Contents

Financial statements of Infosys BPO Limited

To the Members of Infosys BPO Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Infosys BPO Limited ('the Company') which comprise the Balance Sheet as at 31 March 2012, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ('the Act'). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

1. in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2012;
2. in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
3. in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

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

b. As required by Section 227(3) of the Act, we report that :

1. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
2. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
3. the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
4. in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of Section 211 of the Companies Act, 1956; and
5. on the basis of written representations received from the directors as on 31 March, 2012, and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March, 2012, from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

for B S R & Co.
Chartered Accountants
Firm's Registration No. 101248W

Natrajh Ramakrishna
Partner
Membership No. 32815

Bangalore
April 6, 2012

Annexure to the Auditors' Report

The Annexure referred to in our report to the members of Infosys BPO Limited ('the Company') for the year ended 31 March 2012. We report that:

i. a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

b. The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified during the year. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

c. Fixed assets disposed off during the year were not substantial, and therefore, do not affect the going concern assumption.

ii. The Company is a service company, primarily rendering business process management services. Accordingly, it does not hold any physical inventories. Thus, paragraph 4(ii) of the Order is not applicable.

iii. a. The Company has granted a loan to a body corporate covered in the register maintained under Section 301 of the Companies Act, 1956 ('the Act'). The maximum amount outstanding during the year was ₹11,44,71,888 crore and the year-end balance of such loan amounted to ₹Nil. Other than the above, the Company has not granted any loans, secured or unsecured, to companies, firms or parties covered in the register maintained under Section 301 of the Act.

b. In our opinion, the rate of interest and other terms and conditions on which the loan has been granted to the body corporate listed in the register maintained under Section 301 of the Act are not, prima facie, prejudicial to the interest of the Company.

c. In the case of the loan granted to the body corporate listed in the register maintained under Section 301 of the Act, the borrower has been regular in the payment of the interest as stipulated. The terms of arrangement do not stipulate any repayment schedule and the loan is repayable on demand. Accordingly, paragraph 4(iii)(c) of the Order is not applicable to the Company in respect of repayment of the principal amount.

d. There are no overdue amounts of more than rupees one lakh in respect of the loan granted to a body corporate listed in the register maintained under Section 301 of the Act.

e. The Company has not taken any loans, secured or unsecured from companies, firms or parties covered in the register maintained under Section 301 of the Act. Accordingly, paragraphs 4(iii)(e) to 4(iii)(g) of the Order are not applicable.

iv. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and sale of services. The activities of the Company do not involve purchase of inventory and the sale of goods. We have not observed any major weakness in the internal control system during the course of the audit.

v. a. In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.

b. In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements referred to in (v)(a) above and exceeding the value of ₹5 lakh with any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.

vi. The Company has not accepted any deposits from the public.

vii. In our opinion, the Company has an internal audit system commensurate with the size and the nature of its business.

viii. The Central Government of India has not prescribed the maintenance of cost records under Section 209(1)(d) of the Act for any of the services rendered by the Company.

ix. a. According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted / accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Income-tax, Sales-tax, Wealth tax, Service tax and other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of Employees' State Insurance, Investor Education and Protection Fund, Customs duty and Excise duty.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Income-tax, Sales-tax, Wealth tax, Service tax and other material statutory dues were in arrears as at 31 March 2012 for a period of more than six months from the date they became payable.

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

Name of the statute	Nature of dues demanded	Amount demanded	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Interest / Tax Demands	5,32,28,478 [1]	AY 2006-07	Commissioner Income Tax (Appeals), Bangalore
Income Tax Act, 1961	Interest / Tax Demands	58,00,403	AY 2009-10	Commissioner Income Tax (Appeals), Bangalore

[1] *net of amounts paid ₹ 1,90,63,250.*

x. The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.

xi. The Company did not have any outstanding dues to any financial institution, banks or debenture holders during the year.

xii. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

xiii. In our opinion and according to the information and explanations given to us, the Company is not a chit fund / nidhi / mutual benefit fund / society.

xiv. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.

xv. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.

xvi. The Company did not have any term loans outstanding during the year.

xvii. The Company has not raised any funds on short-term basis.

xviii. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act.

xix. The Company did not have any outstanding debentures during the year.

xx. The Company has not raised any money by public issues during the year.

xxi. According to the information and explanations given to us, no material fraud on or by the Company has been noticed or reported during the course of our audit.

for B S R & Co.
Chartered Accountants
Firm's Registration No. 101248W

Natrajh Ramakrishna
Partner
Membership No. 32815

Bangalore
April 6, 2012

Balance Sheet

in ₹

Particulars	Note	As at March 31, 2012	As at March 31, 2011
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	33,82,77,510	33,82,77,510
Reserves and surplus	2.2	1411,38,90,684	1106,76,29,347
		1445,21,68,194	1140,59,06,857
NON-CURRENT LIABILITIES			
Other long-term liabilities	2.3	61,46,92,107	75,23,07,498
		61,46,92,107	75,23,07,498
CURRENT LIABILITIES			
Trade payables		6,36,60,114	2,86,32,227
Other current liabilities	2.4	367,89,01,847	338,53,37,284
Short-term provisions	2.5	40,53,60,897	31,93,29,011
		414,79,22,858	373,32,98,522
		1921,47,83,159	1589,15,12,877
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	2.6	233,01,10,804	160,90,67,020
Intangible assets	2.6	19,03,70,324	19,03,70,324
Capital work-in-progress		1,99,41,000	15,39,33,179
		254,04,22,128	195,33,70,523
Non-current investments	2.7	562,77,50,869	320,26,24,119
Deferred tax assets, net	2.8	24,87,62,742	23,64,94,783
Long-term loans and advances	2.9	80,42,82,241	101,13,60,239
Other non-current assets	2.10	31,57,66,640	24,50,65,608
		699,65,62,492	469,55,44,749
CURRENT ASSETS			
Current investments	2.7	20,05,06,473	20,59,34,759
Trade receivables	2.11	264,08,67,908	210,67,05,724
Cash and cash equivalents	2.12	555,82,36,951	533,53,36,646
Short-term loans and advances	2.13	117,81,87,207	109,46,20,476
Other current assets	2.14	10,00,00,000	50,00,00,000
		967,77,98,539	924,25,97,605
		1921,47,83,159	1589,15,12,877
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

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

As per our report attached
for B S R & Co.
Chartered Accountants
Firm's Registration No. 101248W

Natrajh Ramakrishna
Partner
Membership No. 32815

V. Balakrishnan
Chairman and Director

D. Swaminathan
Managing Director and Chief Executive Officer

Abraham Mathews
Chief Financial Officer

Chandrashekar Kakal
Director

Prof. Jayanth R. Varma
Director

Sridar A. Iyengar
Director

Bangalore
April 6, 2012

N. R. Ravikrishnan
Company Secretary

Statement of Profit and Loss

in ₹

Particulars	Note	Year ended March 31, 2012	2011
INCOME			
Revenues from business process management services		1312,41,06,485	1129,11,47,909
Other income	2.15	47,22,33,990	44,45,93,206
		1359,63,40,475	1173,57,41,115
EXPENSES			
Employee benefit expenses	2.16	636,35,86,740	628,79,49,074
Cost of technical sub-contractors	2.16	7,53,19,667	22,37,60,773
Travel expenses	2.16	56,58,96,154	48,29,88,392
Cost of software packages	2.16	20,17,20,986	24,97,00,999
Communication expenses	2.16	26,30,08,209	32,20,68,274
Professional charges	2.16	42,36,17,234	35,96,48,952
Office expenses	2.16	33,89,45,942	29,54,01,252
Power and fuel	2.16	19,75,17,680	17,64,29,955
Insurance charges	2.16	8,71,65,444	7,52,61,859
Rent	2.16	43,82,76,358	40,30,86,167
Depreciation and amortization expense	2.6	49,69,17,227	50,74,55,954
Other expenses	2.16	20,15,56,451	14,50,24,190
Provision for investment		–	6,21,66,191
Total expenses		965,35,28,092	959,09,42,032
PROFIT BEFORE TAX		394,28,12,383	214,47,99,083
Tax expense :	2.17		
Current tax		90,88,19,005	16,64,56,701
Deferred tax		(1,22,67,959)	(7,00,18,320)
		89,65,51,046	9,64,38,381
PROFIT FOR THE PERIOD		304,62,61,337	204,83,60,702
EARNINGS PER SHARE			
Equity shares of par value ₹10 each			
Basic		90.05	60.55
Diluted		90.05	60.55
Weighted average number of shares used in computing earnings per share :	2.28		
Basic		3,38,27,751	3,38,27,751
Diluted		3,38,27,751	3,38,27,751
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

