,444
Infosys Australia	1,11,252	35,40,761
Infosys Mexico	25,02,248	(5,49,757)
Infosys China	96,35,279	40,99,043
Infosys Brasil	–	1,05,234
Infosys Consulting India Limited	–	828
Maximum balances of deposits given for shared services :		
Infosys Technologies Limited	6,89,00,000	6,89,00,000
Maximum balances of loans and advances :		
Infosys BPO (Poland) Sp.Z.o.o	–	7,27,19,108
Infosys BPO (Thailand) Limited	2,25,88,767	–
McCamish Systems LLC	8,86,57,847	18,11,56,124

During the year ended March 31, 2011 and March 31, 2010 an amount of ₹Nil (₹30,00,000) was donated to Infosys Foundation, a not-for-profit foundation, in which certain directors of the Company are trustees.

Particulars of remuneration and other benefits paid to Managing Director during the year ended March 31, 2011 and 2010, are as follows :

	Year ended March 31,	
	2011	2010
Salary and allowances	78,73,281	97,63,863
Provident fund, gratuity and superannuation contributions	2,26,209	2,82,981
Performance incentives	43,74,524	89,87,736
	1,24,74,014	1,90,34,580

16.2.13. Managerial remuneration paid to non-whole time directors

Particulars of remuneration and other benefits paid to non-whole time directors during the year ended March 31, 2011 and 2010 are as follows :

	Year ended March 31,	
	2011	2010
Sitting fees	90,000	1,05,000
Commission	24,00,000	24,00,000

Computation of net profit in accordance with Section 349 of the Companies Act, 1956 and calculation of commission payable to non whole-time directors.

	Year ended March 31,	
	2011	2010
Net profit after tax from ordinary activities	2,04,83,60,702	2,73,81,32,067
Add :		
Whole time director's remuneration	1,24,74,014	1,90,34,580
Director's sitting fee	90,000	1,05,000
Commission to non whole time directors	24,00,000	24,00,000
Depreciation as per books of account	50,74,55,954	53,86,79,767
Provision for doubtful debts	1,27,95,723	11,31,118
Provision for doubtful loans and advances	8,21,763	8,62,912
Provision for taxation	9,64,38,381	19,32,34,404
	2,68,08,36,537	3,49,35,79,848
Less :		
Depreciation as envisaged under Section 350 of the Companies Act, 1956 ⁽¹⁾	50,74,55,954	53,86,79,767
Carried forward losses for previous years as computed under Section 349 of the Companies Act, 1956	—	—
Net profit on which commission is payable	2,17,33,80,583	2,95,49,00,081
Commission payable to non whole time directors	—	—
Maximum allowed as per the Companies Act, 1956 at 1% Commission approved by the Board	2,17,33,806	2,95,49,001
	24,00,000	24,00,000

⁽¹⁾ The Company depreciates fixed assets based on estimated useful lives that are lower than those implicit in Schedule XIV of the Companies Act, 1956. Accordingly, the rates of depreciation used by the Company are higher than the minimum rates prescribed by the Schedule XIV of the Companies Act, 1956.

16.2.14. Details of Investments

in ₹

Current investments	No. of units as at		Amount as at	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
Birla Sun Life AMC Ltd. – Liquid Plus	70,13,771	2,56,07,020	7,02,74,475	25,62,44,320
DWS Mutual Fund – Liquid Plus	–	1,89,66,884	–	19,00,08,350
ICICI Prudential SIP Liquid Plus	–	13,38,737	–	14,15,51,298
IDFC Mutual Fund Liquid Plus	–	2,53,03,413	–	25,30,72,094
Kotak Mutual Fund – Liquid Plus	77,94,013	2,50,08,866	9,53,05,962	25,20,84,370
Reliance Mutual Fund Liquid Plus	26,97,883	1,02,27,161	3,00,58,466	17,48,38,407
Religare Mutual Fund – Liquid Plus	–	2,51,38,547	–	25,17,80,149
TATA Asset Management Ltd. – Liquid Plus	9,238	2,55,96,059	1,02,95,856	25,68,71,808
UTI Mutual Fund – Liquid Plus	–	2,31,677	–	23,17,26,991
	1,75,14,905	15,74,18,364	20,59,34,759	2,00,81,77,787

Movement of investment during period ended March 31, 2011	Opening balance in units, amount (₹)	Purchased in units, amount (₹)	Redemption in units, amount (₹)	Closing balance in units, amount (₹)
Birla Sun Life AMC Ltd Liquid Plus	2,56,07,020	2,73,81,874	4,59,75,123	70,13,771
	25,62,44,320	27,42,72,849	46,02,42,694	7,02,74,475
DWS Mutual fund – Liquid Plus	1,89,66,884	3,02,14,345	4,91,81,229	–
	19,00,08,350	30,26,84,288	49,26,92,638	–
HDFC Mutual Fund – Liquid Plus	–	2,49,73,318	2,49,73,318	–
	–	25,17,53,521	25,17,53,521	–
ICICI Prudential SIP Liquid Plus	13,38,737	32,72,525	46,11,262	–
	14,15,51,298	33,24,88,638	47,40,39,936	–
IDFC Mutual Fund Liquid Plus	2,53,03,413	62,19,494	3,15,22,907	–
	25,30,72,094	6,22,10,289	31,52,82,383	–
Kotak mutual fund – Liquid Plus	2,50,08,866	4,30,75,988	6,02,90,841	77,94,013
	25,20,84,370	52,59,78,207	68,27,56,615	9,53,05,962
Principal Mutual Fund – Liquid Plus	–	1,80,50,057	1,80,50,057	–
	–	18,07,22,590	18,07,22,590	–
Reliance Mutual Fund Liquid Plus	1,02,27,161	2,92,45,090	3,67,74,368	26,97,883
	17,48,38,407	35,43,74,176	49,91,54,117	3,00,58,466
Religare mutual fund – Liquid Plus	2,51,38,547	67,23,001	3,18,61,548	–
	25,17,80,149	12,19,46,666	37,37,26,815	–
TATA Asset Management Ltd Liquid Plus	2,55,96,059	1,28,12,886	3,83,99,707	9,238
	25,68,71,808	27,54,35,615	52,20,11,567	1,02,95,856
Templeton Mutual Fund – Liquid Plus	–	5,17,258	5,17,258	–
	–	51,76,05,043	51,76,05,043	–
UTI mutual fund – Liquid Plus	2,31,677	2,87,204	5,18,881	–
	23,17,26,992	29,27,54,853	52,44,81,845	–

16.2.14a. Investment in McCamish Systems LLC

On December 4, 2009, 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 concluded by entering into Membership Interest Purchase Agreement for a cash consideration of ₹173 crore and a contingent consideration of ₹67 crore. During the year ended March 31, 2010, the Company advanced a loan of ₹18 crore which was converted into membership interests of McCamish.

16.2.14b. Provision for Investment

During the year ended March 31, 2011, Infosys BPO (Thailand) Limited, a subsidiary, filed for liquidation which was approved by appropriate authorities in Thailand on March 18, 2011. The Company received ₹3,16,33,809 during the year as repayment of investment made in the subsidiary and has written off the balance amount because of diminution other than temporary.

16.2.15. Deferred revenues

Revenue recognition has been deferred pending resolution of significant uncertainties regarding the amount of consideration that will be derived from rendering services.

Deferred revenues amounted to ₹8,71,78,937 and ₹7,67,31,141 as at March 31, 2011 and March 31, 2010 respectively and have been disclosed under current liabilities.

16.2.16. Reconciliation between basic and dilutive shares

The reconciliation between basic and dilutive shares is set out below :

in ₹

	Year ended March 31,	
	2011	2010
Weighted average shares used in computing basic earnings per share	3,38,27,751	3,38,27,751
Dilutive effect of stock options	–	–
Weighted average shares used in computing diluted earnings per share	3,38,27,751	3,38,27,751

16.2.17. Disclosure for defined Benefit Plans

Gratuity is applicable to all permanent and full time employees of the Company. Gratuity paid out is based on last drawn basic salary and dearness allowance at the time of termination or retirement.

The scheme takes into account each completed year of service or part thereof in excess of six months. The normal age of retirement is 60 years and the entire contribution is borne by the Company.

The Company recognizes actuarial gains and losses as and when the same arise. The charge in respect of the same is taken to the Profit and Loss account.

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

	As at March 31,			
	2011	2010	2009	2008
Obligations at the beginning of the year	14,25,35,851	10,83,54,625	5,97,96,919	3,65,75,416
Liability as on April 1, 2008 assumed on the amalgamation of PAN Financial Shared Services India Private Limited	-	-	1,31,80,050	-
Service cost	6,51,09,966	6,73,44,267	4,07,80,299	2,57,48,242
Interest cost	74,96,831	46,65,510	42,52,594	28,21,347
Benefits settled	(4,42,43,763)	(3,71,70,205)	(2,35,68,652)	(1,42,50,440)
Actuarial (gain) / loss	1,67,91,815	(6,58,346)	1,39,13,415	89,02,354
Obligations at the end of the year	18,76,90,700	14,25,35,851	10,83,54,625	5,97,96,919

Defined benefit obligation liability as at the Balance Sheet is wholly funded by the Company.

Change in plan assets :

	As at March 31,			
	2011	2010	2009	2008
Plan assets at beginning of the year, at fair value	15,45,17,163	11,64,20,243	6,12,93,221	3,49,57,318
Assets as on April 1, 2008 assumed on the amalgamation of PAN Financial Shared Services India Private Limited	-	-	1,59,21,701	-
Expected return on plan assets	1,56,93,766	1,14,83,981	64,94,791	33,91,458
Actuarial gain / (loss)	(1,84,436)	3,04,464	18,39,632	3,84,157
Contributions	7,19,73,579	6,34,78,680	5,44,39,550	3,68,10,728
Benefits settled	(4,42,43,763)	(3,71,70,205)	(2,35,68,652)	(1,42,50,440)
Plan assets at end of the year, at fair value	19,77,56,309	15,45,17,163	11,64,20,243	6,12,93,221

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

	As at March 31,			
	2011	2010	2009	2008
Fair value of plan assets at the end of the year	19,77,56,309	15,45,17,163	11,64,20,243	6,12,93,221
Present value of the defined benefit obligations at the end of the year	18,76,90,700	14,25,35,851	10,83,54,625	5,97,96,919
Asset recognized in the Balance Sheet	1,00,65,608	1,19,81,312	80,65,618	14,96,302

Gratuity cost for the year :

	Year ended March 31,	
	2011	2010
Service cost	6,51,09,966	6,73,44,267
Interest cost	74,96,831	46,65,510
Expected return on plan assets	(1,56,93,766)	(1,14,83,981)
Actuarial (gain) / loss	1,69,76,251	(9,62,810)
Net gratuity cost	7,38,89,283	5,95,62,986
Actual return on plan assets	1,55,09,330	1,17,88,445

100% of plan assets are maintained by Life Insurance Corporation of India.

	As at March 31,			
	2011	2010	2009	2008
Interest rate	7.98%	7.82%	7.01%	7.92%
Discount rate	7.98%	7.82%	7.01%	7.92%
Estimated rate of return on plan assets	9.36%	9.00%	7.01%	7.92%
Retirement age	60	60	58	58

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.

16.2.18. Employees Stock Option Plan

Guidance note on 'Accounting for employee share based payments' (the guidance note) issued by Institute of Chartered Accountants of India establishes financial accounting and reporting principles for employee share based payment plans. The guidance note applies to employee share based payment plans the grant date in respect of which falls on or after April 1, 2005.

The Company applies the intrinsic value-based method of accounting to account for its fixed plan stock options. Under this method, compensation expense is recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price on this date. The options vest on a graded basis; however there is no compensation expense since the grants are made at exercise prices equal to or greater than fair market value, as of the date of the grant.

