23. Significant accounting policies and notes on accounts

Company overview

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

23.1. Significant accounting policies

23.1.1. Basis of preparation of financial statements

These interim financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis except for certain financial instruments which are measured at fair values. GAAP comprises mandatory accounting standards as prescribed by the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India (SEBI). These financial statements should be read in conjunction with the annual financial statements for the year ended March 31, 2011. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

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

23.1.2. Use of estimates

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

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

The Management periodically assesses using, external and internal sources, whether there is an indication that an asset may be impaired. An impairment loss is recognized wherever the carrying value of an asset exceeds its recoverable amount. The recoverable amount is higher of the asset's net selling price and value in use, which means the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. An impairment loss for an asset is reversed if, and only if, the reversal can be related objectively to an event occurring after the impairment loss was recognized. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

23.1.3. Revenue recognition

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

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

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

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

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

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

23.1.4. Provisions and contingent liabilities

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

23.1.4.a. Post-sales client support and warranties

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

23.1.4.b. Onerous contracts

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

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

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

23.1.6. Depreciation and amortization

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

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

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

23.1.7. Retirement benefits to employees

23.1.7.a. Gratuity

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

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

23.1.7.b. Superannuation

Certain employees of Infosys are also participants in the superannuation plan ('the Plan') which is a defined contribution plan. The Company has no obligations to the Plan beyond its monthly contributions.

23.1.7.c. Provident fund

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

23.1.7.d. Compensated absences

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

23.1.8. Research and development

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

23.1.9. Foreign currency transactions

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

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

23.1.10. Forward and options contracts in foreign currencies

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

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

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

23.1.11. Income taxes

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

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

23.1.12. Earnings per share

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

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

23.1.13. Investments

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

23.1.14. Cash and cash equivalents

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

23.1.15. Cash flow statement

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

23.1.16. Leases

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

23.2. Notes on accounts

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

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

23.2.1. Capital commitments and contingent liabilities

in ₹ crore

Particulars	As at			
	March 31, 2011		March 31, 2010	
Estimated amount of unexecuted capital contracts (net of advances and deposits)		742		267
Outstanding guarantees and counter guarantees to various banks, in respect of the guarantees given by those banks in favour of various government authorities and others		3		3
Claims against the Company, not acknowledged as debts[(1)]		271		28
[Net of amount paid to statutory authorities ₹469 crore (*₹241 crore*)]				
	in million	in ₹ crore	in million	in ₹ crore
Forward contracts outstanding				
In USD	500	2,230	228	1,024
In Euro	20	127	16	97
In GBP	10	72	7	48
In AUD	10	46	3	12
Options contracts outstanding				
In USD	-	-	200	898
		2,475		2,079

[(1)] Claims against the Company not acknowledged as debts include demand from the Indian tax authorities for payment of additional tax of ₹671 crore (₹214 crore), including interest of ₹177 crore (₹39 crore) upon completion of their tax review for fiscal 2005, fiscal 2006 and fiscal 2007. The tax demands are mainly on account of disallowance of a portion of the deduction claimed by the Company under Section 10A of the Income tax Act. The deductible amount is determined by the ratio of export turnover to total turnover. The disallowance arose from certain expenses incurred in foreign currency being reduced from export turnover but not reduced from total turnover. The tax demand for fiscal 2007 also includes disallowance of portion of profit earned outside India from the STP units and disallowance of profits earned from SEZ units . The matter for fiscal 2005, 2006 and 2007 is pending before the Commissioner of Income tax (Appeals), Bangalore.

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

The foreign exchange forward and option contracts mature between 1 to 12 months. The table below analyzes the derivative financial instruments into relevant maturity groupings based on the remaining period as of the balance sheet date:

in ₹ crore

Particulars	As of March 31,	
	2011	**2010**
Not later than one month	413	242
Later than one month and not later than three months	590	746
Later than three months and not later than one year	1,472	1,091
	2,475	**2,079**

The company recognized a net gain on derivative financials instruments of ₹30 crore and ₹53 crore during the quarter and year ended March 31, 2011 and March 31, 2010 (₹88 crore and ₹276 crore for the quarter and year ended March 31, 2010), which are included in other income.