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

As per our report attached
for B S R & Co.
Chartered Accountants
Firm's Registration No. 101248W

Natrajh Ramakrishna
Partner
Membership No. 32815

V. Balakrishnan
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Director

Sridar A. Iyengar
Director

Bangalore
April 6, 2012

N. R. Ravikrishnan
Company Secretary

Cash Flow Statement

in ₹

Particulars	Note	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		394,28,12,383	214,47,99,083
Adjustments to reconcile profit before tax to cash provided by operating activities			
Depreciation		49,69,17,227	50,74,55,954
Interest income		(60,12,07,528)	(31,83,30,127)
Dividend income		(3,13,13,961)	(3,40,79,908)
Provision for investment		–	6,21,66,191
Profit on sale of fixed assets		(19,82,876)	(2,44,780)
Effect of exchange differences on translation of foreign currency cash and cash equivalents		69,92,505	24,75,177
Changes in assets and liabilities			
Trade receivables		(53,41,62,184)	(32,58,13,411)
Loans and advances	2.32.1	2,07,52,113	(10,40,09,016)
Other assets	2.32.2	(7,07,01,032)	(23,30,84,296)
Liabilities	2.32.3	11,70,87,001	34,21,08,662
Trade payables	2.32.4	3,50,27,887	(1,35,75,244)
Provisions	2.32.5	5,56,06,114	7,63,51,645
		343,58,27,649	210,62,19,930
Income tax paid during the year, net	2.32.6	(80,87,54,875)	(37,27,02,209)
NET CASH GENERATED BY OPERATING ACTIVITIES		262,70,72,774	173,35,17,721
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets and change in capital work-in-progress / advances	2.32.7	(95,91,79,912)	(47,64,27,487)
Proceeds from sale of fixed assets		28,89,978	25,77,931
Interest received	2.32.8	54,74,94,473	26,59,04,970
Dividend received		3,13,13,961	3,40,79,908
Purchase of units in liquid mutual funds		(504,72,11,345)	(349,22,26,735)
Proceeds from sale of units in liquid mutual funds		505,26,39,631	529,44,69,763
Investment in subsidiary	2.32.9	(242,51,26,750)	–
Proceeds from repayment of investment in subsidiary	2.32.9	–	3,16,33,809
Loans given to subsidiaries	2.32.10	(22,92,713)	(11,20,08,880)
Loans repaid by subsidiaries	2.32.10	22,92,713	11,35,58,853
NET CASH GENERATED / (USED) IN INVESTING ACTIVITIES		(279,71,79,964)	166,15,62,132
CASH FLOWS FROM FINANCING ACTIVITIES		–	–
NET CASH FLOWS FROM FINANCING ACTIVITIES		–	–
Effect of exchange differences on translation of foreign currency cash and cash equivalents		(69,92,505)	(24,75,177)
NET CHANGE IN CASH AND CASH EQUIVALENTS		(17,70,99,695)	339,26,04,676
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		583,53,36,646	244,27,31,970
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD [1]	2.32.11	565,82,36,951	583,53,36,646

Note : The notes referred to above are an integral part of the Cash Flow Statement.

[1] Cash and cash equivalents aggregating ₹565,82,36,951 (₹583,53,36,646 as at March 31, 2011) comprises cash on hand amounting to ₹90,589 (₹92,621 as at March 31, 2011), balances with banks amounting to ₹555,81,46,362 (₹533,52,44,025 as at March 31, 2011) and deposits with financial institution / body corporate amounting to ₹10,00,00,000 (₹50,00,00,000 as at March 31, 2011).

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

As per our report attached
for B S R & Co.
Chartered Accountants
Firm's Registration No. 101248W

Natrajh Ramakrishna
Partner
Membership No. 32815

V. Balakrishnan
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Director

Bangalore
April 6, 2012

N. R. Ravikrishnan
Company Secretary

Schedules to the financial statements for the year ended March 31, 2012

Significant accounting policies and notes on accounts

Company overview

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

1. Significant accounting policies

1.1. Basis of preparation of financial statements

These financial statements are prepared under the historical cost convention, in accordance with Generally Accepted Accounting Principles (GAAP) in India on an accrual basis except for certain financial instruments which are measured at fair values. GAAP comprises accounting standards as specified in rule 3 of the Companies (Accounting Standards) Rules 2006, and the relevant provisions of the Companies Act, 1956, to the extent applicable. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use

1.2. Use of estimates

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

1.3. Revenue recognition

The Company derives its revenues primarily from business process management services, on time-and-material, fixed-price, fixed-time frame and unit-price basis. Revenue on time-and-material contracts is recognized as the related services are rendered and revenue from the end of the last billing to the Balance Sheet date is recognized as unbilled revenues. Revenue from fixed-price, fixed-time frame contracts, where there is no uncertainty as to measurement and collectability of consideration, is recognized as per the percentage of completion method. When there is uncertainty as to measurement or ultimate collectability, revenue recognition is postponed until such uncertainty is resolved. Revenues from unit-priced contracts are recognized as transactions are processed, based on objective measures of output. Cost and earnings in excess of billings are classified as unbilled revenue while billing in excess of cost and earnings is classified as deferred revenue. Provision for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable, based on the current estimates. When the Company receives advances for its services, such amounts are reflected as advance received from clients until all conditions for revenue recognition are met. The Company presents revenues, net of service taxes, and value added taxes in its Profit and Loss account.

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

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

1.4. Expenditure

The cost of software user licenses purchased for rendering business process management services is charged to revenue when put to use. Lease under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets acquired are capitalized at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower. Lease payments under operating leases are recognized as an expense on a straight-line basis in the Profit and Loss account over the lease term.

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

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

1.6. Depreciation

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

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

1.7. Employee benefits

1.7.a. Gratuity

In accordance with the Payment of Gratuity Act, 1972, Infosys BPO provides for gratuity, a defined benefit retirement plan (the 'Gratuity Plan') covering all employees. The Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's eligible salary and the tenure of employment. Liabilities with regard to the Gratuity Plan are determined by an actuarial valuation, carried out at the period end by an independent actuary using the projected unit credit method, based upon which the Company contributes to the Infosys BPO employees Gratuity Fund Trust ('the Trust'). The trustee administers contributions made to the Trust and invests the corpus with Life Insurance Corporation of India. The Company recognizes the net obligation of the gratuity plan in the Balance Sheet as an asset or liability, respectively in accordance with Accounting Standard (AS) 15, 'Employee Benefits'. The discount rate is based on the Government securities yield. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the Profit and Loss account in the period in which they arise.

1.7.b. Superannuation

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

1.7.c. Provident fund

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

1.7.d. Compensated absences

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

1.8. Foreign currency transactions

Revenue from overseas clients and collections deposited in bank accounts are recorded at the exchange rate as of the date of the respective transactions. Expenditure in foreign currency is accounted at the exchange rate prevalent when such expenditure is incurred. Disbursements made out of bank accounts are reported at a rate that approximates the actual monthly rate. Exchange differences are recorded when the amount actually received on sales or actually paid when expenditure is incurred is converted into Indian rupees.