16.2.18a. Infosys BPO Employee Stock Option Plan 2002

The Company's 2002 Plan provides for the grant of stock options to employees of the Company and was approved by the Board of Directors and shareholders in June 2002. All options under the 2002 Plan are exercisable for equity shares. The 2002 Plan is administered by a Compensation Committee comprising three members, all of whom are directors of the Company. The 2002 Plan provides for the issue of 52,50,000 equity shares to employees, at an exercise price, which shall not be less than the Fair Market Value ('FMV') on the date of grant. Options may also be issued to employees at exercise prices that

are less than the FMV only if specifically approved by the members of the Company in general meeting. Options granted under the 2002 plan vests over 1 – 6 years.

	Year ended March 31, 2011	
	Shares arising out of options	Weighted average exercise prices (in ₹)
Outstanding at the beginning of the year	13,36,331	333.55
Granted during the year	–	–
Forfeitures during the year	6,57,081	267.51
Exercised during the year	–	–
Outstanding at the end of the year	6,79,250	397.44
Exercisable at the end of the year	4,78,750	394.67
	Year ended March 31, 2010	
	Shares arising out of options	Weighted average exercise prices (in ₹)
Outstanding at the beginning of the year	16,04,867	308.93
Granted during the year	–	–
Forfeitures during the year	2,68,536	186.38
Exercised during the year	–	–
Outstanding at the end of the year	13,36,331	333.55
Exercisable at the end of the year	8,98,806	306.55

As at March 31, 2011, 6,79,250 (March 31, 2010 : 13,36,331) options are held by Infosys Technologies Limited (refer note 16.2.18b). Options held by Infosys Technologies Limited cannot be exercised due to legal restrictions and will expire in due course. Accordingly these options have not been considered while computing dilutive earnings per share of the Company from the date Infosys Technologies Limited owned these options.

The following table summarizes information about stock options as of March 31, 2011 and March 31, 2010

Range of exercise prices (in ₹)	Stock options outstanding at the end of the year		Weighted average remaining contractual life	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
33.12 – 58.33	–	1,64,846	–	0.02
58.34 – 77.89	–	1,05,975	–	0.33
77.90 – 99.20	–	82,500	–	0.51
99.21 – 162.23	–	–	–	–
162.24 – 195.00	2,03,000	2,03,000	0.37	0.85
195.01 – 214.00	–	–	–	–
214.01 – 230.00	1,05,000	1,49,610	0.42	1.42
230.01 – 310.00	61,250	1,19,300	1.27	1.82
310.01 – 604.00	3,10,000	5,11,100	1.71	1.86
	6,79,250	13,36,331	1.07	1.22

16.2.18b. Infosys 1999 Employee Stock Option Plan ('1999 Plan')

On March 12, 2007, Infosys Technologies Limited purchased 12,19,532 unvested options held by the employees of Infosys BPO Limited for a cash consideration of ₹57.87 crore and has swapped 5,18,360 unvested options with 1,51,932 unvested stock options of Infosys. In addition, certain employees were granted additional 4,86,828 Infosys stock options under the Infosys 1999 Employee Stock Option Plan. The Infosys 1999 Employees Stock Option Plan was approved by the Board of Directors and stockholders in June 1999. All options under the 1999 Plan are exercisable for equity shares. The options granted under the 1999 plan vests over 2 – 6 years.

in ₹

	Year ended March 31, 2011	
	Shares arising out of options	Weighted average exercise prices
Outstanding at the beginning of the year	52,293	2,120.95
Granted during the year	–	–
Forfeitures during the year	31,448	2,120.95
Exercised during the year	5,884	2,120.95
Outstanding at the end of the year	14,961	2,120.95
Exercisable at the end of the year	6,473	2,120.95

	Year ended March 31, 2010	
	Shares arising out of options	Weighted average exercise prices (in ₹)
Outstanding at the beginning of the year	3,95,998	2,120.95
Granted during the year	–	–
Forfeitures during the year	2,97,451	2,120.95
Exercised during the year	46,254	2,120.95
Outstanding at the end of the year	52,293	2,120.95
Exercisable at the end of the year	52,293	2,120.95

The following table summarizes information about stock options as of March 31, 2011 and March 31, 2010

Range of exercise prices (in ₹)	Stock options outstanding at the end of the year		Weighted average remaining contractual life	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
0 – 2120.95	14,961	52,293	0.86	1.02
	14,961	52,293	0.86	1.02

As permitted by the guidance note, the Company has elected to continue to apply the intrinsic value-based method of accounting described above, and has adopted the disclosure requirements of the guidance note. Had compensation cost for the Company's stock-based compensation plan been determined in a manner, consistent with the fair value approach described in guidance note, the Company's net income and basic earnings per share as reported would have reduced to the proforma amounts indicated below.

in ₹

	Year ended March 31,	
	2011	2010
Net profit as reported	2,04,83,60,702	2,73,81,32,067
Less : Stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	-	5,10,30,304
Adjusted proforma profit	2,04,83,60,702	2,68,71,01,763
Basic EPS as reported	60.55	80.94
Adjusted proforma	60.55	79.43
Diluted EPS as reported	60.55	80.94
Adjusted proforma	60.55	79.43

16.2.19 Provision for SLA compliance

The provision for service level agreement compliance is based on estimates made by the management for on-going contracts. In accordance with paragraphs 66 and 67 of the Accounting Standard 29, the movement in provision for service level agreement is given below

in ₹

	As at March 31, 2011	As at March 31, 2010
Balance at the beginning of the year	5,19,14,163	2,67,69,832
Additional provision made during the year	1,22,93,108	4,23,46,603
Provision used during the year	12,61,838	65,23,719
Unused amounts reversed during the year	1,25,58,822	1,06,78,553
Balance at the end of the year	5,03,86,611	5,19,14,163

Management believes that the aforesaid provision will be utilized within a year.

16.2.20 Segment reporting

The Company's operations primarily relate to providing business process management services to organizations that outsource their business processes. Accordingly, revenues represented along industry classes comprises of 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 in individual segments. These are set out in the note on significant accounting policies.

Industry segments at the Company primarily comprises of customers relating to financial services, manufacturing, telecom, retail and other industries. Income in relation to segments is categorized based on items that are individually identified to those segments while expenditure is categorized in relation to the associated turnover of the segment. Expenses which form a significant component of total expenses are not specifically allocable to specific segments as the underlying services are used interchangeably. These expenses are separately disclosed as 'unallocated' and adjusted only against the total income of the Company. The Company believes that it is not practical to provide segment disclosures relating to these costs and expenses, and accordingly these expenses are separately disclosed as unallocated and directly charged against total income. Fixed assets or liabilities contracted have not been identified to any reportable segments, as these are used interchangeably between segments. Accordingly no disclosure relating to total segment assets and liabilities are made.

Geographical segments are segregated based on the location of the customers, or in relation to which the revenue is otherwise recognized. 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 others comprises all other places except, those mentioned above and India.

All direct costs are identified to its respective verticals / geographies on the basis of revenues from the respective verticals / geographies while unallocable cost consists of depreciation only.

Industry segments

Year ended March 31, 2011 and March 31, 2010

in ₹

Particulars	Financial services	Manufacturing	Telecom	Retail	Others	Total
Revenues	2,72,32,67,173	2,61,45,51,837	3,71,81,54,392	34,50,73,901	1,89,01,00,606	11,29,11,47,909
	2,63,46,71,190	2,03,21,16,986	3,95,51,35,610	19,36,07,746	2,45,08,38,694	11,26,63,70,226
Identifiable operating expenses	72,05,71,557	84,69,56,250	1,37,24,96,672	13,03,82,177	75,49,70,073	3,82,53,76,729
	70,85,67,865	63,89,78,980	1,15,64,25,120	5,74,85,647	1,05,77,74,425	3,61,92,32,037
Allocated expenses	1,25,35,03,079	1,20,46,04,514	1,71,13,78,093	15,96,83,334	86,67,74,138	5,19,59,43,158
	1,02,95,98,380	82,06,70,865	1,53,82,58,719	7,61,87,898	97,05,21,471	4,43,52,37,333
Segmental operating profit	74,91,92,537	56,29,91,073	63,42,79,627	5,50,08,390	26,83,56,395	2,26,98,28,022
	89,65,04,945	57,24,67,141	1,26,04,51,771	5,99,34,201	42,25,42,798	3,21,19,00,856
Unallocable expenses						56,96,22,145
						53,86,79,767
Operating profit						1,70,02,05,877
						2,67,32,21,089
Other income net						44,45,93,206
						25,81,45,382
Net profit before taxes						2,14,47,99,083
						2,93,13,66,471
Taxes						9,64,38,381
						19,32,34,404
Net profit after taxes						2,04,83,60,702
						2,73,81,32,067

Geographical segments

Year ended March 31, 2011 and March 31, 2010

in ₹

Particulars	United States of America	Europe	India	Others	Total
Revenues	6,55,60,57,517	3,82,15,29,931	–	91,35,60,461	11,29,11,47,909
	6,72,30,60,776	4,02,03,24,688	–	52,29,84,762	11,26,63,70,226
Identifiable operating expenses	2,27,77,96,890	1,32,28,42,755	–	22,47,37,084	3,82,53,76,729
	2,12,07,99,198	1,30,93,70,539	–	18,90,62,300	3,61,92,32,037
Allocated expenses	3,01,45,64,845	1,76,07,54,470	–	42,06,23,843	5,19,59,43,158
	2,67,23,16,150	1,55,90,21,621	–	20,38,99,562	4,43,52,37,333
Segmental operating profit	1,26,36,95,782	73,79,32,706	–	26,81,99,534	2,26,98,28,022
	1,92,99,45,428	1,15,19,32,528	–	13,00,22,900	3,21,19,00,856
Unallocable expenses					56,96,22,145
					53,86,79,767
Operating profit					1,70,02,05,877
					2,67,32,21,089
Other income net					44,45,93,206
					25,81,45,382
Net profit before taxes					2,14,47,99,083
					2,93,13,66,471
Taxes					9,64,38,381
					19,32,34,404
Net profit after taxes					2,04,83,60,702
					2,73,81,32,067

16.2.21 Previous period figures

Previous period figures have been regrouped / reclassified, wherever necessary, to conform to the current period's presentation.

Financial statements of Infosys BPO s.r.o.

To

The Members of Infosys BPO s.r.o.

We have audited the attached Balance Sheet of Infosys BPO s.r.o. ('the Company') as at 31st, March 2011, the Profit and Loss account ('Financial Statement') of the Company for the year ended on that date. These Financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Further, we report that :

- (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
- (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- (c) The Balance sheet and the profit and Loss account dealt with by this report are in agreement with the books of accounts;
- (d) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
 1. in the case of the Balance Sheet, of the State of affairs of the Company as at March 31, 2011; and
 2. in the case of Profit and Loss account, of the Profit of the Company for the year ended on that date.

