

Schedules to the Financial Statements for the quarter and nine months ended December 31, 2007

22 Significant accounting policies and notes on accounts

Company overview

Infosys Technologies Limited ("Infosys" or "the company") along with its majority owned and controlled subsidiary, Infosys BPO Limited, India ("Infosys BPO") formerly known as Progeon Limited, and wholly owned subsidiaries, Infosys Technologies (Australia) Pty. Limited ("Infosys Australia"), Infosys Technologies (China) Co. Limited ("Infosys China"), formerly known as Infosys Technologies (Shanghai) Co. Limited, Infosys Consulting, Inc., USA ("Infosys Consulting") and Infosys Technologies S. DE R.L. de C.V. ("Infosys Mexico") is a leading global technology services organisation. The Company provides end-to-end business solutions that leverage technology thereby enabling clients to enhance business performance. The Company provides solutions that span the entire software life cycle encompassing technical consulting, design, development, re-engineering, maintenance, systems integration and package evaluation and implementation, testing and infrastructure management services. In addition, the Company offers software products for the banking industry.

22.1 Significant accounting policies

22.1.1 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 specified in the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India. These financial statements should be read in conjunction with the annual financial statements for the year ended March 31, 2007. 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.

Management evaluates all recently issued or revised accounting standards on an on-going basis.

22.1.2 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 assets and 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, post-sales customer support and the useful lives of fixed assets and intangible assets.

Management periodically assesses using, external and internal sources, whether there is an indication that an asset may be impaired. An impairment occurs where the carrying value exceeds the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. The impairment loss to be expensed is determined as the excess of the carrying amount over the higher of the asset's net sales price or present value as determined above. Contingencies are recorded when it is probable that a liability will be incurred, and the amount can be reasonably estimated. Where no reliable estimate can be made, a disclosure is made as contingent liability. Actual results could differ from those estimates.

22.1.3 Revenue recognition

Revenue from software development on fixed-price, fixed-time frame contracts, where there is no uncertainty as to measurement or collectability of consideration is recognized as per the percentage of completion method. On time-and-materials contracts, revenue is recognized as the related services are rendered. 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 proportionately 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 multiple element contracts, where revenue is recognized as per the percentage of completion method.

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

22.1.4 Expenditure

The cost of software purchased for use in software development and services is charged to cost of revenues in the year of acquisition. Charges relating to non-cancelable, long-term operating leases are computed primarily on the basis of the lease rentals, payable as per the relevant lease agreements. Post-sales customer support costs are estimated by management, determined on the basis of past experience. The costs provided for are carried until expiry of the related warranty period. Provisions are made for all known losses and liabilities. Leave encashment liability is determined on the basis of an actuarial valuation.

22.1.5 Fixed assets, intangible assets and capital work-in-progress

Fixed assets are stated at cost, less accumulated depreciation. 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 balance sheet date. Intangible assets are recorded at the consideration paid for acquisition.

22.1.6 Depreciation and amortization

Depreciation on fixed assets is applied on the straight-line basis over the useful lives of assets estimated by the Management. Depreciation for assets purchased / sold during a period is proportionately charged. Individual low cost assets (acquired for less than Rs. 5,000/-) are depreciated within a year 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. 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

22.1.7 Retirement benefits to employees

22.1.7.a Gratuity

Infosys provides for gratuity, a defined benefit retirement plan (the "Gratuity Plan") covering eligible employees. In accordance with the Payment of Gratuity Act, 1972, the Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment. Liabilities with regard to the Gratuity Plan are determined by actuarial valuation as of the balance sheet date, based upon which, the company contributes all the ascertained liabilities to the Infosys Technologies Limited Employees' Gratuity Fund Trust (the "Trust"). Trustees administer contributions made to the Trust and contributions are invested in specific investments as permitted by law.

22.1.7.b Superannuation

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

22.1.7.c Provident fund

Eligible employees receive benefits from a provident fund, which is a defined contribution plan. Aggregate contributions along with interest thereon is paid at retirement, death, incapacitation or termination of employment. Both the employee and the company make monthly contributions to the Infosys Technologies Limited Employee's Provident Fund Trust equal to a specified percentage of the covered employee's salary. Infosys also contributes to a government administered pension fund on behalf of its employees. The interest rate payable by the trust to the beneficiaries every year is being notified by the government. The company has an obligation to make good the shortfall, if any, between the return from the investments of the trust and the notified interest rate.

22.1.8. Research and development

Revenue expenditure incurred on research and development is expensed as incurred. Capital expenditure incurred on research and development is depreciated over the estimated useful lives of the related assets.

22.1.9. Foreign currency transactions

Revenue from overseas clients and collections deposited in foreign currency 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 foreign currency bank accounts are reported at the daily rates. 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.

Fixed assets purchased at overseas offices are recorded at cost, based on the exchange rate as of the date of purchase. The charge for depreciation is determined as per the company's accounting policy.

Monetary current assets and monetary current liabilities that are 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.

22.1.10 Forward contracts and options in foreign currencies

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

The company records the 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 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 effective hedge, a gain or loss is recognized in the profit and loss account.

22.1.11. 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 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 alternative tax (MAT) paid in accordance to 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. 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 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 substantially enacted regulations. Deferred tax assets are recognized only if there is reasonable certainty that they will be realized and 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. Tax benefits of deductions earned on exercise of employee stock options in excess of compensation charged to profit and loss account are credited to the share premium account.

22.1.12. Earnings per share

In determining earnings per share, the company considers the net profit after tax and includes the post tax effect of any extra-ordinary/exceptional item. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the period. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share, and also the weighted average number of equity shares that could have been issued on the 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 (i.e. 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. The number of shares and potentially dilutive equity shares are adjusted for any stock splits and bonus shares issues effected prior to the approval of the financial statements by the board of directors.

22.1.13. Investments

Trade investments are the investments made to enhance the company's business interests. Investments are either classified as current or long-term based on the Management's intention at the time of purchase. Current investments are carried at the lower of cost and fair value. 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 decline, other than temporary, in the carrying value of each investment.

22.1.14. 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 and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, investing and financing activities of the company are segregated.

22.1.15 Onerous 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 recognised 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.

22.2 Notes on accounts

Amounts in the financial statements are presented in Rupees crore, except for per share data and as otherwise stated. Certain amounts do not appear due to rounding off, and are detailed in Note 22.3. All exact amounts are stated with the suffix "-". One crore equals 10 million.