The exchange differences arising on foreign currency transactions are recognized as income or expense in the period in which they arise. Monetary assets and monetary liabilities denominated in foreign currency are translated at the exchange rate prevalent at the date of the Balance Sheet. The resulting difference is also recorded in the Profit and Loss account. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction.

1.9. Forward contracts and option contracts in foreign currencies

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

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

Forward and options contracts are fair valued at each reporting date. The Company records the mark to market gain or loss on effective hedges in the foreign currency fluctuation reserve until the transactions are complete. On completion, the gain or loss is transferred to the Profit and Loss account of that period. To designate a forward contract or option contracts as an effective hedge, 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 an effective hedge, a gain or loss is recognized in the Profit and Loss account. Currently the hedges undertaken by the Company are all ineffective in nature and the resultant gain or loss consequent to fair valuation is recognized in the Profit and Loss account at each reporting date.

1.10. Income tax

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

The differences that result between the profit considered for income taxes and the profit as per the financial statements are identified. Thereafter a deferred tax asset or deferred tax liability is recorded for timing difference. These are the differences that originate in one accounting period and reverse in another accounting period, based on the tax effect of the aggregate amount being considered. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on prevailing enacted or substantively enacted regulations. Deferred tax assets in situation of unabsorbed depreciation and carry forward business losses exist, are recognized only to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax assets, other than in situation of unabsorbed depreciation and carry forward business losses are recognized only if there is reasonable certainty that they will be realized. Deferred tax assets are reviewed for the appropriateness of their respective carrying values at each Balance Sheet date. The income tax provision for the interim period is made based on the best estimate of the annual average tax rate expected to be applicable for the full year.

1.11. Provisions and contingent liability

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

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

1.12. Impairment of assets

The Management periodically assesses using external and internal sources, whether there is an indication that an asset (including goodwill) may be impaired. An impairment loss is recognized wherever the carrying value of an asset exceeds its recoverable amount. The recoverable amount is higher of the asset's net selling price and value in use i.e. the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. An impairment loss for an asset is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognized. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation), had no impairment loss been recognized for the asset in prior years.

1.13. Earnings per share

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

1.14. Investments

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

1.15. 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.

1.16. Cash Flow Statement

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

1.17. Employee stock options

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

2. Notes on accounts for the year ended March 31, 2012

2.1. Share capital

in ₹

Particulars	As at March 31,	
	2012	2011
Authorized		
Equity shares, ₹10 (₹10) par value 12,33,75,000 (12,33,75,000) equity shares	123,37,50,000	123,37,50,000
	123,37,50,000	123,37,50,000
Issued, Subscribed and Paid Up		
Equity shares, ₹10 (₹10) par value 3,38,27,751 (3,38,27,751) equity shares fully paid-up [Of the above, 3,38,22,319 (3,38,22,319) equity shares are held by the holding company, Infosys Limited]	33,82,77,510	33,82,77,510
	33,82,77,510	33,82,77,510

The Company has only one class of shares referred to as equity shares having a par value ₹10. Each holder of one equity share is entitled to one vote per share.

In the event of liquidation of the Company, the holders of shares shall be entitled to receive any of the remaining assets of the Company, after distribution of all preferential amounts. However, no such preferential amounts exist currently. The amount distributed will be in proportion to the number of equity shares held by the shareholders.

Reconciliation of the number of shares outstanding

Particulars	As at March 31,	
	2012	2011
Number of share outstanding at the beginning of the year	3,38,27,751	3,38,27,751
Add : Shares issued during the year	–	–
Number of shares outstanding at the end of the year	3,38,27,751	3,38,27,751

Shares held by shareholders holding more than 5% shares

Name of the shareholder	Number of shares as at March 31,	
	2012	2011
Infosys Limited	3,38,22,319	3,38,22,319

Employee stock option plan

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

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

Infosys BPO Employee Stock Option Plan 2002

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

On March 12, 2007, Infosys Limited purchased 12,19,532 unvested options held by the employees of Infosys BPO Limited for a cash consideration of ₹57.87 crore. As at March 31, 2012, 4,76,250 (March 31, 2011, 6,79,250) options are held by Infosys Limited. Options held by Infosys Limited cannot be exercised due to legal restrictions and will expire in due course. Accordingly these options have not been considered while computing dilutive earnings per share of the Company from the date Infosys Limited owned these options.

Particulars	Year ended March 31, 2012	
	Shares arising out of options	Weighted average exercise prices (in ₹)
Outstanding at the beginning of the year	6,79,250	397.44
Granted during the year	–	–
Forfeitures during the year	2,03,000	195.00
Exercised during the year	–	–
Outstanding at the end of the year	4,76,250	483.73
Exercisable at the end of the year	4,48,750	476.36

Particulars	Year ended March 31, 2011	
	Shares arising out of options	Weighted average exercise prices (in ₹)
Outstanding at the beginning of the year	13,36,331	333.55
Granted during the year	–	–
Forfeitures during the year	6,57,081	267.51
Exercised during the year	–	–
Outstanding at the end of the year	6,79,250	397.44
Exercisable at the end of the year	4,78,750	394.67

The following table summarizes information about stock options as of March 31, 2012 and March 31, 2011 :

Range of exercise prices (in ₹)	Stock options outstanding at the end of the year		Weighted average remaining contractual life	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
33.12 – 58.33	–	–	–	–
58.34 – 77.89	–	–	–	–
77.90 – 99.20	–	–	–	–
99.21 – 162.23	–	–	–	–
162.24 – 195.00	–	2,03,000	–	0.37
195.01 – 214.00	–	–	–	–
214.01 – 230.00	1,05,000	1,05,000	(0.58)	0.42
230.01 – 310.00	61,250	61,250	0.26	1.27
310.01 – 604.00	3,10,000	3,10,000	0.71	1.71
	4,76,250	6,79,250	0.61	1.07

Infosys 1999 Employee Stock Option Plan ('1999 Plan')

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

Particulars	Year ended March 31, 2012	
	Shares arising out of options	Weighted average exercise prices (in ₹)
Outstanding at the beginning of the year	14,961	2,120.95
Granted during the year	–	–
Forfeitures during the year	–	2,120.95
Exercised during the year	3,277	2,120.95
Outstanding at the end of the year	11,684	2,120.95
Exercisable at the end of the year	7,429	2,120.95

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

The following table summarizes information about stock options as of March 31, 2012 and March 31, 2011 :

	Stock options outstanding at the end of the year		Weighted average remaining contractual life	
Range of exercise prices (in ₹)	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
0 – 2120.95	11,684	14,961	0.30	0.86
	11,684	14,961	0.30	0.86

2.2. Reserves and surplus

in ₹

Particulars	As at March 31,	
	2012	2011
Securities premium reserve at the beginning and end of the year	25,48,97,789	25,48,97,789
Capital redemption reserve at the beginning and end of the year	1,13,94,690	1,13,94,690
General reserve – Opening balance	1000,00,00,000	400,00,00,000
Add : Transfer from Profit and Loss account during the year	–	600,00,00,000
General reserve – Closing balance	1000,00,00,000	1000,00,00,000
Balance in Profit and Loss account – Opening	80,13,36,868	475,29,76,166
Add : Profit during the year	304,62,61,337	204,83,60,702
Less : Transferred to general reserve	–	600,00,00,000
Balance in Profit and Loss account – Closing	384,75,98,205	80,13,36,868
	1411,38,90,684	1106,76,29,347