For Shenoy & Kamath
Chartered Accountants
Firms Regn. No. 0066735

M. Rathnakar Kamath
Partner
Membership No. 202841

Bangalore
April 11, 2011

Balance Sheet

		in ₹	
As at March 31,	Schedule	2011	2010
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	1	3,49,78,993	3,49,78,993
Reserves and surplus	2	28,37,62,401	24,80,97,854
		31,87,41,394	28,30,76,847
APPLICATION OF FUNDS			
FIXED ASSETS			
Original cost	3	9,16,78,252	7,83,49,899
Less : Accumulated depreciation		7,50,05,762	5,93,82,552
Net book value		1,66,72,490	1,89,67,347
DEFERRED TAX ASSETS	4	63,26,583	47,27,412
CURRENT ASSETS, LOANS AND ADVANCES			
Sundry debtors	5	15,16,42,608	10,28,96,908
Cash and bank balances	6	8,68,17,205	18,87,68,943
Loans and advances	7	21,42,83,088	6,15,23,217
		45,27,42,901	35,31,89,068
LESS : CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	8	12,74,82,088	5,58,63,397
Provisions	9	2,95,18,492	3,79,43,583
		15,70,00,580	9,38,06,980
NET CURRENT ASSETS		29,57,42,321	25,93,82,088
		318,741,394	283,076,847
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS			
	15		

Note : The schedules referred to above are an integral part of the Balance Sheet.

For Shenoy & Kamath
Chartered Accountants
Firms Regn. No. 0066735

M. Rathnakar Kamath
Partner
Membership No : 202841

D. Swaminathan
Chairman of the
supervisory board

B. G. Srinivas
Member

Abraham Mathews
Jednatel

Ritesh M. Idnani
Member

Bangalore
April 11, 2011

Profit and Loss account

		in ₹	
For the year ended March 31,	Schedule	2011	2010
Income from software services, products and business process management		55,86,98,102	59,45,13,209
Software development and business process management expenses	10	45,91,36,992	46,84,10,972
GROSS PROFIT		9,95,61,110	12,61,02,237
Selling and marketing expenses	11	16,20,972	–
General and administration expenses	12	5,78,50,464	9,89,85,572
		5,94,71,436	9,89,85,572
OPERATING PROFIT BEFORE INTEREST AND DEPRECIATION		4,00,89,674	2,71,16,665
Interest		–	3,55,341
Depreciation		1,05,34,482	1,72,58,601
OPERATING PROFIT BEFORE TAX		2,95,55,192	95,02,723
Other income, net	13	(14,74,881)	1,45,74,889
NET PROFIT BEFORE TAX		2,80,80,311	2,40,77,612
Provision for taxation	14	1,25,96,716	1,01,91,405
NET PROFIT AFTER TAX		1,54,83,595	1,38,86,207
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	15		

Note : The schedules referred to above are an integral part of the Profit and Loss account.

For Shenoy & Kamath
Chartered Accountants
Firms Regn. No. 006673S

M. Rathnakar Kamath
Partner
Membership No : 202841

D. Swaminathan
Chairman of the
supervisory board

B. G. Srinivas
Member

Abraham Mathews
Jednatel

Ritesh M. Idnani
Member

Bangalore
April 11, 2011

Schedules to the Balance Sheet

		in ₹	
As at March 31,		2011	2010
1	SHARE CAPITAL		
	Issued, Subscribed and Paid Up	3,49,78,993	3,49,78,993
		34,978,993	34,978,993
2	RESERVES AND SURPLUS		
	Translation Difference	2,74,84,266	73,03,314
	Profit and Loss account		
	Opening balance	24,07,94,540	22,69,08,324
	Add : Transfers during the year	1,54,83,595	1,38,86,216
		25,62,78,135	24,07,94,540
		28,37,62,401	24,80,97,854
4	DEFERRED TAX ASSETS		
	Sundry debtors	–	–
	Others	44,99,760	26,75,133
	Long service leave	18,26,823	20,52,279
		63,26,583	47,27,412
5	SUNDRY DEBTORS		
	Debts outstanding for a period exceeding six months		
	Unsecured		
	Considered doubtful	–	1,75,318
	Other debts		
	Unsecured		
	Considered good	15,16,42,608	10,28,96,908
		15,16,42,608	10,30,72,226
	Less : Provision for doubtful debts	–	(1,75,318)
		15,16,42,608	10,28,96,908
6	CASH AND BANK BALANCES		
	Cash on hand	3,27,059	2,75,830
	Balances with non-scheduled banks in foreign currency		
	In deposit accounts	2,48,97,393	16,86,90,024
	In current accounts	6,15,92,753	1,98,03,090
		8,68,17,205	18,87,68,943

		in ₹	
As at March 31,		2011	2010
7	LOANS AND ADVANCES		
	Unsecured, considered good		
	Loan to subsidiary	17,72,14,658	–
	Advances		
	For supply of goods and rendering of services	54,78,125	13,09,023
	Interest accrued but not due	6,465	57,696
	Withholding and other taxes receivable	45,37,660	36,03,471
	Others	64,38,016	8,94,288
		19,36,74,924	58,64,478
	Advance income tax	62,14,704	4,19,80,314
	Loans and advances to employees		
	Salary advances	14,48,686	12,61,225
	Electricity and other deposits	15,56,490	18,67,589
	Rental deposits	1,13,88,283	1,05,49,611
		21,42,83,088	6,15,23,217
8	CURRENT LIABILITIES		
	Sundry creditors		
	Goods and services	1,55,855	8,85,594
	Accrued salaries and benefits		
	Salaries	3,49,18,801	2,87,08,929
	Bonus and incentives	69,51,469	56,12,102
	For other liabilities		
	Provision for expenses	3,92,70,939	1,70,77,410
	Withholding and other taxes payable	–	–
	For purchase of intellectual property rights		
	Others	10,89,857	1,16,520
		8,23,86,921	5,24,00,555
	Unearned revenue	4,50,95,167	34,62,842
		12,74,82,088	5,58,63,397
9	PROVISIONS		
	Provision for		
	Income taxes	1,63,21,080	2,36,18,840
	Post-sales client support and warranties	35,82,549	35,23,274
	Unavailed leave	96,14,863	1,08,01,469
		2,95,18,492	3,79,43,583

3 Fixed assets

in ₹

	Original cost			Depreciation and amortization				Net book value		
	Cost as of April 01, 2010	Additions during the year	Deletions during the year	Cost as of March 11, 2011	As at April 01, 2010	For the year	Deductions during the year	As at March 31, 2011	As at March 31, 2011	As at Mar 31, 2010
Leasehold improvement	1,51,31,883	16,24,784	–	1,67,56,667	92,18,664	28,25,585	(8,91,051)	1,29,35,300	38,21,367	59,13,219
Plant and machinery	67,39,317	5,60,788	–	73,00,105	34,53,570	10,93,897	(3,45,108)	48,92,575	24,07,530	32,85,747
Computer equipment	4,09,59,442	90,31,169	3,33,259	4,96,57,352	3,78,44,036	34,63,022	(29,43,089)	4,42,50,147	54,07,205	31,15,406
Furniture and fixtures	1,55,19,257	24,44,871	–	1,79,64,128	88,66,282	31,51,978	(9,09,480)	1,29,27,740	50,36,388	66,52,975
	7,83,49,899	1,36,61,612	3,33,259	9,16,78,252	5,93,82,552	1,05,34,482	(50,88,728)	7,50,05,762	1,66,72,490	1,89,67,347
	7,82,57,391	92,508	–	7,83,49,899	4,49,77,000	1,72,58,601	28,53,049	5,93,82,552	1,89,67,347	

Schedules to Profit and Loss account

		in ₹	
Year ended March 31,	2011	2010	
10 SOFTWARE DEVELOPMENT AND BUSINESS PROCESS MANAGEMENT EXPENSES			
Salaries and bonus including overseas staff expenses	24,65,86,241	27,76,75,583	
Overseas group health insurance	24,478	38,707	
Contribution to provident and other funds	7,97,79,147	8,88,38,696	
Staff welfare	89,60,382	1,06,47,815	
Technical sub-contractors	1,90,77,429	1,80,83,641	
Overseas travel expenses	4,00,16,251	61,61,119	
Visa charges and others	85,634	3,82,115	
Software packages			
For own use	24,73,584	94,64,556	
Communication expenses	40,24,344	63,44,720	
Computer maintenance	26,273	31,601	
Consumables	1,59,821	2,63,016	
Rent	3,73,72,944	3,89,30,920	
Miscellaneous expenses	2,05,50,465	1,15,48,483	
	45,91,36,992	46,84,10,972	
11 SELLING AND MARKETING EXPENSES			
Marketing expenses	16,20,972	–	
	16,20,972	–	
Year ended March 31,	2011	2010	
12 GENERAL AND ADMINISTRATION EXPENSES			
Salaries and bonus including overseas staff expenses	1,81,28,958	4,15,56,867	
Overseas group health insurance	5,619	968	
Contribution to provident and other funds	66,83,923	93,58,934	
Telephone charges	25,92,090	37,01,259	
Professional charges	37,26,439	33,78,708	
Power and fuel	1,21,20,018	1,35,61,450	
Travel and conveyance	1,42,092	8,33,672	
Overseas travel expenses	1,88,701	24,04,613	
Visa charges and others	(1,56,938)	4,91,750	
Office maintenance	93,99,185	90,12,438	
Guest house maintenance	20,444	61,976	
Printing and stationery	2,32,535	5,11,999	
Insurance charges	44,429	1,37,952	
Consumables	65,178	–	
Donations	–	1,32,782	
Rent	25,62,696	55,46,255	
Advertisement	–	164,029	
Repairs to building	(2,70,677)	7,79,393	
Rates and taxes	1,89,488	5,82,964	
Repairs to plant and machinery	14,114	1,26,112	

12 GENERAL AND ADMINISTRATION EXPENSES (Contd.)

		in ₹	
Year ended March 31,	2011	2010	
Professional membership and seminar participation fees	5,886	3,59,730	
Postage and courier	13,08,764	19,03,436	
Books and periodicals	–	(8,243)	
Recruitment and training	1,42,723	21,89,067	
Provision for bad and doubtful debts	(1,73,118)	2,64,304	
Bank charges and commission	5,96,545	4,19,509	
Auditor's remuneration			
Statutory audit fees	10,40,608	6,10,618	
Miscellaneous expenses	(7,59,226)	9,03,031	
	5,78,50,464	9,89,85,572	
13 OTHER INCOME, NET			
Interest received on deposits with banks and others	14,25,420	10,71,399	
Miscellaneous income	1,01,44,560	3,07,16,773	
Exchange gains / (losses)	(1,30,44,861)	(1,72,13,283)	
	(14,74,881)	1,45,74,889	
14 PROVISION FOR TAXATION			
Income taxes	1,38,24,809	97,91,484	
Deferred taxes	(12,28,093)	3,99,921	
	1,25,96,716	1,01,91,405	

Schedules to the Financial Statements for the year ended March 31, 2011

15. Significant accounting policies and notes on accounts

Company overview

Infosys BPO s.r.o. is a leading provider of business process management services to organizations that outsource their business processes. Infosys BPO s.r.o. is a majority owned and controlled of Infosys BPO Limited. The Company leverages the benefits of service delivery globalization, process redesign and technology and thus drives efficiency and cost effectiveness into client's business processes and thereby improve their competitive position by managing their business processes in addition to providing increased value.

15.1. Significant accounting policies

15.1.1. Basis of preparation of financial statements

The 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). 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.

15.1.2. 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.

15.1.3. Revenue recognition

The Company derives its revenues primarily from business process management services, on both the time-and-material and fixed-price, fixed-time frame basis and unit-priced basis. Revenue on time-and-material contracts is recognized as the related services are rendered. Revenue from fixed-price, fixed-time frame contracts, where there is no uncertainty as to measurement and collectability of consideration, is recognized as per the proportionate-completion method. Revenues from unit-priced contracts are recognized as transactions are processed based on objective measures of output. When the Company receives advances for its services, such amounts are reflected as advance received from clients until all conditions for revenue recognition are met. Cost and earnings in excess of billings are classified as unbilled revenue while billing in excess of cost and earnings is classified as deferred revenue. Provision for estimated losses, if any, on uncompleted contracts are recorded in the year in

which such losses become probable based on the current estimates. The Group presents revenues net of service taxes and value added taxes in its Profit and Loss account.