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

22.2.1 Aggregate expenses

The aggregate amounts incurred on certain specific expenses

	<i>in Rs. crore</i>			
	Quarter ended		Nine months ended	
	December 31,		December 31,	
	2007	2006	2007	2006
Salaries and bonus including overseas staff expenses [#]	1,917	1,549	5,516	4,392
Contribution to provident and other funds	45	41	135	115
Staff welfare				
Staff welfare	16	12	37	31
Overseas group health insurance*	(47)	29	5	70
Overseas travel expenses	98	97	294	287
Visa charges and others	29	20	106	86
Traveling and conveyance	28	22	71	63
Technical sub-contractors - subsidiaries	192	159	575	446
Technical sub-contractors - others	48	73	167	170
Software packages	-	-	-	-
For own use	65	57	154	140
For service delivery to clients	8	5	22	20
Professional charges	47	39	132	116
Telephone charges	33	30	93	85
Communication expenses	16	14	41	41
Power and fuel	26	22	79	66
Office maintenance	32	23	86	70
Guest house maintenance**	1	1	2	1
Commission and earnout charges	3	4	10	23
Brand building	14	17	41	44
Rent	12	12	37	36
Insurance charges	3	7	15	19
Computer maintenance	5	6	15	16
Printing and stationery	3	5	11	11
Consumables	6	6	15	17
Donations	5	7	15	16
Advertisements	2	2	9	8
Marketing expenses	4	10	13	18
Repairs to building	6	5	14	15
Repairs to plant and machinery	4	4	13	10
Rates and taxes	14	7	26	19
Professional membership and seminar participation fees	2	3	7	7
Postage and courier	2	2	7	6
Provision for post-sales client support and warranties	14	5	20	11
Books and periodicals	1	1	3	3
Provision for bad and doubtful debts	15	5	36	24
Provision for doubtful loans and advances	-	-	-	-
Commission to non-whole time directors	1	1	3	1
Sales promotion expenses	1	-	2	1
Freight charges	1	-	1	1
Bank charges and commission	-	-	1	1
Auditor's remuneration	-	-	-	-
Statutory audit fees	-	-	-	-
Certification charges	-	-	-	-
Others	-	-	-	-
Out-of-pocket expenses	-	-	-	-
Research grants	-	2	4	7
Miscellaneous expenses	-	1	2	4
	<u>2,672</u>	<u>2,305</u>	<u>7,835</u>	<u>6,517</u>
Fringe Benefit Tax (FBT) in India included in the above	4	5	12	12

[#] The Company had voluntarily settled with the California Division of Labor standards enforcement (DLSE) towards possible overtime payment to certain employees in California for a total amount of Rs. 102 crore. The payment pertains to the last three years and such backwages would be paid to employees in due course.

* The Company records health insurance liabilities based on the maximum individual claimable amounts by employees. During the quarter, the Company completed its reconciliation of amounts actually claimed by employees to date, including past years, with the aggregate amount of recorded liability and the net excess provision of Rs. 71 crore was written back.

**for non-training purposes

22.2.2. Capital commitments and contingent liabilities

Particulars	<i>in Rs. Crore</i>	
	December 31, 2007	As at March 31, 2007
Estimated amount of unexecuted capital contracts (net of advances and deposits)	650	655
Outstanding guarantees and counter guarantees to various banks, in respect of the guarantees given by those banks in favour of various government authorities and others	2	2
Claims against the company, not acknowledged as debts* (Net of Amount Rs. 101 crore (Rs. 138 crore) crore paid to statutory authorities)	17	15
Forward contracts outstanding		
In US\$	US \$ 857,000,000	US \$ 165,000,000
(Equivalent approximate in Rs. crore)	3,377	711
In Euro	€ 25,000,000	€ 2,000,000
(Equivalent approximate in Rs. crore)	144	12
In GBP	£15,000,000	£5,500,000
(Equivalent approximate in Rs. crore)	117	47
Options outstanding		
Range barrier options in US \$	US \$ 100,000,000	US \$ 205,000,000
(Equivalent approximate in Rs. crore)	394	884
Euro Accelerator in Euro	€ 15,000,000	€ 24,000,000
(Equivalent approximate in Rs. crore)	86	138
GBP Accelerator	£10,500,000	-
(Equivalent approximate in Rs. crore)	82	-
Target Redemption structure (GBP)	-	£16,000,000
(Equivalent approximate in Rs. crore)	-	136
USD-INR Plain Vanilla Put option	US \$ 5,000,000	-
(Equivalent approximate in Rs. crore)	20	-
Euro Forward extra	-	-
(Equivalent approximate in Rs. crore)	-	-
GBP Forward extra	£10,000,000	-
(Equivalent approximate in Rs. crore)	78	-

* Claims against the company not acknowledged as debts include demand from the Indian tax authorities for payment of additional tax of Rs 98 crore (Rs 234 crore), including interest of Rs 18 crore (Rs 51 crore) upon completion of their tax review for fiscal 2004. The tax demand is mainly on account of disallowance of a portion of the deduction claimed by the company under Section 10A of the Income tax Act. The deductible amount is determined by the ratio of export turnover to total turnover. The disallowance arose from certain expenses incurred in foreign currency being reduced from export turnover but not reduced from total turnover. The matter is pending before the Commissioner of Income tax (Appeals) Bangalore.

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

As of the Balance Sheet date, the company has net foreign currency exposures that are not hedged by a derivative instrument or otherwise is Nil (Rs. 995 crore as at March 31, 2007)

22.2.3 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.

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

Particulars	<i>in Rs. Crore</i>			
	Quarter ended December 31, 2007	2006	Nine months ended December 31, 2007	2006
Capital goods	59	61	228	209
Software packages	3	-	7	3
	62	61	235	212

22.2.5. Activity in foreign currency

Particulars	<i>in Rs. Crore</i>			
	Quarter ended December 31, 2007	2006	Nine months ended December 31, 2007	2006
Earnings in foreign currency (on receipts basis)				
Income from software services and products	3,826	3,321	10,944	8,896
Interest received on deposits with banks	5	3	14	10
Expenditure in foreign currency (on payments basis)				
Travel expenses (including visa charges)	92	80	303	269
Professional charges	16	16	54	48
Technical sub-contractors - subsidiaries	192	156	556	431
Other expenditure incurred overseas for software development	1,319	1,224	3,909	3,094
Net earnings in foreign currency (on the receipts and payments basis)	2,212	1,848	6,136	5,064

22.2.6. 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:

Particulars	Quarter ended December 31,		Nine months ended December 31,	
	2007	2006	2007	2006
Lease rentals recognized during the period	12	12	37	36

in Rs. Crore

Lease obligations	As at	
	December 31, 2007	March 31, 2007
Within one year of the balance sheet date	28	32
Due in a period between one year and five years	86	92
Due after five years	28	44
Total	142	168

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

Fixed assets provided on operating lease to Infosys BPO, a subsidiary company, as at December 31, 2007 and March 31, 2007 :

Particulars	Cost	Accumulated depreciation	<i>in Rs. Crore</i>	
			December 31, 2007	March 31, 2007
Building	53	11	42	
	46	9	37	
Plant and machinery	22	14	8	
	20	11	9	
Computers	2	2	-	
	2	2	-	
Furniture & fixtures	13	11	2	
	12	10	2	
Total	90	38	52	
	80	32	48	

The aggregate depreciation charged on the above during the quarter and nine months ended December 31, 2007 amounted to Rs. 2 crore and Rs. 6 crore respectively. (Rs.2 crore and Rs.7 crore respectively for the quarter and nine months ended December 31, 2006.)