2.3. Other long-term liabilities

in ₹

Particulars	As at March 31,	
	2012	2011
Accrued salaries and benefits		
Bonus and incentives	3,49,02,225	3,86,70,125
Provision for expenses	–	10,16,92,500
Contingent consideration payable [1]	57,97,89,882	61,19,44,873
	61,46,92,107	75,23,07,498

[1] *On December 4, 2009, Infosys BPO acquired 100% of the voting interests in McCamish Systems LLC (McCamish), a business process solutions provider based in Atlanta, Georgia, in the U.S. The business acquisition was concluded by entering into a Membership Interest Purchase Agreement for a cash consideration of ₹173 crore and a contingent consideration of ₹67 crore.*

2.4. Other current liabilities

in ₹

Particulars	As at March 31,	
	2012	2011
Accrued salaries and benefits		
Salaries	32,47,02,527	22,60,42,696
Bonus and incentives	85,45,65,084	110,86,33,956
Other liabilities		
Provision for expenses	199,18,35,862	183,22,54,104
Retention money payable	8,08,16,534	4,29,78,153
EMD received	2,92,54,500	–
Withholding and other taxes	62,32,804	5,16,923
Others	1,24,41,973	1,65,29,655
Mark to market loss on forward contracts	15,14,86,359	–
Advances received from customers	1,52,14,893	3,24,33,733
Unearned revenue	4,98,01,993	8,71,78,937
Contingent consideration payable *(Refer to Note 2.3)*	16,25,49,318	3,87,69,127
	367,89,01,847	338,53,37,284

2.5. Short-term provisions

in ₹

Particulars	As at March 31,	
	2012	2011
Provision for employee benefits		
Unavailed leave	29,60,26,987	24,92,77,108
Others		
Provision for		
Income taxes	5,00,91,064	1,96,65,292
SLA compliance	5,92,42,846	5,03,86,611
	40,53,60,897	31,93,29,011

Provision for SLA compliance

The provision for SLA compliance is based on estimates made by the Management for on going contracts. In accordance with paragraphs 66 and 67 of the Accounting Standard 29 (Provisions, contingent liabilities and contingent assets) the movement in provision for SLA is as follows:

in ₹

Particulars	As at March 31,	
	2012	2011
Balance at the beginning of the year	5,03,86,611	5,19,14,163
Additional provision made during the year	8,90,46,607	1,22,93,108
Provisions used during the year	2,20,96,984	12,61,838
Unused amount reversed during the year	5,80,93,388	1,25,58,822
Balance at the end of the year	5,92,42,846	5,03,86,611

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

2.6. Fixed assets

in ₹

Particulars	Original cost				Depreciation and amortization				Net book value	
	Cost as at April 1, 2011	Additions during the year	Deletions during the year	Cost as at March 31, 2012	As at April 1, 2011	Charge for the year	Deletions during the year,	As at March 31, 2012	As at March 31, 2012	As at March 31, 2011
Tangible assets:										
Land-leasehold	11,55,00,000	–	–	11,55,00,000	28,81,449	11,93,790	–	40,75,239	11,14,24,761	11,26,18,551
Buildings	92,62,56,775	46,73,25,231	7,72,690	139,28,09,316	13,03,75,517	6,90,15,832	2,19,580	19,91,71,769	119,36,37,547	79,58,81,258
Leasehold improvements	34,54,21,796	12,59,94,339	–	47,14,16,135	27,26,45,035	4,68,20,111	–	31,94,65,146	15,19,50,989	7,27,76,761
Office equipment	100,18,69,387	15,79,58,342	39,04,751	115,59,22,978	58,88,69,312	17,50,65,377	35,50,759	76,03,83,930	39,55,39,048	41,30,00,075
Plant and machinery	–	17,95,57,403	–	17,95,57,403	–	94,50,126	–	94,50,126	17,01,07,277	–
Computer equipment	107,08,07,967	21,55,23,212	8,53,56,159	120,09,75,020	93,16,83,825	15,71,81,632	8,53,56,159	100,35,09,298	19,74,65,722	13,91,24,142
Furniture and fixtures	40,88,03,505	7,25,09,586	7,21,700	48,05,91,391	33,31,37,272	3,81,90,359	7,21,700	37,06,05,931	10,99,85,460	7,56,66,233
	386,86,59,430	121,88,68,113	9,07,55,300	499,67,72,243	225,95,92,410	49,69,17,227	8,98,48,198	266,66,61,439	233,01,10,804	160,90,67,020
Intangible assets:										
Goodwill	19,03,70,324	–	–	19,03,70,324	–	–	–	–	19,03,70,324	19,03,70,324
	19,03,70,324	–	–	19,03,70,324	–	–	–	–	19,03,70,324	19,03,70,324
Total	405,90,29,754	121,88,68,113	9,07,55,300	518,71,42,567	225,95,92,410	49,69,17,227	8,98,48,198	266,66,61,439	252,04,81,128	179,94,37,344
Previous year	389,73,66,154	22,05,80,136	5,89,16,536	405,90,29,754	180,87,19,841	50,74,55,954	5,65,83,385	225,95,92,410	179,94,37,344	

2.7. Investments

in ₹

Particulars	As at March 31,	
	2012	2011
Non current investments – at cost		
Trade (unquoted)		
Investments in equity of subsidiaries		
Infosys BPO s.r.o., Czech Republic	3,49,78,993	3,49,78,993
Infosys BPO Poland Sp.Z.o.o, 5,000 (5,000) equity shares of PLN 500 each, fully paid	58,68,81,768	58,68,81,768
Portland Group Pty. Limited, 17,45,00,000 (Nil) equity share of AUD 1 each, fully paid	211,05,81,750	–
McCamish Systems LLC	289,53,08,358	258,07,63,358
	562,77,50,869	320,26,24,119
Current investments – at the lower of cost and fair value		
Investment in mutual funds, non-trade (unquoted)		
Investment in mutual fund units	20,05,06,473	20,59,34,759
	20,05,06,473	20,59,34,759
Aggregate amount of unquoted investments	582,82,57,342	340,85,58,878

On January 4, 2012, Infosys BPO acquired 100% of the voting interests in Portland Group Pty. Ltd. a strategic sourcing and category management services provider based in Sydney, Australia. The business acquisition was conducted by entering into definitive share sale agreement for a cash consideration of ₹211 crore (AUD 36 million).

2.9. Long-term loans and advances

in ₹

Particulars	As at March 31,	
	2012	2011
Unsecured considered good		
Capital advances	63,73,026	9,32,06,877
Other loans and advances		
Prepaid expenses	–	1,53,780
Rental deposits	17,87,69,981	21,83,15,056
Electricity and other deposits	72,99,220	88,55,553
MAT credit entitlement	38,78,61,534	48,25,37,742
Advance income taxes	22,39,78,480	20,82,91,231
	80,42,82,241	101,13,60,239

2.10. Other non-current assets

in ₹

Particulars	As at March 31,	
	2012	2011
Others		
Restricted deposits *(Refer to Note 2.29)*	30,38,63,714	23,50,00,000
Advance to gratuity trust *(Refer to Note 2.25)*	1,19,02,926	1,00,65,608
	31,57,66,640	24,50,65,608

Details of investment in mutual funds as at March 31, 2012 and March 31, 2011 is as follows:

Particulars	No. of units as at March 31,		Amount (in ₹)	
	2012	2011	March 31, 2012	March 31, 2011
Birla Sun Life AMC Ltd – Liquid Plus	–	70,13,771	–	7,02,74,475
Kotak Mutual Fund – Liquid Plus	–	77,94,013	–	9,53,05,962
Reliance Mutual Fund – Liquid Plus	–	26,97,883	–	3,00,58,466
TATA Asset Management Ltd – Liquid Plus	–	9,238	–	1,02,95,856
Templeton Mutual Fund – Liquid Plus	2,00,372	–	20,05,06,473	–
	2,00,372	1,75,14,905	20,05,06,473	20,59,34,759