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 increase 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. The Company recognizes changes in the estimated amount of obligation for discount using cumulative catch-up approach. The discounts are passed on the customer either as direct payments or as a reduction of payments due from customer.

15.1.4. Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive 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 discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

15.1.5. 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.

15.1.6. Income taxes

Income tax expense comprises of current and deferred income tax. Income tax expense is recognized in net profit except to the extent that it relates to items recognized directly in equity, in which case it is recognized in other comprehensive income. Current income tax for current and prior periods is recognized at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date.

15.1.7. Earnings per share

Basic earnings per 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.

15.1.8. Cash and cash equivalents

Cash and cash equivalents comprise of 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.

15.1.9. 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 recognized as an expense on a straight line basis in the Profit and Loss account over the lease term.

15.1.10 Fixed Assets

Fixed assets are stated at cost, after reducing accumulated depreciation and impairment upto the date of the Balance Sheet. Direct costs are capitalized until the assets are ready for use and include financing costs relating to any borrowing attributable to acquisition or construction of those fixed assets which necessarily take a substantial period of time to get ready for their intended use. Capital work-in-progress includes the cost of fixed assets that are not yet ready for their intended use and advances paid to acquire fixed assets before the Balance Sheet date. Intangible assets are recorded at the consideration paid for acquisition of such assets and are carried at cost less accumulated amortisation and impairment. Goodwill on amalgamation is tested periodically for impairment.

15.1.11 Depreciation

Depreciation on fixed assets is determined using the straight-line method based on useful lives of assets as estimated by the Group. Depreciation for assets purchased/sold during the year is proportionately charged. Individual assets costing ₹5,000 or less are depreciated within a year of acquisition. Leasehold improvements are written off over the lower of the remaining period of lease or the life of the asset. Leasehold land is amortised over the lease period. Intangible assets are amortised over their useful life on a straight line basis commencing from the date the asset is available to the Group for its use. Management estimates the useful lives for the various fixed assets as follows :

Buildings	Fifteen years
Computer equipment	Two years
Plant and machinery	Five years
Furniture and fixtures	Five years
Vehicles	Five years

15.1.12 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 absences is determined by actuarial valuation based on the additional amount expected to be paid out 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.

15.2. Notes to Accounts

15.2.1. Aggregate expenses

The aggregate amounts incurred on expenses are as follows :

Particulars	Year ended March 31,	
	2011	2010
Salaries including overseas staff expenses	26,52,81,149	31,75,46,118
Staff welfare	93,33,929	1,23,73,821
Contribution to provident and other funds	8,64,63,069	9,81,97,631
Foreign travel expenses	4,05,82,076	65,43,238
Conveyance	16,27,418	44,90,515
Consumables	2,24,999	4,38,944

in ₹

Particulars	Year ended March 31,	
	2011	2010
Recruitment and training expenses	1,67,87,861	1,10,10,235
Rent	3,99,35,640	4,44,69,976
Telephone and communication charges	66,16,997	1,00,45,976
Legal and professional charges	37,64,833	33,78,707
Auditor's remuneration		
Audit fees	10,40,608	6,10,618
Bank charges and commission	5,96,545	4,19,509
Brand building and advertisement	50,555	–
Communication expenses		
Computer maintenance		
Consultancy charges	1,90,77,429	1,80,83,643
Cost of software for own use	24,73,584	94,64,555
Insurance	12,40,362	1,37,953
Other miscellaneous expenses	6,44,346	32,66,846
Postage and courier	13,08,764	19,03,436
Power and fuel	1,21,20,018	1,35,61,450
Printing, stationery and office maintenance	94,21,875	1,05,22,918
Provision for doubtful debts	(1,73,118)	2,64,304
Rates and taxes	1,89,488	5,82,964
	51,86,08,428	56,73,13,357

15.2.2. Quantitative details

The Company is primarily engaged in providing business process management services. The sale of such services 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.

15.2.3. Related party transactions

List of related parties :

Name of related parties	Country	Holding, as at March 31,	
		2011	2010
Infosys BPO Limited	India	100.00%	100.00%
Infosys Technologies Limited ⁽¹⁾	India		
Infosys BPO (Thailand) Ltd ⁽²⁾	Thailand		
Infosys BPO (Poland) Sp.Z.o.o ⁽²⁾	Poland		

⁽¹⁾ Infosys Technologies Limited is holding company of Infosys BPO Limited.

⁽²⁾ wholly owned subsidiaries of Infosys BPO Limited i.e. fellow subsidiaries.

Details of amounts due to or due from as at March 31, 2011 and March 31, 2010 :

Particulars as at	March 31,	
	2011	2010
Sundry debtors :		
Infosys Technologies Limited	1,01,80,339	15,06,898
Infosys BPO Limited	–	1,08,076
Sundry creditors :		
Infosys Technologies Limited	48,979	4,20,719
Infosys BPO Limited	41,938	10,68,830
Infosys BPO (Poland) Sp.Z.o.o	–	85,523

in ₹

The details of the related party transactions entered into by the Company for the year ended March 31, 2011 and March 31, 2010 are as follows :

Particulars	in ₹	
	Year ended March 31, 2011	Year ended March 31, 2010
Revenue transactions :		
Sale of services		
Infosys Technologies Limited	5,87,78,874	–
Infosys BPO Limited	–	6,76,385
Sale of shared services including facilities and personnel		
Infosys Technologies Limited		712,658
Infosys BPO Limited	11,23,824	3,79,696
Purchase of services		
Infosys Technologies Limited	1,92,014	(47,38,402)
Infosys BPO Limited	–	51,92,263
Purchase of shared services including facilities and personnel		
Infosys Technologies Limited	–	47,50,321
Infosys BPO Limited	–	53,68,721

15.2.4. 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	in ₹	
	As at	
	March 31, 2011	March 31, 2010
Cash balance	3,27,059	2,75,830
	3,27,059	2,75,830
In current accounts :		
Citibank NA, Czech Republic	1,16,21,236	35,08,264
Citibank NA, (subsidy account)	7,890	7,318
Citibank NA, USD	18,19,019	1,49,96,361
Citibank NA, EURO	30,83,226	12,91,145
Deutsche Bank, EUR	1,86,826	–
Deutsche Bank, USD	4,41,843	–
Deutsche Bank, CZK	77,37,353	–
	2,48,97,393	1,98,03,088
In deposit accounts :		
Citibank NA, Czech Republic	6,15,92,753	16,86,90,024
	6,15,92,753	16,86,90,024
Total cash and bank balances as per Balance Sheet	8,68,17,205	18,87,68,942

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 ₹	
	Year ended	
	March 31, 2011	March 31, 2010
In current accounts :		
Citibank NA, Czech Republic (Subsidy account)	1,39,12,901	2,98,80,017
Citibank NA, Czech Republic	26,77,32,008	8,05,74,069
Citibank NA, Czech Republic (U.S. dollar account)	27,32,64,579	10,71,84,205
Citibank NA, Czech Republic (Euro account)	6,63,91,609	5,14,66,409

Maximum balance with non-scheduled banks during the period	Year ended	
	March 31, 2011	March 31, 2010
Deutsche Bank, Czech Republic	1,99,69,200	–
Deutsche Bank, Czech Republic (U.S. dollar account)	11,73,423	–
Deutsche Bank, Czech Republic (Euro account)	4,82,011	–

15.2.5. Provision for SLA Compliance

The provision for service level agreement compliance is based on estimates made by the management for on going contracts. In accordance with paragraphs 66 and 67 of the Accounting Standard 29, the movement in provision for service level agreement is given below

	in ₹	
	As at March 31,	
	2011	2010
Balance at the beginning of the period	35,23,273	7,058,443
Additional provisions made during the period	16,23,852	450,058
Provisions used during the period	–	1,740,086
Unused amounts reversed during the period	15,64,578	2,245,142
Balance at the end of the period	35,82,547	35,23,273

Notes : Management believes that the aforesaid provision will be utilized within a year

15.2.6. Capital commitments and contingent liabilities

	in ₹	
	Year ended	
	March 31, 2011	March 31, 2010
Estimated amount of unexecuted capital contracts (net of advance and deposits)	19,45,551	–

15.2.7. Segment reporting

The Company's operations primarily relate to providing business process management services to organizations that outsource their business processes. 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 in individual segments. These are set out in the note on significant accounting policies. Industry segments at the Company primarily comprise customers relating to financial services, manufacturing, telecom, retail and other industries. Income in relation to segments is categorized based on items that are individually identified to those segments while expenditure is categorized in relation to the associated turnover of the segment. Expenses which form a significant component of total expenses are not specifically allocable to specific segments as the underlying services are used interchangeably. These expenses are separately disclosed as 'unallocated' and adjusted only against the total income of the Company. The Company believes that it is not practical to provide segment disclosures relating to these costs and expenses, and accordingly these expenses are separately disclosed as unallocated and directly charged against total income. Fixed assets or liabilities contracted have not been identified to any reportable segments, as these are used interchangeably between segments. Accordingly no disclosure relating to total segment assets and liabilities are made.

Subsidiaries 2010-11

Geographical segments are segregated based on the location of the customers, or in relation to which the revenue is otherwise recognized. 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 others comprises all other places except, those mentioned above and India. All direct costs are identified to its respective verticals/ geographies on the basis of revenues from the respective verticals/ geographies while unallocable cost consists of depreciation only.

Industry segments

Years ended March 31, 2011 and March 31, 2010

	in ₹					
	Financial Services	Manufacturing	Telecom	Retail	Others	Total
Revenue	7,97,13,790	45,21,32,850	2,62,10,480	–	6,40,982	55,86,98,102
	5,69,77,580	51,12,22,368	1,27,17,537	14,40,695	1,21,55,029	59,45,13,209
Identifiable operating expenses	3,60,57,915	26,27,97,668	1,33,53,956	–	5,99,104	31,28,08,643
	5,36,02,589	28,86,27,485	60,90,038	(16,56,084)	1,21,91,109	35,88,55,137
Allocated segment expenses	2,84,64,149	16,71,64,070	98,34,647	–	3,36,919	20,57,99,785
	1,99,70,279	17,97,67,407	45,99,448	7,99,199	34,05,074	20,85,41,407
Segmental operation income	1,51,91,726	2,21,71,112	30,21,877	–	(2,95,041)	4,00,89,674
	(1,65,95,288)	4,28,27,476	20,28,051	22,97,580	(34,41,154)	2,71,16,665
Unallocable expenses						1,05,34,482
						1,76,13,942
Operating income						2,95,55,192
						95,02,723
Other income						(14,74,881)
						1,45,74,889
Net profit before tax						2,80,80,311
						2,40,77,612
Income tax						1,25,96,716
						1,01,91,405
Net profit after taxes						1,54,83,595
						1,38,86,207

Geographical segments

Years ended March 31, 2011 and March 31, 2010

	in ₹				
	North America	Europe	India	Others	Total
Revenue	8,98,79,088	46,88,19,014	–	–	55,86,98,102
	2,99,62,563	56,45,50,646	–	–	59,45,13,209
Identifiable operating expenses	6,16,95,625	25,11,13,018	–	–	31,28,08,643
	2,11,51,928	33,77,03,209	–	–	35,88,55,137
Allocated segment expenses	2,86,86,701	17,71,13,084	–	–	20,57,99,785
	99,59,309	19,85,82,098	–	–	20,85,41,407
Segmental operation income	-5,03,238	4,05,92,912	–	–	4,00,89,674
	-11,48,674	2,82,65,339	–	–	2,71,16,665
Unallocable expenses					1,05,34,482
					1,76,13,942
Operating income					2,95,55,192
					95,02,723
Other income					-14,74,881
					1,45,74,889
Net profit before tax					2,80,80,311
					2,40,77,612
Income tax					1,25,96,716
					1,01,91,405
Net profit after taxes					1,54,83,595
					1,38,86,207

Financial statements of Infosys BPO (Poland) Sp.Z.o.o.