The company has non-cancelable operating leases on equipped premises leased to Infosys BPO. The leases extend for periods between 36 months and 58 months from the date of inception. The lease rentals received are included as a component of sale of shared services (Refer Note 22.2.7). Lease Rental commitments from Infosys BPO:

Lease rentals	<i>in Rs. Crore</i>	
	December 31, 2007	March 31, 2007
Within one year of the balance sheet date	7	12
Due in a period between one year and five years	-	4
Due after five years	-	-
Total	7	16

The rental income from Infosys BPO for the quarter and nine months ended December 31, 2007 amounted to Rs. 4 crore and Rs.13 crore (Rs. 5 crore and Rs. 12 crore for the quarter and nine months ended December 31, 2006)

22.2.7. Related party transactions

List of related parties:

Name of the related party	Country	Holding, as at	
		December 31, 2007	March 31, 2007
Infosys BPO**	India	98.92%	# 98.92%
Infosys Australia	Australia	100%	100%
Infosys China	China	100%	100%
Infosys Consulting	USA	100%	100%
Infosys Mexico	Mexico	100%	-
Infosys BPO s. r. o *	Czech Republic	98.92%	98.92%
P-Financial Services Holding B.V, Netherlands **	Netherlands	98.92%	-

* Infosys BPO s.r.o is a wholly owned subsidiary of Infosys BPO.

**P-Financial Services Holding B.V. Netherlands is a wholly owned subsidiary of Infosys BPO

***On December 8, 2006, the shareholders of Infosys BPO approved a buy-back of upto 12,79,963 equity shares at a fair market value of Rs 604/- per equity share. The buy-back was in accordance with Section 77A of the Indian Companies Act, 1956. Pursuant to the buy-back offer Infosys BPO bought back 11,39,469 equity shares which were subsequently cancelled on December 29, 2006. Also refer to note 22.2.16

Excludes deferred purchase of shares from shareholders of Infosys BPO of 3,60,417 shares

The details of the related party transactions entered into by the company, in addition to the lease commitments described in note 22.2.6, for the quarter and nine months ended December 31, 2007 and 2006 are as follows:

Particulars	in Rs. Crore			
	Quarter ended December 31,		Nine months ended December 31,	
	2007	2006	2007	2006
Capital transactions:				
Financing transactions:				
Infosys China	-	-	-	9
Infosys Mexico	18	-	22	-
Infosys Consulting	-	-	81	14
Loans				
Infosys China	-	-	11	9
Revenue transactions:				
Purchase of services				
Infosys BPO (Including Infosys BPO s.r.o)	-	3	-	8
Infosys Australia	114	97	361	272
Infosys China	14	13	39	29
Infosys Consulting	61	47	170	136
Infosys Mexico	1	-	1	-
Purchase of shared services including facilities and personnel				
Infosys BPO (Including Infosys BPO s.r.o)	4	1	6	2
Interest Income				
Infosys China	-	-	-	1
Sale of services				
Infosys Australia	1	1	2	2
Infosys China	-	1	-	2
Infosys Consulting	1	-	1	3
Sale of shared services including facilities and personnel				
Infosys BPO (Including Infosys BPO s.r.o)	11	4	32	10
Infosys Consulting	1	1	1	2

Details of amounts due to or due from and maximum dues from subsidiaries for the nine months ended December 31, 2007 and year ended March 31, 2007:

Particulars	in Rs. Crore	
	December 31, 2007	March 31, 2007
Loans and advances		
Infosys China	32	22
Debtors		
Infosys China	1	2
Infosys BPO (Including Infosys BPO s.r.o)	-	-
Creditors		
Infosys BPO (Including Infosys BPO s.r.o)	-	-
Maximum balances of loans and advances		
Infosys BPO (Including Infosys BPO s.r.o)	2	2
Infosys Australia	31	24
Infosys China	32	25
Infosys Consulting	16	14
Sundry Creditors		
Infosys Mexico	1	-

During the quarter and nine months ended December 31, 2007, an amount of Rs.5 crore and Rs.15 crore (Rs. 5 crore and Rs.14 crore for the quarter and nine months ended December 31, 2006) was donated to Infosys Foundation, a not-for-profit foundation, in which certain directors of the company are trustees.

22.2.8. Transactions with key management personnel

Key Management personnel comprise directors and statutory officers.

Particulars of remuneration and other benefits paid to key management personnel during the quarter and nine months ended December 31, 2007 and December 31, 2006 have been detailed in Schedule 22.3 since the amounts are less than a crore.

22.2.9. Research and development expenditure

Particulars	Quarter ended		Nine months ended	
	December 31, 2007	2006	December 31, 2007	2006
Revenue	45	43	154	116

22.2.10. Dues to small-scale industrial undertakings

As at December 31, 2007 and March 31, 2007, the company has no outstanding dues to small-scale industrial undertaking.

22.2.11. Stock option plans

The company has two stock option plans that are currently operational.

1998 Stock Option Plan ("the 1998 Plan")

The 1998 Plan was approved by the board of directors in December 1997 and by the shareholders in January 1998, and is for issue of 1,17,60,000 ADSs representing 1,17,60,000 equity shares. The 1998 Plan automatically expires in January 2008, unless terminated earlier. All options under the 1998 Plan are exercisable for ADSs representing equity shares. A compensation committee comprising independent members of the Board of Directors administers the 1998 Plan. All options have been granted at 100% of fair market value.

Number of options granted, exercised and forfeited during the	Quarter ended		Nine months ended	
	December 31, 2007	2006	December 31, 2007	2006
Options outstanding, beginning of period	20,84,124	37,33,549	20,84,124	45,46,480
Granted	-	-	-	-
Less: exercised	(162,633)	(346,993)	(162,633)	(1,022,564)
forfeited	-	(25,446)	-	(162,806)
Options outstanding, end of period	19,21,491	33,61,110	19,21,491	33,61,110

1999 Stock Option Plan ("the 1999 Plan")

In fiscal 2000, the company instituted the 1999 Plan. The shareholders and the Board of Directors approved the plan in June 1999, which provides for the issue of 5,28,00,000 equity shares to the employees. The compensation committee administers the 1999 Plan. Options were issued to employees at an exercise price that is not less than the fair market value.