2.8. Deferred tax assets, net

in ₹

Particulars	As at March 31,	
	2012	2011
Deferred tax assets		
Fixed assets	17,26,33,910	16,32,44,481
Unavailed leave	6,23,73,943	7,06,85,231
Trade receivables	54,45,683	22,61,028
Others	83,09,206	3,04,043
	24,87,62,742	23,64,94,783

2.11. Trade receivables

in ₹

Particulars	As at March 31,	
	2012	2011
Debt outstanding for a period exceeding six months		
Unsecured		
Considered doubtful	1,49,39,901	1,24,96,113
Other debts		
Unsecured		
Considered good [(1)]	264,08,67,908	210,67,05,724
Considered doubtful	67,84,522	49,14,442
	266,25,92,331	212,41,16,279
Less: Provision for doubtful debts	2,17,24,423	1,74,10,555
	264,08,67,908	210,67,05,724
[(1)] *Of which dues from subsidiary companies (Also Refer to Note 2.23)*	2,83,26,491	66,511

Provision for doubtful debts

Periodically, the Company evaluates all customer dues for collectability. The need for provisions is assessed based on various factors including collectability of specific dues, risk perceptions of the industry in which the customer operates, general economic factors, which could affect the customer's ability to settle. The Company normally provides for debtor dues outstanding for six months or longer as at the Balance Sheet date. The Company pursues the recovery of the dues, in part or full.

2.12. Cash and cash equivalents

in ₹

Particulars	As at March 31, 2012	As at March 31, 2011
Cash on hand	90,589	92,621
Balances with bank		
In current and deposit accounts	555,81,46,362	533,52,44,025
	555,82,36,951	533,53,36,646

The deposits maintained by the Company with banks comprise time deposits, which can be withdrawn by the Company at any point without prior notice or penalty on the principal portion.

The details of balances with banks as at March 31, 2012 and 2011 are as follows :

in ₹

Particulars	As at March 31, 2012	As at March 31, 2011
In current accounts		
Citibank N.A.	3,96,652	3,20,400
Deustche Bank – current account	1,33,01,562	72,15,811
Deustche Bank – EEFC account in Euro	36,26,701	16,34,655
Deustche Bank – EEFC account in U.K. Pound Sterling	20,40,654	19,59,860
Deustche Bank – EEFC account in U.S. Dollar	73,57,516	1,87,70,059
ICICI Bank – current account	1,90,77,185	9,77,80,843
ICICI Bank – EEFC account in Euro	35,35,092	7,95,75,167
ICICI Bank – EEFC account in U.K. Pound Sterling	1,46,74,222	41,67,262
ICICI Bank – EEFC account in U.S. Dollar	17,64,39,122	77,80,267
State Bank of India	2,43,370	1,64,134
ICICI Bank, London	1,72,30,789	67,23,007
PNC Bank, New Jersey	2,54,400	2,23,000
Bank of America, California	5,89,35,213	7,26,58,909
Deutsche Bank, Philippines	3,03,81,792	1,66,57,487
Royal Bank of Canada, Ontario	44,52,200	45,90,164
Bank of America, California – Trust account	2,54,400	–
Deutsche Bank, London	59,22,492	–
	35,81,23,362	32,02,21,025
In deposit accounts		
Allahabad Bank	–	61,50,00,000
Axis Bank	60,00,00,000	60,00,00,000
Bank of Maharashtra	–	18,00,00,000
Canara Bank	80,00,00,000	75,00,00,000
ICICI Bank	50,00,00,000	22,00,00,000
IDBI Bank	30,00,00,000	54,00,00,000
Indian Overseas Bank	–	18,00,00,000
Kotak Mahindra Bank	80,00,00,000	–
Oriental Bank of Commerce	14,00,00,000	75,00,00,000
Punjab National Bank	28,50,00,000	–
State Bank of Hyderabad	80,00,00,000	30,00,00,000
State Bank of India	23,000	23,000
Syndicate Bank	–	4,00,00,000
South Indian Bank	35,50,00,000	25,00,00,000
Vijaya Bank	–	49,00,00,000
Yes Bank	10,00,00,000	10,00,00,000
	520,00,23,000	501,50,23,000
	555,81,46,362	533,52,44,025

2.13. Short-term loans and advances

in ₹

Particulars	As at March 31, 2012	As at March 31, 2011
Unsecured, considered good		
Prepaid expenses	2,21,90,968	2,38,46,271
Advances for goods and services	14,51,70,401	9,71,68,052
Withholding and other taxes receivable	19,10,03,175	25,34,32,026
	35,83,64,544	37,44,46,349
Unbilled revenue	22,19,91,120	26,78,08,796
Interest accrued but not due	11,30,73,697	5,93,60,642
Loans and advances to employees	14,95,97,145	11,35,09,870
Rental deposits	8,60,54,777	1,23,96,993
Electricity and other deposits	82,88,195	1,61,310
Mark to market gain on forward contracts	–	4,77,92,851
Customer recoverables	–	2,24,43,803
MAT credit entitlement	15,73,36,400	14,79,85,799
Loans and advances to group companies	8,34,81,329	4,87,14,063
	117,81,87,207	109,46,20,476
Unsecured, considered doubtful		
Loans and advances to employees	26,93,311	24,13,729
	118,08,80,518	109,70,34,205
Less : Provision for doubtful loans and advances	26,93,311	24,13,729
	117,81,87,207	109,46,20,476

2.14. Other current assets

in ₹

Particulars	As at March 31, 2012	As at March 31, 2011
Deposits with body corporate / financial institutions	10,00,00,000	50,00,00,000
	10,00,00,000	50,00,00,000

The deposits maintained by the Company with body corporate / financial institutions comprise time deposits, which can be withdrawn by the Company at any point without prior notice or penalty on the principal portion.

2.15. Other income

in ₹

Particulars	Year ended March 31,	
	2012	2011
Interest received on deposits with bank and others	60,12,07,528	31,83,30,127
Dividend received on investment in mutual fund units	3,13,13,961	3,40,79,908
Miscellaneous income, net	5,34,05,489	1,24,40,625
Profit on sale of fixed assets	19,82,876	2,44,780
Gains / (losses) on foreign currency, net	(21,56,75,864)	7,94,97,766
	47,22,33,990	44,45,93,206

2.16. Expenses

in ₹

Particulars	Year ended March 31,	
	2012	2011
Employee benefit expenses		
Salaries and bonus including overseas staff expenses	599,52,71,750	597,37,08,375
Staff welfare	5,84,63,241	6,06,39,520
Contribution to provident and other funds	30,98,51,749	25,36,01,179
	636,35,86,740	628,79,49,074
Cost of technical sub-contractors		
Consultancy charges	7,53,19,667	22,37,60,773
	7,53,19,667	22,37,60,773
Travel expenses		
Overseas travel expenses	41,63,34,570	34,22,01,172
Traveling expenses	14,95,61,584	14,07,87,220
	56,58,96,154	48,29,88,392
Cost of software packages		
Cost of software for own use	20,17,20,986	24,97,00,999
	20,17,20,986	24,97,00,999
Communication expenses		
Communication expenses	26,30,08,209	32,20,68,274
	26,30,08,209	32,20,68,274
Professional charges		
Legal and professional charges	29,70,77,335	22,47,09,642
Recruitment and training expenses	12,38,99,899	13,26,39,310
Auditor's remuneration		
Audit fees	26,40,000	23,00,000
Out-of-pocket expenses	–	–
	42,36,17,234	35,96,48,952
Office expenses		
Computer maintenance	1,88,98,184	1,76,16,383
Printing and stationery	2,13,79,187	1,75,11,526
Office maintenance	29,86,68,571	26,02,73,343
	33,89,45,942	29,54,01,252
Power and fuel		
Power and fuel	19,75,17,680	17,64,29,955
	19,75,17,680	17,64,29,955
Insurance charges		
Insurance charges	8,71,65,444	7,52,61,859
	8,71,65,444	7,52,61,859
Rent		
Rent	43,82,76,358	40,30,86,167
	43,82,76,358	40,30,86,167
Other expenses		
Consumables	1,25,34,406	2,41,36,193
Brand building and advertisement	5,53,81,916	2,02,56,326
Marketing expenses	1,54,10,703	3,97,90,028