To

The Members of Infosys BPO (Poland) Sp.Z.o.o

We have audited the attached Balance Sheet of Infosys BPO (Poland) Sp.Z.o.o ('the Company') as at 31st, March 2011, the Profit and Loss account ('Financial Statement') of the Company for the year ended on that date. These Financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Further, we report that:

- (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
- (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- (c) The Balance sheet and the profit and Loss account dealt with by this report are in agreement with the books of accounts;
- (d) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
 1. in the case of the Balance Sheet, of the State of affairs of the Company as at March 31, 2011; and
 2. in the case of Profit and Loss account, of the Profit of the Company for the year ended on that date.

For Shenoy & Kamath
Chartered Accountants
Firms Regn. No. 0066735

M. Rathnakar Kamath
Partner
Membership No. 202841

Bangalore
April 11, 2011

Balance Sheet

in ₹

As at March 31,	Schedule	2011	2010
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	1	3,93,50,000	3,93,50,000
Reserves and surplus	2	75,58,83,554	63,35,45,467
		79,52,33,554	67,28,95,467
Unsecured Loans		–	–
		79,52,33,554	67,28,95,467
APPLICATION OF FUNDS			
FIXED ASSETS			
	3		
Original cost		50,17,70,375	47,69,00,310
Less : Accumulated depreciation		10,90,86,052	8,03,67,714
Net book value		39,26,84,323	39,65,32,596
Add : Capital work-in-progress		4,59,578	–
		39,31,43,901	39,65,32,596
CURRENT ASSETS, LOANS AND ADVANCES			
Sundry debtors	4	30,14,90,730	25,49,29,932
Cash and bank balances	5	23,88,86,650	10,97,13,106
Loans and advances	6	12,26,28,417	7,37,29,223
		66,30,05,797	43,83,72,261
LESS : CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	7	19,68,97,325	11,79,05,662
Provisions	8	6,40,18,819	4,41,03,729
		26,09,16,144	16,20,09,390
NET CURRENT ASSETS		40,20,89,653	27,63,62,871
		79,52,33,554	67,28,95,467
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS			
	14		

Note : The schedules referred to above are an integral part of the Balance Sheet.

For Shenoy & Kamath
Chartered Accountants
Firms Regn. No. 0066735

M. Rathnakar Kamath
Partner
Membership No : 202841

B. G. Srinivas
Director

Abraham Mathews
Director

Ritesh M. Idnani
Director

Bangalore
April 11, 2011

Profit and Loss account

		in ₹	
For the year ended March 31,	Schedule	2011	2010
Income from software services, products and business process management		1,40,03,70,324	1,38,15,43,804
Software development and business process management expenses	9	1,00,52,86,296	88,47,57,275
GROSS PROFIT		39,50,84,028	49,67,86,529
Selling and marketing expenses	10	51,66,805	-
General and administration expenses	11	22,59,58,433	21,74,18,619
		23,11,25,238	21,74,18,619
OPERATING PROFIT BEFORE INTEREST AND DEPRECIATION		16,39,58,790	27,93,67,910
Interest		-	15,23,299
Depreciation		2,87,44,637	2,61,85,148
OPERATING PROFIT BEFORE TAX		13,52,14,153	25,16,59,463
Other income, net	12	45,05,170	(65,43,660)
Provision for investments		-	-
NET PROFIT BEFORE TAX		13,97,19,323	24,51,15,803
Provision for taxation	13	2,53,02,906	4,77,32,658
NET PROFIT AFTER TAX		11,44,16,417	19,73,83,145
EARNINGS PER SHARE			
Equity shares of par value 500/- PLN each			
Basic		22,883	39,477
Weighted average number of shares used in computing earnings per share :			
Basic		5,000	5,000
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS	14		

Note : The schedules referred to above are an integral part of the Profit and Loss account.

For Shenoy & Kamath
Chartered Accountants
Firms Regn. No. 0066735

M. Rathnakar Kamath
Partner
Membership No : 202841

B. G. Srinivas
Director

Abraham Mathews
Director

Ritesh M. Idnani
Director

Bangalore
April 11, 2011

Schedules to the Balance Sheet

		in ₹	
As at March 31,	2011	2010	
1 SHARE CAPITAL			
Issued, subscribed and paid up			
5,000 (5,000) equity shares of PLN 500 each fully paid	3,93,50,000	3,93,50,000	
	<u>3,93,50,000</u>	<u>3,93,50,000</u>	
2 RESERVES AND SURPLUS			
Translation Difference	1,44,81,239	65,59,569	
Share premium account	39,34,96,852	39,34,96,852	
Profit and Loss account			
Opening balance	23,34,89,046	3,60,70,725	
Add : transfers during the year	11,44,16,417	19,74,18,321	
Total	<u>34,79,05,463</u>	<u>23,34,89,046</u>	
	<u>75,58,83,554</u>	<u>63,35,45,467</u>	

3. FIXED ASSETS

Particulars	Original cost			Accumulated depreciation			Net book value			
	Cost as of April 01, 2010	Additions during the year	Deletions during the year	Cost as of March 31, 2011	As of April 01, 2010	For the year	Deductions during the year	As of March 31, 2011	As of March 31, 2011	As of March 31, 2010
	Goodwill	35,20,12,240	–	–	35,20,12,240	–	–	–	–	35,20,12,240
Leasehold improvements	12,20,700	51,29,266	–	63,49,966	40,146	6,37,477	(19,741)	6,97,364	56,52,602	11,80,554
Plant and machinery	3,80,48,206	31,53,193	17,825	4,11,83,574	1,61,08,557	88,80,008	(4,49,603)	2,54,38,168	1,57,45,406	2,19,39,649
Computer equipment	6,48,28,334	1,36,10,283	17,78,090	7,66,60,527	4,86,34,385	1,57,69,703	7,71,751	6,36,32,337	1,30,28,190	1,61,93,949
Furniture and fixtures	1,97,37,039	47,64,474	–	2,45,01,513	1,45,30,834	34,57,449	(2,67,345)	1,82,55,628	62,45,885	52,06,205
Vehicles	10,53,791	8,764	–	10,62,555	10,53,791	–	(8,764)	10,62,555	–	–
	47,69,00,310	2,66,65,980	17,95,915	50,17,70,375	8,03,67,713	2,87,44,637	26,298	10,90,86,052	39,26,84,323	39,65,32,597
Previous Year	43,13,77,193	4,55,23,117	–	47,69,00,310	5,24,06,309	2,61,83,774	(17,77,630)	8,03,67,713	39,65,32,597	

		in ₹	
As at March 31,	2011	2010	
4 SUNDRY DEBTORS			
Other debts			
Unsecured			
Considered good	30,19,54,060	25,49,29,932	
	<u>30,19,54,060</u>	<u>25,49,29,932</u>	
Less : Provision for doubtful debts	4,63,330	–	
	<u>30,14,90,730</u>	<u>25,49,29,932</u>	
5 CASH AND BANK BALANCES			
Cash on hand	2,79,952	5,13,812	
Balances with non-scheduled banks in foreign currency			
In deposit accounts	21,00,20,597	7,81,50,000	
In current accounts	2,85,86,101	3,10,49,294	
	<u>23,88,86,650</u>	<u>10,97,13,106</u>	

		in ₹	
As at March 31,	2011	2010	
6 LOANS AND ADVANCES			
Advances			
Prepaid expenses	1,25,46,953	51,19,577	
Interest accrued but not due	1,11,803	1,65,503	
Others	95,02,386	74,53,965	
	<u>2,21,61,142</u>	<u>1,27,39,045</u>	
Unbilled revenues	–	1,82,15,799	
Advance income tax	1,66,26,880	93,27,839	
Loans and advances to employees			
Salary advances	–	22,78,117	
Electricity and other deposits	19,22,355	12,10,628	
Rental deposits	2,53,04,846	2,50,96,114	
Mark-to-market on options / forward contracts	–	48,61,682	
Withholding and other taxes payable	5,66,13,194	–	
	<u>12,26,28,417</u>	<u>7,37,29,223</u>	

		in ₹	
As at March 31,	2011	2010	
7 CURRENT LIABILITIES			
Sundry creditors			
Goods and services	50,18,136	51,38,288	
Accrued salaries and benefits			
Salaries	2,67,49,950	2,65,72,096	
Bonus and incentives	4,06,02,650	2,40,70,208	
For other liabilities			
Provision for expenses	3,49,06,586	2,50,07,425	
Withholding and other taxes payable	6,55,80,206	64,50,712	
Mark-to-market on options / forward contracts	1,75,05,715	–	
Others	–	(56,48,023)	
Unearned revenue	65,34,082	3,63,14,956	
	<u>19,68,97,325</u>	<u>11,79,05,662</u>	
8 PROVISIONS			
Provision for			
Income taxes	1,23,52,593	12,75,470	
Post-sales client support and warranties	1,21,61,964	1,02,32,501	
Unavailed leave	3,95,04,262	3,25,95,757	
	<u>6,40,18,819</u>	<u>4,41,03,728</u>	

Schedules to Profit and Loss account

		in ₹	
For the Year Ended March 31,	2011	2010	
9 SOFTWARE DEVELOPMENT AND BUSINESS PROCESS MANAGEMENT EXPENSES			
Salaries and bonus including overseas staff expenses	60,23,02,166	53,38,24,502	
Group health insurance	23,43,750	1,19,477	
Contribution to provident and other funds	9,69,90,690	9,09,00,392	
Staff welfare	1,71,41,269	1,07,73,026	
Technical sub-contractors	2,44,93,839	1,40,09,477	
Overseas travel expenses	10,77,478	7,49,00,800	
Communication expenses	5,59,29,926	6,46,09,653	
Rent	7,40,03,245	7,09,10,502	
Miscellaneous expenses	13,10,03,933	2,47,09,446	
	<u>1,00,52,86,296</u>	<u>88,47,57,275</u>	
10 SELLING AND MARKETING EXPENSES			
Commission and earnout charges	51,66,805	-	
	<u>51,66,805</u>	<u>-</u>	
11 GENERAL AND ADMINISTRATION EXPENSES			
Salaries and bonus including overseas staff expenses	7,75,66,417	7,35,38,488	
Overseas group health insurance	18,12,859	44,12,174	
Contribution to provident and other funds	97,56,462	1,18,80,890	
Telephone charges	1,41,28,956	1,36,35,725	
Professional charges	66,36,752	30,09,905	
Traveling and conveyance	76,67,592	1,55,60,752	
Overseas travel expenses	71,972	(15,40,289)	
Office maintenance	4,41,18,511	4,47,09,396	
Insurance charges	21,77,890	22,80,165	
Printing and stationery	4,23,894	5,17,648	
Donations	11,61,989	8,75,156	
Rent	39,06,059	61,35,882	
Advertisement	62,12,329	45,05,215	
Rates and taxes	1,29,00,120	1,24,62,568	
Books and periodicals	5,99,837	3,33,957	
Postage and courier	1,66,55,692	1,72,19,505	
Recruitment and training	1,61,06,176	23,06,833	
Provision for bad and doubtful debts	3,49,419	1,81,359	
Bank charges and commission	10,95,626	15,67,644	
Miscellaneous expenses	26,09,881	38,25,646	
	<u>22,59,58,433</u>	<u>21,74,18,619</u>	

		in ₹	
For the Year Ended March 31,	2011	2010	
12 OTHER INCOME, NET			
Interest received on deposits with banks and others ⁽¹⁾	21,68,752	16,68,823	
Miscellaneous income	15,17,579	5,16,565	
Exchange gains / (losses)	8,18,839	(87,29,048)	
	<u>45,05,170</u>	<u>(65,43,660)</u>	
⁽¹⁾ includes tax deducted at source			
13 PROVISION FOR TAXATION			
Income taxes	2,53,02,906	4,77,32,658	
	<u>2,53,02,906</u>	<u>4,77,32,658</u>	

Schedules to the financial statements for the year ended March 31, 2011

14. Significant accounting policies and notes on accounts

Company overview

Infosys BPO (Poland) Sp.Z.o.o is a leading provider of business process management services to organizations that outsource their business processes. Infosys BPO (Poland) Sp.Z.o.o is a majority-owned and controlled subsidiary of Infosys BPO Limited. The Company leverages the benefits of service delivery globalization, process redesign and technology and thus drives efficiency and cost effectiveness into clients' business processes and thereby improves their competitive position by managing their business processes in addition to providing increased value.