Number of options granted, exercised and forfeited during the	Quarter ended		Nine months ended	
	December 31, 2007	2006	December 31, 2007	2006
Options outstanding, beginning of period	18,31,218	1,51,26,339	18,97,840	1,91,79,074
Granted	-	-	-	-
Less: exercised	(181,442)	(1,716,474)	(181,442)	(5,715,944)
forfeited	(4,477)	(23,875)	(71,099)	(77,140)
Options outstanding, end of period	16,45,299	1,33,85,990	16,45,299	1,33,85,990

In fiscal 2007, the company has accelerated the vesting of 5,72,000 outstanding unvested options which were due to be vested in the normal course by October, 2007. The aggregate options considered for dilution are set out in note 22.2.20

Proforma Accounting for Stock Option Grants

Infosys applies the intrinsic value-based method of accounting for determining compensation cost for its stock-based compensation plan. Had the compensation cost been determined using the fair value approach, the Company's net income and basic and diluted earnings per share as reported would have reduced to the proforma amounts as indicated:-

Particulars	Quarter ended		Nine months ended	
	December 31, 2007	2006	December 31, 2007	2006
Net Profit:				
As Reported	1,186	958	3,288	2,659
Less: Stock-based employee compensation expense	3	-	9	-
Adjusted Proforma	1,183	958	3,279	2,659
Basic Earnings per share as reported	20.77	17.20	57.58	47.93
Proforma Basic Earnings per share	20.71	17.20	57.40	47.93
Diluted Earnings per share as reported	20.70	16.82	57.38	46.81
Proforma Earnings per share as reported	20.64	16.82	57.20	46.81

The Finance Act, 2007 included Fringe Benefit Tax ("FBT") on Employee Stock Option's Plan (ESOPs). FBT liability crystallizes on the date of exercise of stock options. During the quarter and nine months ended December 31, 2007, 3,44,075 equity shares were issued pursuant to the exercise of stock options by employees under both the 1998 and 1999 stock option plans. FBT on exercise of stock options of Rs. 2 crore has been paid by the Company and subsequently recovered from the employees. Consequently, there is no impact on the Profit and loss account.

22.2.12. Income taxes

The provision for taxation includes tax liabilities in India on the company's global income as reduced by exempt incomes and any tax liabilities arising overseas on income sourced from those countries. Most of Infosys' operations are conducted through Software Technology Parks ("STPs"). Income from STPs are tax exempt for the earlier of 10 years commencing from the fiscal year in which the unit commences software development and March 31, 2009.

Infosys 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 changes 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 a sum of Rs 57 crore was carried forward and shown under "Loans and advances" in the balance sheet as at December 31, 2007.

The tax provision for the nine months ended December 31, 2007 and for the year ending March 31, 2007 includes a reversal of Rs. 101 crore and Rs. 125 crore respectively relating to liabilities no longer required for taxes payable in various overseas jurisdictions on the expiry of the limitation period, conclusion of the Pre-Filing Agreement (PFA) with the Internal revenue Service (IRS) of the United States and the completion of the assessment by taxation authorities.

22.2.13. Cash and bank balances

Details of balances as on balance sheet dates with non-scheduled banks:-

Balances with non-scheduled banks	As at	
	December 31, 2007	March 31, 2007
<i>in Rs. crore</i>		
In current accounts		
Bank of America, Palo Alto, USA	258	293
Citibank NA, Melbourne, Australia	28	36
Citibank NA, Tokyo, Japan	1	1
Deutsche Bank, Brussels, Belgium	7	13
Deutsche Bank, Frankfurt, Germany	6	4
Deutsche Bank, Amsterdam, Netherlands	1	2
Deutsche Bank, Paris, France	1	3
Deutsche Bank, Zurich, Switzerland	-	-
Deutsche Bank, UK	140	5
HSBC Bank PLC, Croydon, UK	11	11
Royal Bank of Canada, Toronto, Canada	3	7
ABN Amro Bank, Taipei, Taiwan	1	2
Deutsche Bank, Spain	2	1
ABN Amro Bank, Copenhagen, Denmark	-	-
Citibank NA, Singapore	-	-
Citibank NA, Thailand	-	-
Nordbanken, Stockholm, Sweden	-	-
Svenska Handelsbanken, Sweden	-	-
The Bank of Tokyo-Mitsubishi UFJ, Ltd., Japan	-	-
	459	378

Details of maximum balances during the period with non-scheduled banks:-

Maximum balance with non-scheduled banks during the period	Quarter ended		Nine months ended	
	2007	2006	2007	2006
<i>in Rs. crore</i>				
In current accounts				
ABN Amro Bank, Taipei, Taiwan	2	1	2	1
Bank of America, Palo Alto, USA	637	501	637	614
Citibank NA, Melbourne, Australia	98	199	117	199
Citibank NA, Tokyo, Japan	14	18	14	23
Deutsche Bank, Brussels, Belgium	37	65	38	65
Deutsche Bank, Frankfurt, Germany	17	40	17	62
Deutsche Bank, Amsterdam, Netherlands	1	6	2	10
Deutsche Bank, Paris, France	4	15	5	19
Deutsche Bank, Spain	2	1	2	1
Deutsche Bank, Zurich, Switzerland	6	11	15	30
Deutsche Bank, UK	146	-	169	-
HSBC Bank PLC, Croydon, UK	19	163	32	236
Nordbanken, Stockholm, Sweden	1	2	1	2
Royal Bank of Canada, Toronto, Canada	13	17	13	37
Svenska Handels Bank, Stockholm, Sweden	1	1	1	1
UFJ Bank, Tokyo, Japan	3	5	3	34
ABN Amro Bank, Copenhagen, Denmark	-	-	-	-
Citibank NA, Singapore	-	-	-	-
Citibank NA, Thailand	-	-	-	-

The cash and bank balances comprise their respective values as of the balance sheet date including accumulated interest of Rs 139 crore. (As at March 31, 2007 Rs 37 crore).

22.2.14. Loans and advances

"Advances" mainly comprises prepaid travel and per-diem expenses and advances to vendors.

Deposits with financial institutions and body corporate:

Particulars	As at		<i>in Rs. crore</i>	
	December 31, 2007	March 31, 2007		
Deposits with financial institutions and body corporate:				
HDFC Limited	1,030	-		
GE Capital Services India	50	143		
Life Insurance Corporation of India	148	132		
	1,228	275		
Interest accrued but not due (included above)	30	14		

Maximum balance(Including accrued Interest) held as deposits with financial institutions and body corporate:

	Quarter ended		Nine months ended		<i>in Rs. crore</i>	
	2007	2006	2007	2006		
Deposits with financial institutions and body corporate:						
HDFC Limited	1,030	502	1,030	502		
GE Capital Services India	203	241	268	241		
Life Insurance Corporation of India	148	121	148	130		

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

Deposit with LIC represents amount deposited to settle employee benefit/ leave obligations as and when they arise during the normal course of business.

22.2.15. Fixed assets

Profit / (loss) on disposal of fixed assets during the quarter and nine months ended December 31, 2007 and 2006 is less than Rs. 1 crore and accordingly disclosed in note 22.3

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

	Quarter ended		Nine months ended		<i>in Rs. crore</i>	
	2007	2006	2007	2006		
Charged during the period	5	8	8	14		

The company has entered into lease-cum-sale agreements to acquire certain properties. In accordance with the terms of these agreements, the company has the option to purchase the properties on expiry of the lease period. The company has already paid 99% of the value of the properties at the time of entering into the lease-cum-sale agreements. These amounts are disclosed as "Land - leasehold" under "Fixed assets" in the financial statements. Additionally, certain land has been purchased for which the company has possession certificate for which sale deeds are yet to be executed as at December 31, 2007.