in ₹

Particulars	Year ended March 31,	
	2012	2011
Rates and taxes	7,02,40,845	2,17,97,669
Bank charges and commission	41,47,383	24,86,576
Postage and courier	46,24,914	45,27,131
Provision for doubtful debts	96,19,556	1,27,95,723
Provision for doubtful loans and advances	1,48,01,572	8,21,763
Professional membership and seminar participation fees	48,03,892	1,32,05,139
Other miscellaneous expenses	99,91,264	52,07,642
	20,15,56,451	14,50,24,190

2.17. Tax expense

in ₹

Particulars	Year ended March 31,	
	2012	2011
Current tax		
Income taxes	82,34,93,398	37,88,13,706
MAT credit entitlement	8,53,25,607	(21,23,57,005)
Deferred taxes	(1,22,67,959)	(7,00,18,320)
	89,65,51,046	9,64,38,381

Income taxes

The provision for taxation includes tax liabilities in India on the Company's global income as reduced by exempt incomes and any tax liabilities arising overseas on income sourced from those countries. Infosys BPO operations are conducted through Software Technology Parks (STPs) and Special Economic Zones (SEZs). Income from STPs were tax exempt till March 31, 2011. Income from SEZs is fully tax exempt for the first 5 years, 50% exempt for the next 5 years and 50% exempt for another 5 years subject to fulfilling certain conditions. In the current year, the Company calculated its tax liability under normal provisions of the Income Tax Act and utilized the brought forward MAT credit. During the year ended March 31, 2012, the Company has provided ₹1.38 crore as additional provision for tax and ₹7.84 crore as additional MAT credit entitlement for earlier years.

2.18. Leases

Obligations on long-term, non-cancelable operating leases:

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

in ₹

Particulars	Year ended March 31,	
	2012	2011
Lease rentals charged during the year	43,82,76,358	40,30,86,167

in ₹

Lease obligations	As at March 31,	
	2012	2011
Within one year of the Balance Sheet date	8,23,09,626	8,50,28,088
Due in a period between one year and five years	4,55,43,435	8,12,09,462
Later than five years	–	–

The Company has entered into non-cancelable operating lease arrangements for premises with Infosys Limited, DLF and TRIL Infopark Limited. The existing operating lease arrangements extend for periods between 36 months and 72 months from their respective dates of inception.

2.19. Contingent liabilities and commitments (to the extent not provided for)

in ₹

Particulars	As at March 31,	
	2012	2011
Contingent :		
Estimated amount of unexecuted capital contracts (net of advance and deposits)	19,85,89,590	65,38,84,579
Claims against the Company not acknowledged as debts	5,32,28,478	1,79,74,765
Commitments :		
Forward contracts outstanding		
USD / INR	4,60,00,000	4,55,00,000
(Equivalent approximate in ₹)	(234,04,80,000)	(202,93,00,000)
GBP / USD	20,00,000	50,00,000
(Equivalent approximate in ₹)	(16,29,20,000)	(35,90,00,000)

As at the Balance Sheet date, the Company's net foreign currency exposure that is not hedged by a derivative instrument or otherwise is ₹ Nil (₹ Nil as at March 31, 2011).

The foreign exchange forward and option contracts mature between one to 12 months. The following table analyzes the derivative financial instruments into relevant maturity groupings based on the remaining period as of the Balance Sheet date :

in ₹

Particulars	As at March 31,	
	2012	2011
Not later than one month	25,44,65,000	15,23,00,000
Later than one month and not later than three months	82,42,95,000	50,09,50,000
Later than three months and not later than one year	142,46,40,000	173,50,50,000
	250,34,00,000	238,83,00,000

The Company recognized a loss on derivative financial instruments of ₹ 59,43,40,711 and a gain on derivative financial instruments of ₹ 7,85,405 during the year ended March 31, 2012 and March 31, 2011, respectively, which is included in other income.

2.20. Quantitative details

The Company is primarily engaged in providing business process management services. The sale of such services cannot be expressed in any generic unit. Hence, it is not possible to give the quantitative details of sales and certain information as required under paragraphs 5(viii)(c) of general instructions for preparation of Statement of Profit and Loss as per revised Schedule VI to the Companies Act, 1956.

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

in ₹

Particulars	Year ended March 31,	
	2012	2011
Capital goods	18,95,53,557	6,62,02,041

2.22. Activity in foreign currency

in ₹

Particulars	Year ended March 31,	
	2012	2011
Earnings in foreign currency		
From business process management services	1198,56,13,027	1090,00,11,448
	1198,56,13,027	1090,00,11,448
Expenditure in foreign currency		
Salary, legal and professional charges	145,44,83,224	133,94,27,779
Overseas travel expenses	31,03,58,861	38,32,12,225
Bank charges, consultancy and others	84,05,47,478	70,08,41,363
Communication expenses	14,06,28,522	21,79,26,254
	274,60,18,085	264,14,07,621

2.23. Related party transactions

List of related parties :

Name of the related party		Holding as at March 31,	
		2012	2011
Infosys Limited	India	Holding company	Holding company
Infosys BPO s.r.o.	Czech Republic	100%	100%
Infosys BPO (Poland) Sp.Z.o.o	Poland	100%	100%
McCamish Systems LLC	U.S.	100%	100%
Portland Group Pty. Limited	Australia	100%	–
Infosys Consulting Inc. [1]	U.S.		
Infosys Technologies (Australia) Pty. Limited (Infosys Australia) [1]	Australia		
Infosys Technologies S. de R. L. de C. V. (Infosys Mexico) [1]	Mexico		
Infosys Technologies (China) Co. Limited (Infosys China) [1]	China		
Infosys Tecnologia do Brasil Ltda (Infosys Brasil) [1]	Brazil		
Infosys Consulting India Limited [2]	India		

[1] *Wholly-owned subsidiaries of Infosys Limited i.e. fellow subsidiaries.*

[2] *Wholly-owned subsidiary of Infosys Consulting Inc. Effective January 2012, Infosys Consulting Inc., was terminated in accordance with the Texas Business Organizations Code.*

List of key management personnel:

Name of the related party	Designation
V. Balakrishnan [1]	Chairman and Director
T. V. Mohandas Pai [2]	Chairman and Director
D. Swaminathan	Managing Director and Chief Executive Officer
S. D. Shibulal [3]	Director
Prof. Jayanth R. Varma	Director
Sridar A. Iyengar	Director
B. G. Srinivas [3]	Director
Eric S. Paternoster [3]	Director
Chandrashekar Kakal [4]	Director

[1] *Appointed as Chairman and Director effective June 11, 2011.*
[2] *Resigned as Chairman and Director effective June 11, 2011.*
[3] *Resigned as Director effective September 30, 2011.*
[4] *Appointed as Director effective October 1, 2011.*