14.1. Significant accounting policies

14.1.1. Basis of preparation of financial statements

The 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). 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.

14.1.2. 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.

14.1.3. Revenue recognition

The Company derives its revenues primarily from business process management services, on both the time-and-material and fixed-price, fixed-time frame basis and unit-priced basis. Revenue on time-and-material contracts is recognized as the related services are rendered. Revenue from fixed-price, fixed-time frame contracts, where there is no uncertainty as to measurement and collectability of consideration, is recognized as per the proportionate-completion method. Revenues from unit-priced contracts are recognized as transactions and are processed based on objective measures of output. When the Company receives advances for its services, such amounts are reflected as advance received from clients until all conditions for revenue recognition are met. Cost and earnings in excess of billings are classified as unbilled

revenue while billing in excess of cost and earnings is classified as deferred revenue. Provision for estimated losses, if any, on uncompleted contracts are recorded in the year in which such losses become probable based on the current estimates. The Group presents revenues net of service taxes and value added taxes in its Profit and Loss account.

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 increase 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. The Company recognizes changes in the estimated amount of obligation for discount using a cumulative catch-up approach. The discounts are passed on to the customer either as direct payments or as a reduction of payments due from the customer.

14.1.4. Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive 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 discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

14.1.5. 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 and 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.

14.1.6. Income taxes

Income tax expense comprises current and deferred income tax. Income tax expense is recognized in net profit except to the extent that it relates to items recognized directly in equity, in which case it is recognized in other comprehensive income. Current income tax for current and prior periods is recognized at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date.

14.1.7. Earnings per share

Basic earnings per 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.

14.1.8. 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.

14.1.9. 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 recognized as an expense on a straight line basis in the Profit and Loss account over the lease term.

14.1.10. Fixed assets

Fixed assets are stated at cost, after reducing accumulated depreciation and impairment upto the date of the Balance Sheet. Direct costs are capitalized until the assets are ready for use and include financing costs relating to any borrowing attributable to acquisition or construction of those fixed assets which necessarily take a substantial period of time to get ready for their intended use. Capital work-in-progress includes the cost of fixed assets that are not yet ready for their intended use and advances paid to acquire fixed assets before the Balance Sheet date. Intangible assets are recorded at the consideration paid for acquisition of such assets and are carried at cost less accumulated amortization and impairment. Goodwill on amalgamation is tested periodically for impairment.

14.1.11. Depreciation

Depreciation on fixed assets is determined using the straight-line method based on useful lives of assets as estimated by the Group. Depreciation for assets purchased/sold during the year is proportionately charged. Individual assets costing ₹5,000 or less are depreciated within a year of acquisition. Leasehold improvements are written off over the lower of the remaining period of lease or the life of the asset. Leasehold land is amortized over the lease period. Intangible assets are amortized over their useful life on a straight line basis commencing from the date the asset is available to the Group for its use. Management estimates the useful lives for the various fixed assets as follows :

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

14.1.12. 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 absences is determined by actuarial valuation based on the additional amount expected to be paid out 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.

14.2. Notes on accounts

14.2.1. Aggregate expenses

The aggregate amounts incurred on expenses are as follows :

	Year ended March 31,	
	2011	2010
Salaries and bonus excluding overseas staff expenses	79,07,72,344	70,82,12,786
Staff welfare	1,71,58,252	1,72,36,162
Communication expenses	7,01,20,779	7,82,45,373
Travelling and conveyance	88,19,346	8,89,21,251
Rent	7,79,09,304	7,70,46,383
Printing and stationery	4,45,43,012	4,52,27,040
Legal and professional charges	3,11,30,591	1,70,19,387
Recruitment and training expenses	1,61,19,401	2,25,35,019
Insurance charges	21,77,890	22,80,164
Rates and taxes	1,29,00,120	1,24,62,562
Donations	11,61,989	8,75,151
Bank charges and commission	10,95,626	15,67,649
Postage and courier	1,66,55,692	1,72,19,512
Provision for bad and doubtful debts	3,49,419	1,81,359
Sales promotion expenses	50,71,788	–
Miscellaneous expenses	14,04,25,980	1,30,81,024
	1,23,64,11,535	1,10,21,10,822

14.2.2. Quantitative details

The Company is primarily engaged in providing business process management services. The sale of such services 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.

14.2.3. Related party transactions

List of related parties:

Name of Related parties	Country	Holding, as at	
		March 31, 2011	March 31, 2010
Infosys BPO Limited	India	100.00%	100.00%
Infosys Technologies Limited ⁽¹⁾	India	–	–
Infosys BPO s.r.o. ⁽²⁾	Czech Republic	–	–
Infosys Tecnologia do Brasil Ltda ⁽³⁾	Brazil	–	–

Notes : ⁽¹⁾ Infosys Technologies Limited is holding company of Infosys BPO Limited.

⁽²⁾ Wholly-owned subsidiaries of Infosys BPO Limited i.e. fellow subsidiaries.

⁽³⁾ Wholly-owned subsidiaries of Infosys Technologies Limited i.e. fellow subsidiaries.

Details of amounts due to or due from as at March 31, 2011 and March 31, 2010 :

Particulars	As at	
	March 31, 2011	March 31, 2010
Sundry debtors		
Infosys Technologies Limited	5,68,440	2,94,883
Infosys BPO Limited	–	58,20,084
Infosys BPO s.r.o.	–	84,987
Infosys Brasil	–	(17,742)
Sundry creditors		
Infosys Technologies Limited	668,204	7,19,515
Infosys BPO Limited	25,341	12,52,147

The details of the related party transactions entered into by the Company and maximum dues from subsidiaries for the period ended March 31, 2011 and March 31, 2010 are as follows :

Particulars	As at	
	March 31, 2011	March 31, 2010
Revenue transactions :		
Sale of services		
Infosys Brasil	(6,06,646)	–
Infosys BPO Limited	–	53,08,772
Infosys Technologies Limited	84,85,041	3,00,176
Sale of shared services including facilities and personnel		
Infosys Technologies Limited	7,29,776	95
Infosys BPO Limited	–	44,83,678
Purchase of shared services including facilities and personnel		
Infosys Technologies Limited	39,44,004	97,127
Infosys BPO Limited		7,39,431

14.2.4. 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	As at	
	March 31, 2011	March 31, 2010
Cash balance	2,79,952	5,13,821
In current accounts		
Deutsche Bank, PLN	1,18,20,597	2,34,40,967
Deutsche Bank, PLN ES Fund	3,40,542	2,28,729
Deutsche Bank, Euro	1,64,24,962	73,79,595
	2,85,86,101	3,10,49,291
In deposit accounts		
Deutsche Bank, Poland	21,00,20,597	7,81,50,000
	21,00,20,597	7,81,50,000
Total cash and bank balances as per Balance Sheet	23,88,86,650	10,97,13,112

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

Maximum balance with non-scheduled banks during the period	Year ended	
	March 31, 2011	March 31, 2010
In current accounts		
Deutsche Bank, Poland	10,11,67,633	7,97,36,353
Deutsche Bank, Poland (Employee Social Fund)	74,29,001	80,95,347
Deutsche Bank, Poland (Euro account)	10,90,39,709	19,05,07,067

14.2.5. Provision for SLA Compliance

The provision for service level agreement compliance is based on estimates made by the management for on going contracts. In accordance with paragraphs 66 and 67 of the Accounting Standard 29, the movement in provision for service level agreement is given below.

in ₹

	As at March	
	2011	2010
Balance at the beginning of the period	1,02,32,501	63,32,706
Additional provisions made during the period	47,84,926	99,39,203
Provisions used during the period	–	–
Unused amounts reversed during the period	28,55,463	60,39,408
Balance at the end of the period	1,21,61,964	1,02,32,501

Management believes that the aforesaid provision will be utilized within a year.

14.2.6. Capital commitments and contingencies

in ₹

	Year ended	
	March 31, 2011	March 31, 2010
Estimated amount of unexecuted capital contracts (net of advance and deposits)	1,22,23,031	
Forward contracts outstanding		
EUR / PLN	EUR	EUR
	80,00,000	55,00,000
(Equivalent approximate in ₹)	(50,70,40,000)	(33,24,75,000)

14.2.7. Segment reporting

The Company's operations primarily relate to providing business process management services to organizations that outsource their business processes. 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 in individual segments. These are set out in the note on significant accounting policies. Industry segments at the Company primarily comprise customers relating to financial services, manufacturing, telecom, retail and other industries. Income in relation to segments is categorized based on items that are individually identified to those segments while expenditure is categorized in relation to the associated turnover of the segment. Expenses which form a significant component of total expenses are not specifically allocable to specific segments as the underlying services are used interchangeably. These expenses are separately disclosed as 'unallocated' and adjusted only against the total income of the Company. The Company believes that it is not practical to provide segment disclosures relating to these costs and expenses, and accordingly these expenses are separately disclosed as unallocated and directly charged against total income. Fixed assets or liabilities contracted have not been identified to any reportable segments, as these are used interchangeably between segments. Accordingly no disclosure relating to total segment assets and liabilities are made.

Geographical segments are segregated based on the location of the customers, or in relation to which the revenue is otherwise recognized. 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 others comprises all other places except, those mentioned above and India. All direct costs are identified to its respective verticals/ geographies on the basis of revenues from the respective verticals/ geographies while unallocable cost consists of depreciation only.