23.2.2. Related party transactions

List of related parties:

Name of subsidiaries	Country	Holding as at	
		March 31, 2011	March 31, 2010
Infosys BPO	India	99.98%	99.98%
Infosys Australia	Australia	100%	100%
Infosys China [(1)]	China	100%	100%
Infosys Consulting	USA	100%	100%
Infosys Mexico [(2)]	Mexico	100%	100%
Infosys Sweden	Sweden	100%	100%
Infosys Shanghai [(3)]	China	100%	-
Infosys Brasil [(4)]	Brazil	100%	100%
Infosys Public Services, Inc.	USA	100%	100%
Infosys BPO s. r. o [(5)]	Czech Republic	99.98%	99.98%
Infosys BPO (Poland) Sp Z.o.o [(5)]	Poland	99.98%	99.98%
Infosys BPO (Thailand) Limited [(5)]	Thailand	-	99.98%
Infosys Consulting India Limited [(6)]	India	100%	100%
McCamish Systems LLC [(5)(7)]	USA	99.98%	99.98%

[(1)] *During the year ended March 31, 2011 the Company made an additional investment of ₹42 crore (USD 9 million) in Infosys China, which is a wholly owned subsidiary. As of March 31, 2011 and March 31, 2010, the Company has invested an aggregate of ₹107 crore (USD 23 million) and ₹65 crore (USD 14 million), respectively, in the subsidiary.*

[(2)] *During the year ended March 31, 2011 the Company made an additional investment of ₹14 crore (Mexican Peso 40 million) in Infosys Mexico, which is a wholly owned subsidiary. As of March 31, 2011 and March 31, 2010, the Company has invested an aggregate of ₹54 crore (Mexican Peso 150 million) and ₹40 crore (Mexican Peso 110 million), respectively, in the subsidiary.*

[(3)] *On February 21, 2011 the Company incorporated a wholly-owned subsidiary, Infosys Technologies (Shanghai) Company Limited and invested ₹11 crore (USD 3 million) in the subsidiary. As of March 31, 2011 the Company has invested an aggregate of ₹11 crore (USD 3 million) in the subsidiary.*

[(4)] *During the year ended March 31, 2011 the company made an additional investment of ₹10 crore (BRL 4 million) in the subsidiary. As of March 31, 2011 and March 31, 2010 the Company has invested an aggregate of ₹38 crore (BRL 15 million) and ₹28 crore (BRL 11 million), respectively, in the subsidiary.*

[(5)] *Infosys BPO s.r.o, Infosys BPO (Poland) Sp Z.o.o, Infosys BPO (Thailand) Limited and McCamish Systems LLC are wholly owned subsidiaries of Infosys BPO. During the year ended March 31, 2011 Infosys BPO (Thailand) Limited was liquidated.*

[(6)] *During the year ended March 31, 2010, Infosys Consulting incorporated a wholly-owned subsidiary, Infosys Consulting India Limited. As of March 31, 2011 and March 31, 2010 Infosys Consulting has invested an aggregate of ₹1 crore in the subsidiary.*

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

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

The details of amounts due to or due from as at March 31, 2011 and March 31, 2010 are as follows:

in ₹ *crore*

Particulars	**As at**	
	March 31, 2011	**March 31, 2010**
Loans and advances		
Infosys China	23	46
Infosys Brazil	9	-
Sundry debtors		
Infosys China	39	19
Infosys Australia	5	7
Infosys Mexico	1	1
Infosys Consulting	24	26
Infosys Brazil	-	1
Infosys BPO (Including subsidiaries)	3	2
Sundry creditors		
Infosys China	32	18
Infosys Australia	-	20
Infosys BPO (Including subsidiaries)	3	7
Infosys Brazil	-	-
Infosys Consulting	17	43
Infosys Consulting India	1	1
Infosys Mexico	1	5
Infosys Sweden	1	1
Deposit taken for shared services		
Infosys BPO	7	7