The details of the related party transactions entered into by the Company, for the year ended March 31, 2012 and March 31, 2011 are as follows:

in ₹

Particulars	Year ended March 31	
	2012	2011
Capital transactions:		
Financial transactions		
Loans		
McCamish Systems LLC	11,20,78,361	(15,49,973)
Revenue transactions:		
Purchase of services		
Infosys Limited	38,53,749	–
Infosys BPO s.r.o.	–	16,26,623
Infosys Mexico	50,72,204	2,02,96,180
Infosys Consulting Inc.	43,18,928	1,76,45,583
McCamish Systems LLC	1,11,34,636	60,84,062
Infosys Poland	4,40,34,353	–
Purchase of shared services including facilities and personnel		
Infosys Limited	57,64,77,252	73,39,43,837
Infosys BPO s.r.o.	1,90,760	4,02,543
Infosys BPO Poland Sp.Z.o.o	3,21,407	44,695
Infosys BPO (Thailand) Limited	–	1,220
McCamish Systems LLC	73,50,067	1,22,20,764
Infosys Australia	27,55,982	2,67,61,644
Infosys Mexico	2,92,196	28,47,985
Infosys China	16,03,855	89,37,566
Infosys Brasil	11,97,138	13,57,877
Interest income		
Infosys BPO (Thailand) Limited	–	1,81,233
McCamish Systems LLC	22,46,888	8,92,617
Sale of services		
Infosys BPO s.r.o.		52,44,663
McCamish Systems LLC	18,11,20,150	–
Sale of shared services including facilities and personnel		
Infosys Limited	129,85,23,662	110,75,66,483
Infosys BPO s.r.o.	13,24,091	89,14,375
Infosys BPO Poland Sp.Z.o.o	5,18,614	15,51,838
McCamish Systems LLC	7,89,038	3,32,33,566
Infosys Australia	66,01,442	3,44,19,371
Infosys Mexico	4,27,349	63,03,004
Infosys China	16,84,103	1,63,25,479
Infosys Consulting Inc.	–	24,229
Infosys Brasil	19,36,548	1,49,36,410
Infosys Consulting India Limited	40,63,654	1,00,36,532

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

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

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

On September 1, 2011 the loan given to McCamish Systems LLC was converted into equity amounting to ₹11.52 crore.

Details of amounts due to or due from related parties as at March 31, 2012 and March 31, 2011:

in ₹

Particulars	As at, March 31	
	2012	2011
Debtors		
Infosys BPO s.r.o.	–	41,423
Infosys BPO Poland Sp.Z.o.o	(318)	25,088
McCamish Systems LLC	2,83,26,809	–
Loans and Advances		
Infosys Limited	8,33,76,783	2,07,85,682
Infosys Australia	94,678	33,45,694
Infosys Consulting Inc.	–	3,697
Infosys Mexico	–	6,46,607
Infosys China	–	2,29,89,664
Infosys Consulting India Limited	–	8,76,208
Creditors		
Infosys Limited	1,29,73,714	1,40,12,209
Infosys BPO Poland Sp.Z.o.o	3,54,19,268	–
Infosys Consulting Inc.	–	16,69,423
Infosys Australia	–	1,11,252
Infosys Mexico	–	25,02,248
Infosys China	–	96,35,279
Portland Group Pty. Limited	1,15,51,015	–
Deposit given for shared services		
Infosys Limited	6,89,00,000	6,89,00,000
Deposit received for shared services		
Infosys Limited	2,92,54,500	–

Particulars of remuneration and other benefits paid to the Managing Director during the year March 31, 2012 and March 31, 2011, are as follows:

in ₹

Particulars	Year ended March 31	
	2012	2011
Salary, allowances and performance incentives	1,62,24,612	78,73,281
Contribution to provident and other funds	2,55,379	2,26,209
Performance incentives	93,65,622	43,74,524
	2,58,45,613	1,24,74,014

Managerial remuneration paid to non-whole-time directors:

Particulars of remuneration and other benefits paid to non-whole-time directors during the year ended March 31, 2012 and March 31, 2011 are as follows:

in ₹

Particulars	Year ended March 31	
	2012	2011
Sitting fees	1,20,000	90,000
Commission	24,00,000	24,00,000
	25,20,000	24,90,000

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

in ₹

Particulars	Year ended March 31	
	2012	2011
Net profit after tax from ordinary activities	304,62,61,337	204,83,60,702
Add:		
1. Whole-time director's remuneration	2,58,45,613	1,24,74,014
2. Director's sitting fee	1,20,000	90,000
3. Commission to non-whole-time directors	24,00,000	24,00,000
4. Depreciation as per books of account	49,69,17,227	50,74,55,954
5. Provision for doubtful debts	96,19,556	1,27,95,723
6. Provision for doubtful loans and advances	1,48,01,572	8,21,763
7. Provision for taxation	89,65,51,046	9,64,38,381
	144,62,55,014	268,08,36,537
Less:		
1. Depreciation as envisaged under Section 350 of the Companies Act, 1956 [1]	49,69,17,227	50,74,55,954
2. Carried forward losses for previous years as computed under Section 349 of the Companies Act, 1956	–	–
Net profit on which commission is payable	94,93,37,787	217,33,80,583
Commission payable to non-whole-time directors	–	–
Maximum allowed as per the Companies Act, 1956 at 1%	94,93,378	2,17,33,806
Commission approved by the Board	24,00,000	24,00,000

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

2.24. Segment reporting

The Company's operations primarily relate to providing business process management services to organizations that outsource their business processes. Accordingly, revenues represented along industry classes comprise the primary basis of segmental information set out in these financial statements. Secondary segmental reporting is performed on the basis of the geographical location of customers.

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

Industry segments at the Company primarily comprise customers relating to financial services and insurance (FSI), manufacturing (MFG), enterprises in energy, utilities and telecommunication services (ECS) and retail, logistics, consumer packaged goods, life sciences and healthcare enterprises (RCL). Income in relation to segments is categorized based on items that are individually identified to those segments while expenditure is categorized in relation to the associated turnover of the segment. Expenses which form a significant component of total expenses are not specifically allocable to specific segments as the underlying services are used interchangeably. These expenses are separately disclosed as 'unallocated' and adjusted only against the total income of the Company. The Company believes that it is not practical to provide segment disclosures relating to these costs and expenses, and accordingly these expenses are separately disclosed as unallocated and directly charged against total income. Fixed assets or liabilities contracted have not been identified to any reportable segments, as these are used interchangeably between segments. Accordingly no disclosure relating to total segment assets and liabilities are made.

Geographical segments are segregated based on the location of the customers, or in relation to which the revenue is otherwise recognized.

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

Industry segments

For the years ended March 31, 2012 and *March 31, 2011* :

in ₹

Particulars	FSI	MFG	RCL	ECS	Total
Revenues from business process management services	341,97,04,981	406,59,00,368	102,48,20,078	461,36,81,058	1312,41,06,485
	291,17,65,411	*372,12,19,084*	*72,15,44,892*	*393,66,18,522*	*1129,11,47,909*
Identifiable operating expenses	84,86,61,229	116,99,97,456	33,67,76,199	147,28,02,118	382,82,37,002
	74,45,74,214	*122,62,65,945*	*25,46,10,203*	*159,99,26,367*	*382,53,76,729*
Allocated expenses	138,33,02,522	165,39,71,856	41,62,82,756	187,48,16,730	532,83,73,863
	133,98,96,737	*171,04,00,725*	*33,34,66,134*	*181,21,79,562*	*519,59,43,158*
Segmental operating profit	118,77,41,230	124,19,31,056	27,17,61,123	126,60,62,210	396,74,95,620
	82,72,94,460	*78,45,52,414*	*13,34,68,555*	*52,45,12,593*	*226,98,28,022*
Unallocable expenses					49,69,17,227
					56,96,22,145
Other income					47,22,33,990
					44,45,93,206
Profit before tax					394,28,12,383
					214,47,99,083
Tax expense					89,65,51,046
					9,64,38,381
Profit for the year					304,62,61,337
					204,83,60,702