22.2.16. Details of Investments

Particulars	<i>in Rs. crore</i>	
	December 31, 2007	As at March 31, 2007
Long-term investments		
OnMobile Systems Inc., (formerly Onscan Inc.) USA		
1,00,000 (1,00,000) common stock at US\$ 0.4348 each, fully paid, par value US\$ 0.001 each	-	-
1,00,000 (1,00,000) Series A voting convertible preferred stock at US\$ 0.4348 each, fully paid, par value US\$ 0.001 each	-	-
44,00,000 (44,00,000) Series A non-voting convertible preferred stock at US\$ 0.4348 each, fully paid, par value US\$ 0.001 each	9	9
M-Commerce Ventures Pte Ltd, Singapore		
100 (100) ordinary shares of Singapore \$ 1 each, fully paid, par value Singapore \$ 1 each	-	-
563 (684) redeemable preference shares of Singapore \$ 1, fully paid, at a premium of Singapore \$ 1,110 per redeemable preferred stock	2	2
216 (216) redeemable preference shares of Singapore \$ 1, fully paid, par value Singapore \$ 1 each	-	-
	<u>11</u>	<u>11</u>
Less: Provision for investment	<u>-</u>	<u>-</u>

Details of investments in and disposal of securities during the quarter and nine months ended December 31, 2007 and 2006:

Particulars	<i>in Rs. crore</i>			
	Quarter ended December 31,		Nine months ended December 31,	
	2007	2006	2007	2006
Investment in securities				
Subsidiaries	18	-	103	553
Long-term investments	-	-	-	-
Liquid Mutual funds	-	590	1,518	3,480
	<u>18</u>	<u>590</u>	<u>1,621</u>	<u>4,033</u>
Redemption / Disposal of Investment in securities				
Long-term investments	-	-	-	6
Liquid Mutual funds	-	1,241	1,518	2,121
	<u>-</u>	<u>1,241</u>	<u>1,518</u>	<u>2,127</u>
Net movement in investments	<u>18</u>	<u>(651)</u>	<u>103</u>	<u>1,906</u>

Investment purchased and sold during the nine months ended December 31, 2007:

Name of the fund	<i>in Rs. crore</i>		
	Face value Rs /-	Units	Cost
Reliance Liquidity Fund - Treasury Plan	10	24,20,31,906	242
Birla Cash Plus Fund- Institutional Plan	10	14,97,08,069	150
Tata Liquid Super High Investment Fund- Monthly Dividend	1000	9,75,757	110
Birla Liquid Plus Fund- Institutional Plan	10	9,99,96,063	100
Deutsche Insta Cash Plus Fund - Institutional Plan	10	9,98,32,115	100
Deutsche Money Plus Fund - Institutional Plan	10	9,88,84,670	100
DSP Merrill Lynch Liquid Fund - Institutional Plan	1000	4,49,824	45
DSP Liquid plus - Institutional Plan	1000	4,49,824	45
Franklin Floating Rate - Institutional Plan	10	7,47,75,059	75
Templeton India Treasury Mang Acct - Institutional Plan	1000	7,38,016	75
HSBC - Cash Fund Institutional Plan	10	9,99,56,442	100
HSBC Liquid Plus - Institutional Plan	10	9,91,02,655	100
ICICI Institutional Liquid Plus	10	9,50,63,038	100
Grindlays Cash Fund - Institutional Plan	1000	4,99,985	50
SCB-Grindlays Floating Rate Fund - Institutional Plan	10	4,98,93,280	50
Sundaram Liquid Plus Super - Institutional Plan	10	7,41,34,846	75

Particulars of investments made during the quarter and nine months ended December 31, 2007 and 2006:

Particulars of investee companies	<i>in Rs. crore</i>			
	Quarter ended		Nine months ended	
	2007	December 31, 2006	2007	December 31, 2006
Infosys Consulting	-	-	81	14
Infosys Mexico	18	-	22	-
Infosys China	-	-	-	9
Infosys BPO	-	-	-	530
	<u>18</u>	<u>-</u>	<u>103</u>	<u>553</u>

Investment in Infosys Mexico

On June 20, 2007 the company incorporated a wholly owned subsidiary, Infosys Technologies S. DE R.L. de C.V. in Mexico ("Infosys Mexico"). During the quarter ended December 31, 2007, the company invested Mexican Peso 50 million (Rs. 18 crore) in the subsidiary. As of December 31, 2007, the Company has invested an aggregate of Mexican Peso 60 million (Rs. 22 crore) in the subsidiary.

Investment in Infosys BPO

Buyback of shares and options

In January 2007, the Company initiated the purchase of all the share and outstanding options in Infosys BPO from its shareholders and option holders comprising current and former employees of Infosys BPO. The share holders were given a choice to sell their shares at fair market value and the option-holders were given the choice to sell their options and/or swap Infosys BPO options for Infosys options at a swap ratio based on fair market value.

Consequent to this proposal Infosys paid an aggregate of Rs 71 crore for the purchase of shares and options and granted 1,51,933 Infosys options under the 1999 plan valued at fair value of Rs 12 crore. Accordingly, the investment in Infosys BPO increased by Rs 83 crore and reserves have increased by 12 crore.

Additionally, the Company has committed to a deferred share purchase with the shareholders of Infosys BPO. As per the agreement, Infosys will purchase 3,60,417 Infosys BPO shares for Rs 22 crore by February, 2008. The same will be accounted as investments on conclusion of the agreement along with the transfer of title in the shares. Upon conclusion Infosys holding in Infosys BPO would be 99.98%

Investment in Infosys Consulting

During the nine months ended December 31, 2007, the Company invested US\$ 20 million (Rs. 81 crore) in its wholly owned subsidiary Infosys Consulting, Inc. As of December 31, 2007, the Company has invested an aggregate of US\$ 40 million (Rs. 171 crore) in the subsidiary.

Conversion of Cumulative Preference shares in Infosys BPO

Infosys BPO had issued an aggregate of 87,50,000 0.005% Cumulative Convertible Preference shares of par value Rs. 100 each to Citicorp International Finance Corporation ("CIFIC") for an aggregate consideration of Rs. 94 crore as per the shareholder's agreement as of March 31, 2005. Each preference share was convertible to one equity share of par value Rs. 10/-. On June 30, 2005 CIFIC exercised its rights under the shareholder's agreement and converted the preference shares to equity shares. Pursuant to the conversion, the equity share capital of Infosys BPO increased by Rs. 9 crore to Rs. 33 crore and the share premium increased by Rs. 79 crore to Rs. 85 crore. On June 30, 2006, the company completed the acquisition of the entire holdings (87,50,000 shares amounting to 23% of the equity on a fully diluted basis) of CIFIC in Infosys BPO for a consideration amounting to Rs. 530 crore (US\$ 115.13 million). The net consideration of Rs. 309 crore, after withholding taxes of Rs. 221 crore was remitted to CIFIC on the same date.