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

in ₹ *crore*

Particulars	**Quarter ended March 31,**		**Year ended March 31,**	
	2011	**2010**	**2011**	**2010**
Capital transactions:				
Financing transactions				
Infosys Mexico	-	-	14	18
Infosys China	-	-	42	-
Infosys Shanghai	11	-	11	-
Infosys Brasil	-	11	10	28
Infosys Public services	-	-	-	24
Infosys Consulting	-	-	-	50
Loans/Advances				
Infosys Brasil	9	-	9	-
Infosys China	-	-	(23)	-
Revenue transactions:				
Purchase of services				
Infosys Australia	234	170	889	634
Infosys China	59	45	240	134
Infosys Consulting	52	111	353	378
Infosys Consulting India	-	-	5	-
Infosys BPO (Including subsidiaries)	8	2	17	3
Infosys Sweden	3	3	12	11
Infosys Mexico	12	12	49	45
Infosys Brazil	1	3	3	5
Purchase of shared services including facilities and personnel				
Infosys BPO (Including subsidiaries)	31	8	114	53
Interest income				
Infosys China	-	1	2	3
Sale of services				
Infosys Australia	10	7	33	25
Infosys China	3	3	6	10
Infosys BPO (Including subsidiaries)	8	-	21	-
Infosys Consulting	24	8	73	25
Sale of shared services including facilities and personnel				
Infosys BPO (Including subsidiaries)	15	19	78	71
Infosys Consulting	1	1	4	4
Maximum balances of loans and advances				
Infosys Australia	81	47	81	51
Infosys China	23	48	48	48
Infosys Brasil	9	-	9	-
Infosys BPO (Including subsidiaries)	-	-	-	4
Infosys Mexico	4	-	4	4
Infosys Consulting	35	35	35	35

During the quarter and year ended March 31, 2011, an amount of Nil (₹14 crore and ₹34 crore for the quarter and year ended March 31, 2010) was donated to Infosys Foundation, a not-for-profit foundation, in which certain directors of the Company are trustees.

During the quarter and year ended March 31, 2011, an amount of Nil and ₹12 crore (₹4 crore and ₹23 crore for the quarter and year ended March 31, 2010) has been granted to Infosys Science Foundation, a not-for-profit foundation, in which certain directors and officers of the Company are trustees.

23.2.3. Transactions with key management personnel

Key management personnel comprise directors and members of executive council.

Particulars of remuneration and other benefits paid to key management personnel during the quarter and year ended March 31, 2011 and March 31, 2010 have been detailed in Schedule 23.4.

23.2.4. Stock option plans

The Company has two Stock Option Plans.

1998 Stock Option Plan ('the 1998 Plan')

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

1999 Stock Option Plan ('the 1999 Plan')

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

The activity in the 1998 Plan and 1999 Plan during the quarter and year ended March 31, 2011 and March 31, 2010 are set out below:

Particulars	**Quarter ended March 31,**		**Year ended March 31,**	
	2011	**2010**	**2011**	**2010**
The 1998 Plan :				
Options outstanding, beginning of period	59,270	4,17,812	2,42,264	9,16,759
Less: Exercised	9,200	1,73,013	1,88,675	6,14,071
Forfeited	-	2,535	3,519	60,424
Options outstanding, end of period	**50,070**	**2,42,264**	**50,070**	**2,42,264**
The 1999 Plan :				
Options outstanding, beginning of period	62,256	3,55,241	2,04,464	9,25,806
Less: Exercised	12,666	1,16,946	1,37,692	3,81,078
Forfeited	870	33,831	18,052	3,40,264
Options outstanding, end of period	**48,720**	**2,04,464**	**48,720**	**2,04,464**

The weighted average share price of options exercised under the 1998 Plan during the quarter ended March 31, 2011 and March 31, 2010 was ₹3,065 and ₹2,646 respectively. The weighted average share price of options exercised under the 1999 Plan during the quarter ended March 31, 2011 and March 31, 2010 was ₹3,071 and ₹2,609 respectively.

The weighted average share price of options exercised under the 1998 Plan during the year ended March 31, 2011 and March 31, 2010 was ₹2,950 and ₹2,266 respectively. The weighted average share price of options exercised under the 1999 Plan during the year ended March 31, 2011 and March 31, 2010 was ₹2,902 and ₹2,221 respectively.