Industry segment

Years ended March 31, 2011 and March 31, 2010

						in ₹
	Financial Services	Manufacturing	Telecom	Retail	Others	Total
Revenue	–	1,39,94,46,655	–	–	9,23,669	1,40,03,70,324
	22,677,914	1,35,88,65,900	–	–	–	1,38,15,43,814
Identifiable operating expenses	–	64,00,44,048	–	–	7,17,121	64,07,61,169
	2,143,851	62,11,04,650	–	–	–	62,32,48,501
Allocated segment expenses	–	59,52,87,704	–	–	3,96,992	59,56,84,696
	7,753,148	47,11,09,173	–	–	–	47,88,62,321
Segmental operation income	–	16,41,14,903	–	–	(1,90,429)	16,39,24,459
	12,780,915	26,66,52,077	–	–	–	27,94,32,992
Unallocable expenses						2,87,10,305
						2,61,85,155
Operating income						13,52,14,154
						25,32,47,837
Other income						45,05,170
						(81,32,042)
Net profit before tax						13,97,19,324
						24,51,15,795
Income tax						2,53,02,907
						4,77,32,658
Net profit after taxes						11,44,16,417
						19,73,83,137

Geographical segment

Years ended March 31, 2011 and March 31, 2010

					in ₹
	North America	Europe	India	Others	Total
Revenue	41,16,679	1,32,40,52,101	–	7,22,01,544	1,40,03,70,324
	–	1,38,15,43,814	–	–	1,38,15,43,814
Identifiable operating expenses	–	60,67,49,358	–	3,40,11,811	64,07,61,169
	–	62,32,48,501	–	–	62,32,48,501
Allocated segment expenses	17,69,318	56,43,07,618	–	2,96,07,760	59,56,84,696
	–	47,88,62,321	–	–	47,88,62,321
Segmental operation income	23,47,361	15,29,95,125	–	85,81,988	16,39,24,459
	–	27,94,32,992	–	–	27,94,32,992
Unallocable expenses					2,87,10,305
					2,61,85,155
Operating income					13,52,14,154
					25,32,47,837
Other income					45,05,170
					(81,32,042)
Net profit before tax					13,97,19,324
					24,51,15,795
Income tax					2,53,02,907
					4,77,32,658
Net profit after taxes					11,44,16,417
					19,73,83,137

Financial statements of McCamish Systems LLC

To

The Members of McCamish Systems LLC

We have audited the attached Balance Sheet of McCamish Systems LLC ('the Company') as at 31st March 2011, the Profit and Loss account ('Financial Statement') of the Company for the year ended on that date. These Financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Further, we report that :

- a. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
- b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- c. The Balance sheet and the profit and Loss account dealt with by this report are in agreement with the books of accounts;
- d. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
 - i. in the case of the Balance Sheet, of the State of affairs of the Company as at March 31, 2011; and
 - ii. in the case of Profit and Loss account, of the loss of the Company for the year ended on that date.

For Shenoy & Kamath
Chartered Accountants
Firms Regn. No. 0066735

M. Rathnakar Kamath
Partner
Membership No. 202841

Bangalore
April 11, 2011

Balance Sheet

As at Mar 31,	Schedule	in ₹	
		2011	2010
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	1	1,15,06,82,854	1,15,06,82,854
Unsecured Loans		17,73,45,985	15,49,973
		1,32,80,28,839	1,15,22,32,827
APPLICATION OF FUNDS			
FIXED ASSETS			
Original cost	2	9,78,97,548	5,63,21,685
Less : Accumulated depreciation		5,56,33,238	2,31,74,189
Net book value		4,22,64,310	3,31,47,496
CURRENT ASSETS, LOANS AND ADVANCES			
Sundry debtors	3	15,34,13,460	15,20,35,951
Cash and bank balances	4	1,41,20,624	6,51,38,613
Loans and advances	5	5,22,38,065	3,82,69,113
		21,97,72,149	25,54,43,677
LESS : CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	6	12,53,81,801	13,44,51,717
Provisions	7	1,58,08,608	1,50,25,584
		14,11,90,409	14,94,77,301
NET CURRENT ASSETS		7,85,81,740	10,59,66,376
PROFIT AND LOSS ACCOUNT	8	1,20,71,82,789	1,01,31,18,955
		1,32,80,28,839	1,15,22,32,827
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS	13		

Note : The schedules referred to above are an integral part of the Balance Sheet.

For Shenoy & Kamath
Chartered Accountants
Firms Regn. No. 0066735

M. Rathnakar Kamath
Partner
Membership No : 202841

D. Swaminathan
Chairman

Gordon Beckham
Chief Executive Officer

Eric Paternoster
Member

Ritesh M. Idnani
Member

Sam Thomas
Member

Bangalore
April 11, 2011

Profit and Loss account

in ₹

For the year ended	Schedule	March 31, 2011	March 31, 2010
Income from software services, products and business process management		1,49,87,76,205	38,02,29,857
Software development and business process management expenses	9	1,42,11,99,534	46,26,48,128
GROSS PROFIT		7,75,76,671	(8,24,18,272)
Selling and marketing expenses	10	7,41,63,328	2,04,14,765
General and administration expenses	11	16,58,24,682	4,84,95,133
		23,99,88,010	6,89,09,898
OPERATING PROFIT BEFORE INTEREST AND DEPRECIATION AND MINORITY INTEREST		(16,24,11,339)	(15,13,28,170)
Interest		11,36,260	15,84,169
Depreciation		3,33,75,215	2,38,96,325
OPERATING PROFIT BEFORE TAX, MINORITY INTEREST AND EXCEPTIONAL ITEMS		(19,69,22,814)	(17,68,08,663)
Other income, net	12	78,800	98,061
NET PROFIT BEFORE TAX		(19,68,44,014)	(17,67,10,602)
Provision for taxation		–	–
NET PROFIT AFTER TAX		(19,68,44,014)	(17,67,10,602)
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS	13		

Note : The schedules referred to above are an integral part of the Profit and Loss account.

For Shenoy & Kamath
Chartered Accountants
Firms Regn. No. 006673S

M. Rathnakar Kamath
Membership No : 202841

D. Swaminathan
Chairman

Gordon Beckham
Chief Executive Officer

Eric Paternoster
Member

Ritesh M. Idnani
Member

Sam Thomas
Member

Bangalore
April 11, 2011

Schedules to the Balance Sheet as at

in ₹			in ₹		
As at March 31,	2011	2010	As at March 31,	2011	2010
1 SHARE CAPITAL			6 CURRENT LIABILITIES		
Membership equity	1,15,06,82,854	1,15,06,82,854	Sundry creditors		
	1,15,06,82,854	1,15,06,82,854	Goods and services	2,12,56,430	35,80,920
3 SUNDRY DEBTORS			Accrued salaries and benefits		
Other debts			Bonus and incentives	2,20,61,265	3,29,42,929
Unsecured			For other liabilities		
Considered good	15,34,13,460	15,20,35,951	Provision for expenses	5,54,52,063	4,78,91,431
	15,34,13,460	15,20,35,951	Others	3,23,400	1,01,72,515
Less : Provision for doubtful debts		–		9,90,93,158	9,45,87,794
	15,34,13,460	15,20,35,951	Unearned revenue	2,62,88,643	3,98,63,923
4 CASH AND BANK BALANCES				12,53,81,801	13,44,51,717
Cash on hand	–	22,450	7 PROVISIONS		
Balances with non-scheduled banks in foreign currency			Provision for		
In current accounts	1,41,20,624	6,51,16,163	Post-sales client support and warranties	1,04,37,297	1,01,95,668
	1,41,20,624	6,51,38,613	Others	53,71,311	48,29,916
5 LOANS AND ADVANCES				1,58,08,608	1,50,25,584
Advances			8 PROFIT AND LOSS ACCOUNT		
Prepaid expenses	2,10,01,538	2,29,51,036	Translation Difference	26,82,597	(97,583)
For supply of goods and rendering of services	10,73,879	–	Profit and Loss Account		
Loans and advances to employees	22,003	–	Opening balance	(1,01,30,21,372)	(83,63,10,711)
Unbilled revenues	2,94,71,645	1,46,44,577	Add : Transfer during the year	(19,68,44,014)	(17,67,10,661)
Electricity and other deposits	6,69,000	6,73,500	Total	(1,20,98,65,386)	(1,01,30,21,372)
	5,22,38,065	3,82,69,113		(1,20,71,82,789)	(1,01,31,18,955)

Schedules to Profit and Loss account

		in ₹	
For the year ended March 31,	2011	2010	
9 SOFTWARE DEVELOPMENT AND BUSINESS PROCESS MANAGEMENT EXPENSES			
Salaries and bonus including overseas staff expenses	78,30,09,230	30,12,63,405	
Overseas group health insurance	4,46,77,267	2,26,14,129	
Staff welfare	22,47,299	11,35,953	
Technical sub-contractors	39,96,85,706	7,75,82,539	
Overseas travel expenses	2,09,40,315	22,45,486	
Software packages :			
For own use	3,00,19,370	31,58,298	
Communication expenses	51,90,228	22,48,225	
Computer maintenance	9,89,64,309	3,50,59,711	
Consumables	10,19,613	7,13,100	
Rent	2,91,89,769	1,12,57,123	
Miscellaneous expenses	62,56,428	53,70,160	
	1,42,11,99,534	46,26,48,128	
10 SELLING AND MARKETING EXPENSES			
Salaries and bonus including overseas staff expenses	3,35,60,931	99,88,630	
Group health insurance	–	1,78,301	
Staff welfare	23,85,448	3,31,196	
Overseas travel expenses	47,43,746	16,76,679	
Travelling and conveyance	10,70,490	1,50,486	
Commission and earnout charges	2,73,93,855	70,01,914	
Brand building	22,65,819	5,69,980	
Rent	7,08,706	2,38,604	
Marketing expenses	6,32,655	1,07,705	
Sales promotion expenses	4,47,262	1,59,732	
Communication Expenses	9,11,243	11,538	
Professional charges	43,171	–	
	7,41,63,328	2,04,14,765	

		in ₹	
For the year ended March 31,	2011	2010	
11 GENERAL AND ADMINISTRATION EXPENSES			
Salaries and bonus including overseas staff expenses	11,53,59,231	3,05,61,369	
Group health insurance	–	1,89,941	
Telephone charges	47,23,335	10,12,616	
Professional charges	71,10,499	22,91,189	
Power and fuel	14,80,341	2,26,026	
Travel and conveyance	48,724	6,42,649	
Overseas travel expenses	5,52,044	10,33,688	
Office maintenance	–	2,30,979	
Printing and stationery	53,758	9,34,740	
Donations	–	1,80,302	
Rent	24,10,259	8,11,472	
Repairs to plant and machinery	9,99,569	6,36,689	
Rates and taxes	28,32,921	9,79,508	
Postage and courier	87,22,641	38,22,688	
Books and periodicals	2,78,709	94,104	
Recruitment and training	7,78,680	54,502	
Bank charges and commission	8,53,402	92,124	
Auditor's remuneration :			
Statutory audit fees	12,00,490	6,17,715	
Miscellaneous expenses	1,84,20,080	40,82,832	
	16,58,24,682	4,84,95,133	
12 OTHER INCOME, NET			
Interest received on deposits with banks and others ⁽¹⁾	78,800	98,061	
	78,800	98,061	

⁽¹⁾ includes tax deducted at source

2. FIXED ASSETS

in ₹

Particulars	Original cost			Accumulated depreciation				Net book value		
	Cost as at April 1, 2010	Additions during the year	Deletions during the year	Cost as at March 31, 2011	As at April 1, 2010	For the year	Deductions during the year	As at March 31, 2011	As at March 31, 2011	As at March 31, 2010
Goodwill			-	-			-	-	-	-
Land - Leasehold			-	-			-	-	-	-
Buildings			-	-			-	-	-	-
Leasehold improvements	22,19,222	(14,827)	-	22,04,395	2,32,393	7,29,044	16,559	9,44,878	12,59,517	19,86,829
Plant and machinery	5,00,135	11,28,607	-	16,28,742	1,66,909	3,59,701	8,883	5,17,727	11,11,015	3,33,226
Computer equipment	4,34,53,921	4,05,29,890	-	8,39,83,811	2,14,62,618	2,87,49,370	8,08,080	4,94,03,908	3,45,79,903	2,19,91,303
Furniture and fixtures	1,01,48,407	(67,807)	-	1,00,80,600	13,12,269	35,37,100	82,644	47,66,725	53,13,875	88,36,138
Vehicles	-	-	-	-	-	-	-	-	-	-
	5,63,21,685	4,15,75,863	-	9,78,97,548	2,31,74,189	3,33,75,215	9,16,166	5,56,33,238	4,22,64,310	3,31,47,496
Previous year	-	5,63,21,685	-	5,63,21,685	-	2,38,96,282	7,22,093	2,31,74,189	3,31,47,496	

Schedules to the financial statements for the year ended March 31, 2011

13. Significant accounting policies and notes on accounts

Company overview

McCamish Systems LLC is a leading provider of business process management services to organizations that outsource their business processes. McCamish Systems LLC is a majority owned and controlled of Infosys BPO Limited. The Company leverages the benefits of service delivery globalization, process redesign and technology and thus drives efficiency and cost effectiveness into client's business processes and thereby improve their competitive position by managing their business processes in addition to providing increased value.