Provisions for investments

The Company evaluates all investments for any diminution in their carrying values that is other than temporary. The amount of provision made on trade investments during the quarter and nine months ended December 31, 2007 amounted to Rs. Nil and Rs. Nil respectively. (Nil and Rs. 2 crore respectively for quarter and nine months ended December 31, 2006).

The company provided Nil during the quarter and nine months ended on December 31, 2007 (Nil and Rs 1 crore during the quarter and nine months ended December 31, 2006) on revision of the carrying amount of non-trade current investments to fair value.

Redemption of preference shares

On September 7, 2007 the company realised Rs. 0.36 crore on redemption of the preference shares in M-Commerce Ventures Pte. Limited, Singapore ("M-Commerce"), and their subsequent sale. There were no such transactions in the quarter or the nine months ended December 31, 2006. The entire investment in M-Commerce was fully provided for in earlier years. Accordingly, the realised gain was taken to the profit and loss account and the provision written back.

22.2.17. Segment reporting

The Group'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 note on significant accounting policies.

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

Income and direct expenses in relation to segments is categorized based on items that are individually identifiable to that segment, while the remainder of the costs are categorized in relation to the associated turnover of the segment. Certain expenses such as depreciation, which form a significant component of total expenses, are not specifically allocable to specific segments as the underlying services are used interchangeably. The company believes that it is not practical to provide segment disclosures relating to those costs and expenses, and accordingly these expenses are separately disclosed as "unallocated" and directly charged against total income.

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

Customer relationships are driven based on the location of the respective client. North America comprises the United States of America, Canada and Mexico; Europe includes continental Europe (both the east and the west), Ireland and the United Kingdom; and the Rest of the World comprising all other places except, those mentioned above and India.

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

Industry segments

Quarter ended December 31, 2007 and 2006:

	<i>in Rs. crore</i>					
	Financial services	Manufacturing	Telecom	Retail	Others	Total
Revenues	1,511	561	801	507	619	3,999
	1,344	455	592	379	684	3,454
Identifiable operating expenses	603	255	345	210	273	1,686
	555	198	257	149	282	1,441
Allocated expenses	373	139	197	125	152	986
	336	114	148	95	171	864
Segmental operating income	535	167	259	172	194	1,327
	453	143	187	135	231	1,149
Unallocable expenses						138
						129
Operating income						1,189
						1,020
Other income (expense), net						152
						60
Net profit before taxes and exceptional items						1,341
						1,080
Income taxes						155
						122
Net profit after taxes and before exceptional items						1,186
						958
Income on sale of investments (net of taxes)						-
						-
Net profit after taxes and exceptional items						1,186
						958

Industry Segments

Nine months ended December 31, 2007 and 2006:

	<i>in Rs. crore</i>					
	Financial services	Manufacturing	Telecom	Retail	Others	Total
Revenues	4,239	1,607	2,305	1,413	1,849	11,413
Identifiable operating expenses	3,622	1,334	1,667	983	1,988	9,594
Allocated expenses	1,807	729	1,030	608	813	4,987
	1,569	578	703	420	839	4,109
Segmental operating income	1,057	401	576	352	462	2,848
	909	335	418	247	499	2,408
Unallocable expenses						404
Operating income						336
						3,174
Other income (expense), net						2,741
Net profit before taxes and exceptional items						550
						252
Income taxes						340
Net profit after taxes and before exceptional items						3,288
						2,653
Income on sale of investments (net of taxes)						-
Net profit after taxes and exceptional items						6
						3,288
						2,659

Geographic Segments

Quarter ended December 31, 2007 and 2006:

	<i>in Rs. crore</i>				
	North America	Europe	India	Rest of the World	Total
Revenues	2,545	1,081	53	320	3,999
Identifiable operating expenses	2,198	906	65	285	3,454
Allocated expenses	1,076	409	17	184	1,686
	940	337	12	152	1,441
Segmental operating income	628	267	13	78	986
	550	227	16	71	864
Unallocable expenses					138
Operating income					129
					1,189
Other income (expense), net					1,020
Net profit before taxes and exceptional items					152
					60
Income taxes					1341
Net profit after taxes and before exceptional items					1,080
					155
Income on sale of investments (net of taxes)					122
Net profit after taxes and exceptional items					1,186
					958
					-
					-
					1,186
					958

Geographic Segments

Nine months ended December 31, 2007 and 2006:

	<i>in Rs. crore</i>				
	North America	Europe	India	Rest of the World	Total
Revenues	7,230	3,037	161	985	11,413
Identifiable operating expenses	6,151	2,472	159	812	9,594
Allocated expenses	3,171	1,217	41	558	4,987
	2,670	960	44	435	4,109
Segmental operating income	1,804	757	41	246	2,848
	1,545	621	39	203	2,408
Unallocable expenses					404
Operating income					336
					3,174
Other income (expense), net					2,741
Net profit before taxes and exceptional items					550
					252
Income taxes					340
Net profit after taxes and before exceptional items					3,288
					2,653
Income on sale of investments (net of taxes)					-
Net profit after taxes and exceptional items					6
					3,288
					2,659

22.2.18. Provision for doubtful debts

Periodically, the company evaluates all customer dues to the company for collectibility. The need for provisions is assessed based on various factors including collectibility of specific dues, risk perceptions of the industry in which the customer operates, general economic factors, which could affect the customer's ability to settle. The company normally provides for debtor dues outstanding for 180 days or longer as at the balance sheet date. As at December 31, 2007 the company has provided for doubtful debts of Rs.6 crore (Rs. 7 crore as at March 31, 2007) on dues from certain customers although the outstanding amounts were less than 180 days old, since the amounts were considered doubtful of recovery. The company pursues the recovery of the dues, in part or full.

22.2.19. Dividends remitted in foreign currencies

The company remits the equivalent of the dividends payable to the holders of ADS ("ADS holders") in Indian Rupees to the depository bank, which is the registered shareholder on record for all owners of the company's ADSs. The depository bank purchases the foreign currencies and remits dividends to the ADS holders.