The following tables summarize information about the 1998 and 1999 share options outstanding as at March 31, 2011 and March 31, 2010 :

Range of exercise prices per share (₹)	As at March 31, 2011		
	Number of shares arising out of options	**Weighted average remaining contractual life**	**Weighted average exercise price**
The 1998 Plan:			
300-700	24,680	0.73	587
701-1,400	25,390	0.56	777
	50,070	**0.65**	**683**
The 1999 Plan:			
300-700	33,759	0.65	448
701-2,500	14,961	1.71	2,121
	48,720	**0.97**	**962**

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

23.2.5. Details of investments

The details of investments and disposal of securities during the quarter and year ended March 31, 2011 and March 31, 2010 are as follows:

in ₹ crore

Particulars	Quarter ended March 31,		Year ended March 31,	
	2011	**2010**	**2011**	**2010**
Investment in securities				
Subsidiary- Infosys Consulting	-	-	-	50
Subsidiary- Infosys China	-	-	42	-
Subsidiary- Infosys Mexico	-	-	14	18
Subsidiary- Infosys Brasil	-	11	10	28
Subsidiary- Infosys Shanghai	11	-	11	-
Subsidiary- Infosys Public Services	-	-	-	24
Certificates of deposit	-	1,180	840	1,180
Liquid mutual fund units	78	1,142	1,583	9,016
	89	2,333	2,500	10,316
Redemption / disposal of investment in securities				
Long term investments	-	5	-	5
Certificates of deposit	902	-	1,901	-
Liquid mutual fund units	78	3,980	3,900	6,699
	980	3,985	5,801	6,704
Net movement in investments	**(891)**	**(1,652)**	**(3,301)**	**3,612**

23.2.6. Segment Reporting

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

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

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

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

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

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

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

Industry Segments

Quarter ended March 31, 2011 and *March 31, 2010* :

in ₹ crore

Particulars	Financial services	Manufacturing	Telecom	Retail	Others	Total
Revenues	2,431	1,274	756	1,016	1,191	6,668
	1,965	*1,058*	*802*	*754*	*921*	*5,500*
Identifiable operating expenses	1,099	571	341	424	563	2,998
	831	*492*	*359*	*323*	*442*	*2,447*
Allocated expenses	519	286	170	228	268	1,471
	414	*223*	*169*	*159*	*194*	*1,159*
Segmental operating income	813	417	245	364	360	2,199
	720	*343*	*274*	*272*	*285*	*1,894*
Unallocable expenses						189
						194
Operating income						2,010
						1,700
Other income, net						387
						190
Provision for investments						-
						(10)
Net profit before taxes and exceptional item						2,397
						1,900
Income taxes						667
						518
Net profit after taxes before exceptional item						1,730
						1,382
Exceptional item- Income on sale of investments, net of taxes						-
						48
Net profit after taxes and exceptional item						1,730
						1,430

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

in ₹ crore

Particulars	Financial services	Manufacturing	Telecom	Retail	Others	Total
Revenues	9,293	4,686	3,134	3,757	4,515	25,385
	7,354	*3,988*	*3,234*	*2,989*	*3,575*	*21,140*
Identifiable operating expenses	4,210	2,107	1,471	1,643	2,115	11,546
	3,095	*1,853*	*1,355*	*1,267*	*1,564*	*9,134*
Allocated expenses	1,970	1,007	673	807	968	5,425
	1,615	*877*	*712*	*657*	*785*	*4,646*
Segmental operating income	3,113	1,572	990	1,307	1,432	8,414
	2,644	*1,258*	*1,167*	*1,065*	*1,226*	*7,360*
Unallocable expenses						740
						807
Operating income						7,674
						6,553
Other income, net						1,147
						910
Provision for investments						-
						(9)
Net profit before taxes and exceptional item						8,821
						7,472
Income taxes						2,378
						1,717
Net profit after taxes before exceptional item						6,443
						5,755
Exceptional item- Income on sale of investments, net of taxes						-
						48
Net profit after taxes and exceptional item						6,443
						5,803

Geographic Segments

Quarter ended March 31, 2011 and *March 31, 2010* :

in ₹ crore

Particulars	North America	Europe	India	Rest of the World	Total
Revenues	4,316	1,416	191	745	6,668
	3,665	*1,195*	*84*	*556*	*5,500*
Identifiable operating expenses	1,909	618	99	372	2,998
	1,646	*492*	*22*	*286*	*2,446*
Allocated expenses	970	310	37	154	1,471
	773	*252*	*18*	*117*	*1,160*
Segmental operating income	1,437	488	55	219	2,199
	1,246	*451*	*44*	*153*	*1,894*
Unallocable expenses					189
					194
Operating income					2,010
					1,700
Other income, net					387
					190
Provision for investments					-
					(10)
Net profit before taxes and exceptional item					2,397
					1,900
Income taxes					667
					518
Net profit after taxes before exceptional item					1,730
					1,382
Exceptional item- Income on sale of investments, net of taxes					-
					48
Net profit after taxes and exceptional item					1,730
					1,430