13.1. Significant accounting policies

13.1.1. Basis of preparation of financial statements

The 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). 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.

13.1.2. 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.

13.1.3. Revenue recognition

The Company derives its revenues primarily from business process management services, on both the time-and-material and fixed-price, fixed-time frame basis and unit-priced basis. Revenue on time-and-material contracts is recognized as the related services are rendered. Revenue from fixed-price, fixed-time frame contracts, where there is no uncertainty as to measurement and collectability of consideration, is recognized as per the proportionate-completion method. Revenues from unit-priced contracts are recognized as transactions are processed based on objective measures of output. When the Company receives advances for its services, such amounts are reflected as advance received from clients until all conditions for revenue recognition are met. Cost and earnings in excess of billings are classified as unbilled

revenue while billing in excess of cost and earnings is classified as deferred revenue. Provision for estimated losses, if any, on uncompleted contracts are recorded in the year in which such losses become probable based on the current estimates. The Group presents revenues net of service taxes and value added taxes in its Profit and Loss account.

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 increase 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. The Company recognizes changes in the estimated amount of obligation for discount using cumulative catch-up approach. The discounts are passed on the customer either as direct payments or as a reduction of payments due from customer.

13.1.4. Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive 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 discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

13.1.5. 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 and 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.

13.1.6. Income taxes

Income tax expense comprises current and deferred income tax. Income tax expense is recognized in net profit except to the extent that it relates to items recognized directly in equity, in which case it is recognized in other comprehensive income. Current income tax for current and prior periods is recognized at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date.

13.1.7. Earnings per share

Basic earnings per 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.

13.1.8. 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.

13.1.9 Fixed Assets

Fixed assets are stated at cost, after reducing accumulated depreciation and impairment upto the date of the Balance Sheet. Direct costs are capitalized until the assets are ready for use and include financing costs relating to any borrowing attributable to acquisition or construction of those fixed assets which necessarily take a substantial period of time to get ready for their intended use. Capital work-in-progress includes the cost of fixed assets that are not yet ready for their intended use and advances paid to acquire fixed assets before the Balance Sheet date. Intangible assets are recorded at the consideration paid for acquisition of such assets and are carried at cost less accumulated amortisation and impairment. Goodwill on amalgamation is tested periodically for impairment.

13.1.10 Depreciation

Depreciation on fixed assets is determined using the straight-line method based on useful lives of assets as estimated by the Group. Depreciation for assets purchased / sold during the year is proportionately charged. Individual assets costing ₹5,000 or less are depreciated within a year of acquisition. Leasehold improvements are written off over the lower of the remaining period of lease or the life of the asset. Leasehold land is amortised over the lease period. Intangible assets are amortised over their useful life on a straight line basis commencing from the date the asset is available to the Group for its use. Management estimates the useful lives for the various fixed assets as follows :

Buildings	Fifteen years
Computer equipment	Two years
Plant and machinery	Five years
Furniture and fixtures	Five years
Vehicles	Five years

13.1.11 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 absences is determined by actuarial valuation based on the additional amount expected to be paid out 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.

13.1.12 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 recognized as an expense on a straight line basis in the Profit and Loss account over the lease term.

13.2 Notes on Accounts

13.2.1 Aggregate expenses

The aggregate amounts incurred on expenses are as follows :

	Year ended	Period ended
	March 31, 2011	March 31, 2010
Salaries and bonus excluding overseas staff expenses	97,66,06,660	36,31,09,918
Staff welfare	46,32,747	31,52,994
Contribution to provident and other funds		
Foreign Travel expenses	52,95,790	39,22,155

in ₹

	Year ended	Period ended
	March 31, 2011	March 31, 2010
Consumables	10,19,613	48,05,926
Computer maintenance	9,89,64,309	3,50,59,727
Cost of software for own use	3,00,19,370	31,58,307
Communication expenses	1,08,24,807	32,72,362
Consultancy charges		7,75,82,531
Travel and conveyance	2,20,59,530	21,69,293
Rent	3,23,08,734	1,23,07,230
Printing & stationery	53,758	18,02,151
Legal & professional charges	40,68,39,376	22,91,169
Brand building	22,65,819	5,69,923
Recruitment & training expenses	7,78,680	4,72,391
Power & fuel	14,80,341	2,25,253
Insurance charges	–	36,78,703
Rates & taxes	28,32,921	9,77,258
Auditor's remuneration :		
Audit fees	12,00,490	6,17,715
Bank charges & commission	8,53,402	91,979
Postage & courier	87,22,641	38,22,671
Marketing expenses	6,32,655	1,07,705
Sales promotion	4,47,262	1,59,726
Other miscellaneous expenses	5,33,48,640	82,01,045
	1,66,11,87,544	53,15,58,132

13.2.2. Related party transactions

List of related parties :

Name of related parties	Country	Holding, as at March 31,	
		March 31, 2011	March 31, 2010
Infosys BPO Limited	India	100.00%	100.00%
Infosys Technologies Limited	India	0.00%	0.00%
Infosys Consulting	U. S.	0.00%	0.00%

On December 4, 2009, 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 ₹171 crore and a contingent consideration of ₹67 crore. The acquisition was completed during the year and accounted as a business combination which resulted in goodwill of ₹227 crore.

Details of amounts due to or due from as at March 31, 2011 and March 31, 2010 :

Particulars	As at March 31,	
	2011	2010
Sundry debtors :		
Infosys Technologies Limited	446	97,63,056
Sundry creditors :		
Infosys Technologies Limited	1,93,19,089	11,89,401
Infosys Consulting	19,37,360	–

The details of the related party transactions entered into by the Company and maximum dues from subsidiaries for the year ended March 31, 2011 and March 31, 2010 are as follows :

Particulars	As at March 31,	
	2011	2010
Capital transactions :		
Infosys BPO Limited	17,73,45,985	15,49,993
Revenue transactions :		
Sale of services :		
Infosys BPO Limited	2,70,308	–
Infosys Technologies Limited	10,53,84,310	80,35,068
Purchase of services :		
Infosys Technologies Limited	20,43,19,844	–
Infosys Consulting	8,36,52,246	–
Infosys BPO Limited	11,769,143	–
Sale of shared services including facilities and personnel :		
Infosys Technologies Limited	3,55,61,135	18,89,300
Infosys BPO Limited	2,52,74,559	–
Purchase of shared services including facilities and personnel :		
Infosys Consulting	8,63,674	–
Infosys BPO Limited	–	23,90,915
Infosys Technologies Limited	3,90,00,061	–

13.2.3. 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	As at March 31,	
	2011	2010
Cash balance	–	22,450
	–	22,450
In current accounts :		
Wachovia Bank N.A, U.S.	–	6,51,16,163
Bank of America, U.S.	1,38,97,624	–
Bank of America, U.S. – Trust Fund	2,23,000	–
	14,120,624	65,116,163
Total cash and bank balances as per Balance Sheet	14,120,624	65,138,613

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

Maximum balance with non-scheduled banks during the year	Year ended March 31,	
	2011	2010
In current accounts :		
Wachovia Bank N.A	11,22,73,493	23,90,23,722
Bank of America, California	16,98,52,950	–
Bank of America – Trust account, California	2,23,000	–

13.2.4. Provision for SLA compliance

The provision for service level agreement compliance is based on estimates made by the management for ongoing contracts. In accordance with paragraphs 66 and 67 of the Accounting Standard 29, the movement in provision for service level agreement is as follows :

	As at March 31,	
	2011	2010
Balance at the beginning of the period	10,195,668	–
Additional provisions made during the period	2,429,181	10,195,668
Provisions used during the period	–	–
Unused amounts reversed during the period	2,187,552	–
Balance at the end of the period	10,437,297	10,195,668

Management believes that the aforesaid provision will be utilized within a year.

13.2.5. Capital commitments and contingent liabilities

	Year ended March 31,	
	2011	2010
Estimated amount of unexecuted capital contracts (net of advance and deposits)	1,38,63,014	–

13.2.6. Segmental reporting

The Company's operations primarily relate to providing business process management services to organizations that outsource their business processes. 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 in individual segments. These are set out in the note on significant accounting policies. Industry segments at the Company primarily comprise customers relating to financial services, manufacturing, telecom, retail and other industries. Income in relation to segments is categorized based on items that are individually identified to those segments while expenditure is categorized in relation to the associated turnover of the segment. Expenses which form a significant component of total expenses are not specifically allocable to specific segments as the underlying services are used interchangeably. These expenses are separately disclosed as 'unallocated' and adjusted only against the total income of the Company. The Company believes that it is not practical to provide segment disclosures relating to these costs and expenses,

and accordingly these expenses are separately disclosed as unallocated and directly charged against total income. Fixed assets or liabilities contracted have not been identified to any reportable segments, as these are used interchangeably between segments. Accordingly no disclosure relating to total segment assets and liabilities are made. Geographical segments are segregated based on the location of the customers, or in relation to which the revenue is otherwise recognized. 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 others comprises all other places except, those mentioned above and India. All direct costs are identified to its respective verticals / geographies on the basis of revenues from the respective verticals / geographies while unallocable cost consists of depreciation only.

Industry segments

Years ended March 31, 2011 and March 31, 2010

	Financial Services	Manufacturing	Telecom	Retail	Others	Total
Revenue	1,49,35,62,178	17,06,406	1,66,663	–	33,40,958	1,49,87,76,205
	38,02,29,857	–	–	–	–	38,02,29,857
Identifiable operating expenses	61,03,31,085	3,67,682	36,314	–	7,18,721	61,14,53,803
	3,72,164	–	–	–	–	3,72,164
Allocated segment expenses	1,04,58,26,239	13,02,791	1,22,176	–	24,82,606	1,04,97,33,811
	53,11,85,862	–	–	–	–	53,11,85,862
Segmental operation income	(16,25,95,146)	35,933	8,173	–	1,39,659	(16,24,11,409)
	(15,13,28,265)	–	–	–	–	(15,13,28,169)
Unallocable expenses						3,45,11,405
						2,38,96,325
Operating income						(19,69,22,814)
						(17,52,24,494)
Other income						78,800
						(14,86,108)
Net profit before tax						(19,68,44,014)
						(17,67,10,602)
Income tax						–
						–
Net profit after taxes						(19,68,44,014)
						(17,67,10,602)

Geographical segments

Years ended March 31, 2011 and Mar 31, 2010

	North America	Europe	India	Others	Total
Revenue	1,49,87,76,205	–	–	–	1,49,87,76,205
	38,02,29,857	–	–	–	38,02,29,857
Identifiable operating expenses	61,14,53,803	–	–	–	61,14,53,803
	3,72,164	–	–	–	3,72,164
Allocated segment expenses	1,04,97,33,811	–	–	–	1,04,97,33,811
	53,11,85,862	–	–	–	53,11,85,862
Segmental operation income	(16,24,11,381)	–	–	–	(16,24,11,409)
	(15,13,28,265)	–	–	–	(15,13,28,169)
Unallocable expenses					3,45,11,405
					2,38,96,325
Operating income					(19,69,22,814)
					(17,52,24,494)
Other income					78,800
					(14,86,108)
Net profit before tax					(19,68,44,014)
					(17,67,10,602)
Income tax					–
					–
Net profit after taxes					(19,68,44,014)
					(17,67,10,602)

Notes

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