Particulars of dividends remitted:

Particulars	Number of shares to which the dividends relate	in Rs. crore			
		Quarter ended December 31,		Nine months ended December 31,	
		2007	2006	2007	2006
Interim dividend for Fiscal 2008	10,92,19,011	66	-	66	-
Interim dividend for Fiscal 2007	7,76,06,280	-	39	-	39
Final dividend for Fiscal 2007	10,92,18,536	-	-	71	-
Silver Jubilee special dividend*	7,70,94,270	-	-	-	116
Final dividend for Fiscal 2006*	7,70,94,270	-	-	-	33

* Adjusted for bonus issue

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

Particulars	Quarter ended December 31,		Nine months ended December 31,	
	2007	2006	2007	2006
Number of shares considered as basic weighted average shares outstanding	57,13,46,568	55,70,34,398	57,12,55,430	55,48,77,140
Add: Effect of dilutive issues of shares/stock options	19,39,306	1,26,82,686	19,55,108	1,32,95,919
Number of shares considered as weighted average shares and potential shares outstanding	57,32,85,874	56,97,17,084	57,32,10,538	56,81,73,059

22.2.21 Intellectual Property Rights

Infosys was liable to pay Aeronautical Development Agency (ADA) a maximum amount of Rs. 20 crores (US \$4.4 million) by June 12, 2012 through a revenue sharing arrangement towards acquisition of Intellectual Property Rights in AUTOLAY, a commercial software application product used in designing high performance structural systems. During the quarter ended December 31, 2006, Infosys foreclosed the arrangement by paying the net present value of the future revenue share amounting to Rs. 13.5 crore (US\$ 3 million). The remainder of the liability amounting to Rs. 6.5 crore (US\$ 1.4 million) has been written back and disclosed in Other income.

22.2.22 Exceptional items

During the year ended March,31,2005 the company sold its entire investment in Yantra Corporation, USA (Yantra) for a total consideration of US \$12.57 million. An amount of Rs. 49 crore representing 90% of the consideration was received by the company and the balance amount was deposited in Escrow to indemnify any contractual contingencies. During the nine months ended December 31, 2006, the company received the balance amount of Rs. 5 crore on fulfillment of the Escrow obligations. Since the carrying value of the investment is Nil, the entire proceeds of Rs. 5 crore (net of taxes, as applicable) has been recognized in the profit and loss account as an exceptional item

During the nine months ended December 31, 2006, the company received Rs. 1 crore from CiDRA Corporation towards redemption of shares on recapitalisation. The remainder of investment was written off against provision made earlier.

22.2.23 Gratuity Plan

Effective April 1, 2006 the company adopted the revised accounting standard on employee benefits. Pursuant to the adoption, the transitional obligations of the company amounted to Rs. 9 crore. As required by the standard, the obligation has been recorded with the transfer of Rs. 9 crore to general reserves.

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:

Particulars	As at		in Rs. Crore
	December 31, 2007	March 31, 2007	
Obligations at period beginning	221	180	
Service Cost	32	44	
Interest cost	12	14	
Actuarial (gain)/loss	(2)	-	
Benefits paid	(15)	(17)	
Amendment in benefit plans	(37)	-	
Obligations at period end	211	221	

Defined benefit obligation liability as at the balance sheet is wholly funded by the company

Change in plan assets

Plans assets at period beginning, at fair value	221	167
Expected return on plan assets	13	16
Actuarial gain/(loss)	2	3
Contributions	9	52
Benefits paid	(15)	(17)
Plans assets at period end, at fair value	230	221

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

Fair value of plan assets at the end of the period	230	221
Present value of the defined benefit obligations at the end of the period	211	221
Asset recognized in the balance sheet	19	-

Assumptions

Interest rate	7.78%	7.99%
Estimated rate of return on plan assets	7.78%	7.99%

	in Rs. Crore			
	2007	Quarter ended December 31, 2006	2007	Nine months ended December 31, 2006
Gratuity cost for the period				
Service cost	12	12	32	34
Interest cost	4	3	12	10
Expected return on plan assets	(4)	(5)	(13)	(12)
Actuarial (gain)/loss	(3)	(1)	(4)	(3)
Amortizations (Reduction in benefit)	(1)	-	(3)	-
Net gratuity cost	8	9	24	29
Assumptions				
Interest rate			7.78%	7.60%
Estimated rate of return on plan assets			7.78%	7.60%

Investment details of plan assets

100% of the plan assets are invested in debt instruments.

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

Effective July 1, 2007, the company revised the employee death benefits provided under the gratuity plan, and included all eligible employees under a consolidated term insurance cover. Accordingly, the obligations under the gratuity plan reduced by Rs.37 crore, which has been amortized on a straight line basis to the net profit and loss account over 10 years representing the average future service period of employees.

22.2.24 Provident Fund

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

22.2.25 Cashflow Statement

22.2.25.a

The balance of cash and cash equivalents includes Rs.3 crore as at December 31, 2007 (Rs. 2 crore as at March 31, 2007) set aside for payment of dividends.

22.2.25.b Restricted Cash

Deposits with financial institutions and body corporate as at December 31, 2007 include an amount of Rs.148 crore (Rs. 132 crore as at March 31, 2007) deposited with Life Insurance Corporation of India to settle employee benefit/ leave obligations as and when they arise during the normal course of business. This amount is considered as restricted cash and is hence not considered "cash and cash equivalents".

22.3 Details of rounded off amounts

The financial statements are represented in Hs. crore as per the approval received from Department of Company Affairs "UCA" earlier. Those items which were not represented in the financial statement due to rounding off to the nearest Rs. crore are given below.

Balance Sheet Items

Schedule	Description	As at	
		December 31, 2007	March 31, 2007
<i>in Rs. crore</i>			
3	Fixed assets		
	Additions		
	Vehicles	0.53	-
	Deductions/retirements		
	Plant and Machinery	-	0.34
	Furniture and Fixtures	0.11	0.15
	Depreciation & Amortization for the period		
	Furniture and Fixtures	0.10	-
	Vehicles	-	1.00
7	Cash in Hand	-	-
22.2.6	Computers on operating lease to Infosys BPO - Net Book Value	0.23	0.08
22.2.13	Balances with non-scheduled banks		
	- ABN Amro Bank, Copenhagen, Denmark	0.01	0.04
	- Bank of China, Beijing China	-	-
	- Citibank NA, Singapore	0.03	0.03
	- Citibank NA, Thailand	0.33	0.16
	- Deutsche Bank, Paris, France	0.92	3.00
	- Nordbanken, Stockholm, Sweden	0.72	0.05
	- Svenska Handels Bank, Stockholm, Sweden	0.01	0.01
	- UFJ Bank, Tokyo, Japan	0.04	0.06
	- Deutsche Bank, Zurich, Switzerland	0.62	0.21
	- Nordbanken, Stockholm, Sweden	0.72	0.05
22.2.16	Long-term investments		
	Onmobile (common stock)	-	0.19
	Onmobile (Series A - voting)	-	0.19