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

in ₹ crore

Particulars	North America	Europe	India	Rest of the World	Total
Revenues	16,815	5,252	594	2,724	25,385
	14,170	*4,633*	*269*	*2,068*	*21,140*
Identifiable operating expenses	7,521	2,311	286	1,428	11,546
	6,028	*1,963*	*77*	*1,066*	*9,134*
Allocated expenses	3,610	1,120	122	573	5,425
	3,114	*1,020*	*59*	*453*	*4,646*
Segmental operating income	5,684	1,821	186	723	8,414
	5,028	*1,650*	*133*	*549*	*7,360*
Unallocable expenses					740
					807
Operating income					7,674
					6,553
Other income, net					1,147
					910
Provision for investments					-
					(9)
Net profit before taxes and exceptional item					8,821
					7,472
Income taxes					2,378
					1,717
Net profit after taxes before exceptional item					6,443
					5,755
Exceptional item- Income on sale of investments, net of taxes					-
					48
Net profit after taxes and exceptional item					6,443
					5,803

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

Particulars	**Quarter ended March 31,**		**Year ended March 31,**	
	2011	**2010**	**2011**	**2010**
Number of shares considered as basic weighted average shares outstanding	57,41,39,565	57,36,75,913	57,40,13,650	57,33,09,523
Add: Effect of dilutive issues of shares/stock options	85,460	4,46,731	1,88,308	6,40,108
Number of shares considered as weighted average shares and potential shares outstanding	**57,42,25,025**	**57,41,22,644**	**57,42,01,958**	**57,39,49,631**

23.3 **Details of rounded off amounts**

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

Balance Sheet Items

in ₹ crore

Schedule	Description	As at	
		March 31, 2011	March 31, 2010
3	Fixed assets		
	Vehicles		
	Addition during the year	-	0.04
	Depreciation on deletions	-	0.04
	Deletion during the year	0.08	-
	Depreciation on deletions	0.08	-
4	Investments		
	Investment in Infosys Sweden	0.06	0.06
23.2.2	Related party transactions		
	Debtors		
	Infosys BPO s.r.o.	-	0.04
	Infosys Thailand	-	0.04
	Infosys Consulting India	0.29	-
	Infosys Public Services	0.11	-
	Infosys Sweden	-	0.08
	Infosys Technologia do Brasil Ltda	-	0.62
	Creditors		
	Infosys BPO s.r.o.	-	0.16
	Infosys Technologia do Brasil Ltda	0.14	-
	Infosys Mexico	0.31	-
	Infosys Thailand	-	0.02

Profit & Loss Items

in ₹ crore

Schedule	Description	Quarter ended March 31,		Year ended March 31,	
		2011	2010	2011	2010
Profit & Loss	Provision for investment	-	-	-	9.00
	Additional dividend tax	-	-	-	0.04
23.2.3	Related party transactions				
	Revenue transactions				
	Purchase of services - Infosys BPO Poland	0.41	0.03	0.41	0.03
	Purchase of services - Infosys BPO s.r.o	-	0.12	-	0.44
	Purchase of services - Infosys Brasil	0.35	-	0.35	-

23.4 Transactions with key management personnel

Key management personnel comprise directors and members of executive council.

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

in ₹ crore

Name	Salary	Contributions to provident and other funds	Perquisites and incentives	Total Remuneration
Co-Chairman (1)				
Nandan M. Nilekani	-	-	-	-
	-	-	-	-
	-	-	-	-
	0.09	*0.02*	*0.23*	*0.34*
Chief Executive Officer and Managing Director				
S. Gopalakrishnan	0.08	0.02	0.15	0.25
	0.08	*0.02*	*0.28*	*0.38*
	0.34	0.08	0.69	1.11
	0.32	*0.08*	*0.61*	*1.01*
Chief Operating Officer and Director				
S. D. Shibulal	0.08	0.02	0.13	0.23
	0.07	*0.02*	*0.27*	*0.36*
	0.34	0.08	0.66	1.08
	0.31	*0.08*	*0.56*	*0.95*
Whole-time directors				
K. Dinesh	0.08	0.02	0.14	0.24
	0.08	*0.02*	*0.28*	*0.38*
	0.34	0.08	0.68	1.10
	0.32	*0.08*	*0.61*	*1.01*
T. V. Mohandas Pai	0.12	0.02	0.47	0.61
	0.09	*0.02*	*0.79*	*0.90*
	0.43	0.10	2.56	3.09
	0.36	*0.08*	*2.69*	*3.13*
Srinath Batni	0.12	0.03	0.28	0.43
	0.09	*0.02*	*0.51*	*0.62*
	0.43	0.10	1.76	2.29
	0.36	*0.07*	*1.98*	*2.41*
Executive Council Members				
Chief Financial Officer				
V. Balakrishnan	0.10	0.02	0.08	0.20
	0.08	*0.02*	*0.07*	*0.17*
	0.38	0.08	2.15	2.61
	0.30	*0.08*	*2.06*	*2.44*
Ashok Vemuri	0.57	-	-	0.57
	0.51	-	*0.01*	*0.52*
	2.22	-	3.10	5.32
	2.09	-	*2.79*	*4.88*
Chandra Shekar Kakal	0.09	0.02	0.08	0.19
	0.07	*0.02*	*0.06*	*0.15*
	0.34	0.08	2.16	2.58
	0.28	*0.06*	*1.73*	*2.07*
B.G. Srinivas	0.56	-	-	0.56
	0.43	-	*0.82*	*1.25*
	1.94	-	2.99	4.93
	1.81	-	*2.75*	*4.56*
Subhash B. Dhar	0.08	0.02	0.07	0.17
	0.06	*0.02*	*0.06*	*0.14*
	0.30	0.08	1.69	2.07
	0.24	*0.07*	*1.42*	*1.73*

(1) Effective July 9, 2009 , Nandan M Nilekani relinquished the positions of Co-Chairman and Member of the Board

Particulars of remuneration and other benefits of non-executive/ independent directors for the quarter and year ended March 31, 2011 and *March 31, 2010 :*

Name	Commission	Sitting fees	Reimbursement of expenses	Total Remuneration
Independent directors				
Deepak M. Satwalekar	0.14	-	-	0.14
	0.12	-	-	*0.12*
	0.59	-	0.01	0.60
	0.60	-	-	*0.60*
Prof.Marti G. Subrahmanyam	0.19	-	0.04	0.23
	0.16	-	*0.03*	*0.19*
	0.79	-	0.23	1.02
	0.65	-	*0.20*	*0.85*
Dr.Omkar Goswami	0.12	-	-	0.12
	0.12	-	*0.01*	*0.13*
	0.51	-	0.03	0.54
	0.52	-	*0.03*	*0.55*
Claude Smadja [(1)]	-	-	-	-
	0.13	-	*0.05*	*0.18*
	0.23	-	0.09	0.32
	0.59	-	*0.25*	*0.84*
Rama Bijapurkar [(2)]	-	-	-	-
	0.11	-	-	*0.11*
	0.04	-	-	0.04
	0.49	-	*0.02*	*0.51*
Sridar A. Iyengar	0.17	-	0.06	0.23
	0.14	-	*0.06*	*0.20*
	0.69	-	0.24	0.93
	0.62	-	*0.21*	*0.83*
David L. Boyles	0.15	-	0.06	0.21
	0.13	-	*0.04*	*0.17*
	0.65	-	0.34	0.99
	0.59	-	*0.15*	*0.74*
Prof. Jeffrey S. Lehman	0.15	-	0.06	0.21
	0.15	-	*0.06*	*0.21*
	0.67	-	0.13	0.80
	0.61	-	*0.24*	*0.85*
K.V.Kamath	0.14	-	-	0.14
	0.05	-	*0.01*	*0.06*
	0.56	-	0.01	0.57
	0.39	-	*0.02*	*0.41*
R. Seshasayee [(3)]	0.10	-	-	0.10
	-	-	-	-
	0.10	-	-	0.10
	-	-	-	-
Non-executive Chairman and Chief mentor				
N. R. Narayana Murthy	0.15	-	-	0.15
	0.13	-	-	*0.13*
	0.61	-	-	0.61
	0.57	-	-	*0.57*

[(1)] *Retired from the board effective August 30, 2010*

[(2)] *Resigned from the board effective April 13, 2010*

[(3)] *Joined the board effective January 13, 2011*