Profit & Loss Items

Schedule	Description	in Rs. crore			
		Quarter ended December 31,		Nine months ended December 31,	
		2007	2006	2007	2006
Profit & Loss	Provision for investments	-	0.20	(0.40)	2.98
	Additional Dividend tax	-	-	-	-
12	Selling and Marketing expenses				
	Overseas group health insurance	-	-	0.43	-
	Contribution to provident and other funds	0.46	0.51	1.32	1.44
	Visa charges and others	-	-	1.13	-
	Staff Welfare	-	0.69	-	1.06
	Printing & Stationery	0.29	0.50	0.86	1.21
	Sales promotion expenses	-	0.39	0.94	1.30
	Office maintenance	0.15	0.10	0.30	0.22
	Computer maintenance	0.09	0.03	0.11	0.08
	Advertisement	-	0.34	-	2.36
	Software Packages for own use	0.01	-	0.08	0.42
	Communication Expenses	-	0.18	0.43	0.50
	Rates and Taxes	-	-	0.01	-
	Consumables	0.07	0.08	0.18	0.26
13	General and Administrative expenses				
	Provision for doubtful loans and advances	0.12	0.05	0.30	0.12
	Overseas group health insurance	-	0.14	(0.17)	(0.04)
	Commission to non-whole time directors	-	0.47	-	1.45
	Visa charges others	(0.01)	0.21	0.22	1.36
	Auditor's remuneration :				
	Statutory audit fees	0.16	0.14	0.48	0.40
	Others	-	0.01	-	0.01
	Certification Charges	0.01	-	0.03	-
	Out-of-pocket expenses	0.01	-	0.03	0.04
	Research Grants	0.41	2.04	3.93	7.02
	Freight charges	0.24	0.18	0.63	0.63
	Bank charges and commission	0.25	0.13	0.85	0.99
	Miscellaneous expenses	0.47	-	-	-
22.2.1	Aggregate expenses				
	Provision for doubtful loans and advances	0.12	0.05	0.30	0.12
	Commission to non whole time directors	-	0.47	-	1.45
	Sales promotion expenses	-	0.39	0.94	1.30
	Guest house maintenance	-	-	1.43	-
	Auditor's remuneration				
	Statutory audit fees	0.16	0.14	0.48	0.40
	Others	-	0.01	-	0.01
	Certification Charges	0.01	-	0.03	-
	Out-of-pocket expenses	0.01	-	0.03	0.04
	Bank charges and commission	0.25	0.13	0.85	0.99
	Freight charges	-	0.18	0.39	0.63
	Research Grants	0.41	2.04	3.93	7.02
	Miscellaneous expenses	0.47	-	-	-
22.2.7	Related Party Transactions				
	Revenue Transactions				
	Interest Income - Infosys China	0.48	-	0.48	-
	Sale of services - Infosys consulting	0.36	-	0.36	-
22.2.15	Profit on disposal of fixed assets, included in miscellaneous income	0.01	0.06	0.05	0.13
	Loss on disposal of fixed assets, included in miscellaneous expenses	-	(0.01)	(0.01)	(0.03)
	Profit/(loss) on disposal of fixed assets, net	0.01	0.05	0.04	0.10
22.2.13	Balances with non-scheduled banks				
	- ABN Amro Bank, Copenhagen, Denmark	0.11	-	0.25	-
	- Citibank NA, Singapore	0.07	0.14	0.08	0.19
	- Citibank NA, Sharjah, UAE	-	0.14	-	0.18
	- Citibank NA, Thailand	0.33	0.15	0.33	0.15
	- Bank of china, Beijing, China	-	-	-	0.02

Cash Flow Statement Items

Schedule	Description	in Rs. crore	
		Nine months ended December 31,	
		2007	2006
Cash Flow Statement	Profit/ loss on sale of fixed assets	0.04	(0.05)
	Proceeds on disposal of fixed assets	0.04	0.30

Transactions with key management personnel

Key management personnel comprise directors and statutory officers.
Particulars of remuneration and other benefits paid to key management personnel during the quarter and nine months ended December 31, 2007 and 2006 :

Name	in Rs. crore			
	Salary	Contributions to provident and other funds	Perquisites and incentives	Total Remuneration
Chairman and Chief Mentor				
N R Narayana Murthy *	-	-	-	-
	-	-	-	-
	0.06	0.02	0.21	0.29
Co-Chairman				
Nandan M Nilekani	0.06	0.01	0.22	0.29
	0.04	0.01	0.05	0.10
	0.15	0.04	0.38	0.57
	0.12	0.03	0.24	0.39
Chief Executive Officer and Managing Director				
S Gopalakrishnan	0.06	0.01	0.22	0.29
	0.04	0.01	0.05	0.10
	0.15	0.04	0.38	0.57
	0.12	0.03	0.25	0.40
Chief Operating Officer				
S D Shibulal	0.05	0.01	0.22	0.28
	0.03	0.01	0.04	0.08
	0.14	0.04	0.36	0.54
	0.10	0.03	0.20	0.33
Whole-time Directors				
K Dinesh	0.06	0.01	0.22	0.29
	0.04	0.01	0.05	0.10
	0.15	0.04	0.38	0.57
	0.10	0.03	0.24	0.37
T V Mohandas Pai	0.09	0.03	0.51	0.63
	0.06	0.02	0.09	0.17
	0.24	0.07	0.93	1.24
	0.18	0.06	0.44	0.68
Srinath Batni	0.08	0.02	0.33	0.43
	0.05	0.01	0.07	0.13
	0.22	0.06	0.61	0.89
	0.15	0.03	0.37	0.55
Chief Financial Officer				
V Balakrishnan	0.07	0.02	0.45	0.54
	0.04	0.01	0.16	0.21
	0.20	0.06	0.64	0.90
	0.13	0.03	0.43	0.59

* Wholetime director till August 20, 2006

Name	Commission	Sitting fees	in Rs. crore	
			Reimbursement of expenses	Total remuneration
Non-Whole time Directors				
Deepak M Satwalekar	0.14	-	-	0.14
	0.06	-	-	0.06
	0.41	-	0.01	0.42
	0.18	-	-	0.18
Prof.Marti G. Subrahmanyam	0.11	-	0.02	0.13
	0.05	-	-	0.05
	0.35	-	0.11	0.46
	0.17	-	0.05	0.22
David L. Boyles	0.11	-	-	0.11
	0.05	-	-	0.05
	0.35	-	-	0.35
	0.17	-	-	0.17
Dr.Omkar Goswami	0.11	-	-	0.11
	0.05	-	0.01	0.06
	0.34	-	0.01	0.35
	0.15	-	0.02	0.17
Sen. Larry Pressler	-	-	-	-
	-	-	-	-
	-	-	-	-
	0.03	-	0.03	0.06
Rama Bijapurkar	0.11	-	-	0.11
	0.05	-	-	0.05
	0.34	-	-	0.34
	0.17	-	0.01	0.18
Claude Smadja	0.11	-	-	0.11
	0.05	-	0.04	0.09
	0.32	-	0.12	0.44
	0.17	-	0.17	0.34
Sridar A Iyengar	0.11	-	0.03	0.14
	0.05	-	-	0.05
	0.33	-	0.10	0.43
	0.17	-	0.08	0.25
Jeffrey S. Lehman	0.10	-	-	0.10
	0.05	-	-	0.05
	0.32	-	-	0.32
	0.15	-	-	0.15
N R Narayana Murthy *	0.12	-	-	0.12
	0.06	-	-	0.06
	0.37	-	-	0.37
	0.09	-	-	0.09

* Appointed as Additional Director effective August 21, 2006