Geographical segments

For the years ended March 31, 2012 and *March 31, 2011* :

in ₹

Particulars	U.S.	Europe	Others	Total
Revenues from business process management services	701,21,16,420	487,20,49,383	123,99,40,682	1312,41,06,485
	655,60,57,517	*382,15,29,931*	*91,35,60,461*	*1129,11,47,909*
Identifiable operating expenses	199,86,34,335	151,68,11,771	31,27,90,896	382,82,37,002
	227,77,96,890	*132,28,42,755*	*22,47,37,084*	*382,53,76,729*
Allocated expenses	284,30,19,304	198,10,49,507	50,43,05,053	532,83,73,863
	301,45,64,845	*176,07,54,470*	*42,06,23,843*	*519,59,43,158*
Segmental operating profit	217,04,62,781	137,41,88,105	42,28,44,733	396,74,95,620
	126,36,95,782	*73,79,32,706*	*26,81,99,534*	*226,98,28,022*
Unallocable expenses				49,69,17,227
				56,96,22,145
Other income				47,22,33,990
				44,45,93,206
Profit before tax				394,28,12,383
				214,47,99,083
Tax expense				89,65,51,046
				9,64,38,381
Profit for the year				304,62,61,337
				204,83,60,702

2.25. Gratuity Plan

Gratuity is applicable to all permanent and full-time employees of the Company. Gratuity paid out is based on last drawn basic salary and dearness allowance at the time of termination or retirement. The scheme takes into account each completed year of service or part thereof in excess of six months. The normal age of retirement is 60 years and the entire contribution is borne by the Company.

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

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

in ₹

Particulars	As at March 31,				
	2012	2011	2010	2009	2008
Obligations at the beginning of the year	18,76,90,700	14,25,35,851	10,83,54,625	5,97,96,919	3,65,75,416
Liability as on April 1, 2008 assumed on the amalgamation of PAN Financial Shared Services India Private Limited	–	–	–	1,31,80,050	–
Service cost	13,68,85,699	6,51,09,966	6,73,44,267	4,07,80,299	2,57,48,242
Interest cost	1,12,28,864	74,96,831	46,65,510	42,52,594	28,21,347
Benefits settled	(5,40,74,205)	(4,42,43,763)	(3,71,70,205)	(2,35,68,652)	(1,42,50,440)
Actuarial (gain) / loss	25,89,919	1,67,91,815	(6,58,346)	1,39,13,415	89,02,354
Obligations at the end of the year	28,43,20,977	18,76,90,700	14,25,35,851	10,83,54,625	5,97,96,919

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

Change in plan assets:

in ₹

Particulars	As at March 31,				
	2012	2011	2010	2009	2008
Plan assets at beginning, at fair value	19,77,56,309	15,45,17,163	11,64,20,243	6,12,93,221	3,49,57,318
Assets as on April 1, 2008 assumed on the amalgamation of PAN Financial Shared Services India Private Limited	–	–	–	1,59,21,701	–
Expected return on plan assets	2,01,20,084	1,56,93,766	1,14,83,981	64,94,791	33,91,458
Actuarial gain / (loss)	13,85,922	(1,84,436)	3,04,464	18,39,632	3,84,157
Contributions	13,59,88,112	7,19,73,579	6,34,78,680	5,44,39,550	3,68,10,728
Benefits settled	(5,40,74,205)	(4,42,43,763)	(3,71,70,205)	(2,35,68,652)	(1,42,50,440)
Plan assets at end, at fair value	30,11,76,222	19,77,56,309	15,45,17,163	11,64,20,243	6,12,93,221

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

in ₹

Particulars	As at March 31,				
	2012	2011	2010	2009	2008
Fair value of plan assets at the year end	29,62,23,903	19,77,56,309	15,45,17,163	11,64,20,243	6,12,93,221
Present value of the defined benefit obligations at the year end	28,43,20,977	18,76,90,700	14,25,35,851	10,83,54,625	5,97,96,919
Asset / (Liability) recognized in the Balance Sheet	1,19,02,926	1,00,65,608	1,19,81,312	80,65,618	14,96,302

Gratuity cost for the year:

in ₹

Particulars	Year ended March 31,	
	2012	2011
Service cost	13,68,85,699	6,51,09,966
Interest cost	1,12,28,864	74,96,831
Expected return on plan assets	(2,01,20,084)	(1,56,93,766)
Actuarial (gain) / loss	12,03,997	1,69,76,251
Net gratuity cost	12,91,98,476	7,38,89,283
Actual return on plan assets	2,15,06,006	1,55,09,330

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

Assumptions

Particulars	As at March 31,				
	2012	2011	2010	2009	2008
Interest rate	8.57%	7.98%	7.82%	7.01%	7.92%
Discount rate	8.57%	7.98%	7.82%	7.01%	7.92%
Estimated rate of return on plan assets	9.45%	9.36%	9.00%	7.01%	7.92%
Retirement age	60	60	60	58	58

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

2.26. Provident fund

The Company contributed ₹30,98,51,749 towards provident fund during the year ended March 31, 2012 (₹25,36,01,179 during the year ended March 31, 2011).

2.27. Superannuation

The Company contributed ₹8,40,793 to the Superannuation Trust during year ended March 31, 2012 (₹3,99,998 during the year ended March 31, 2011).

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

Particulars	Year ended March 31,	
	2012	2011
Number of shares considered as basic weighted average shares outstanding	3,38,27,751	3,38,27,751
Add: Effect of dilutive issues of shares / stock options	–	–
Number of shares considered as weighted average shares and potential shares outstanding	3,38,27,751	3,38,27,751

2.29. Restricted deposits

Other current assets as at March 31, 2012 includes ₹30,38,63,714 (₹23,50,00,000 as at March 31, 2011, respectively) deposited with Life Insurance Corporation of India to settle employee-related obligations as and when they arise during the normal course of business. This amount is considered as restricted cash and is hence not considered as 'cash and cash equivalents'.

2.30. Dues to micro and small enterprises

The Company has no dues to micro and small enterprises during the year ended March 31, 2012 and during the year ended March 31, 2011.

2.31. Function-wise classification of the Statement of Profit and Loss

in ₹

Particulars	For the Year ended March 31,	
	2012	2011
Income from business process management services	1312,41,06,485	1129,11,47,909
Cost of revenue	682,49,16,637	667,74,86,031
GROSS PROFIT	629,91,89,848	461,36,61,878
Selling and marketing expenses	79,04,95,527	95,58,64,076
General and administration expenses	154,11,98,701	138,79,69,780
	233,16,94,228	234,38,33,856
OPERATING PROFIT BEFORE DEPRECIATION	396,74,95,620	226,98,28,022
Depreciation and amortization expense	49,69,17,227	50,74,55,954
OPERATING PROFIT	347,05,78,393	176,23,72,068
Other income, net	47,22,33,990	44,45,93,206
Provision for investments	–	6,21,66,191
PROFIT BEFORE TAX	394,28,12,383	214,47,99,083
Tax expense:		
Current tax	90,88,19,005	16,64,56,701
Deferred tax	(1,22,67,959)	(7,00,18,320)
PROFIT FOR THE YEAR	304,62,61,337	204,83,60,702

2.32. Schedule to the Cash Flow

2.32.1. Changes in loans and advances during the year

in ₹

Particulars	Year ended March 31,	
	2012	2011
As per Balance Sheet	198,24,69,448	270,91,25,383
MAT credit entitlement	(54,51,97,934)	(63,05,23,541)
Tax deducted at source separately considered	(22,39,78,480)	(20,82,91,231)
Interest accrued but not yet due	(11,30,73,697)	(5,93,60,642)
Capital advance considered separately	(63,73,026)	24,71,40,056
	109,38,46,311	205,80,90,025
Less: Opening balance considered	(111,45,98,424)	(195,40,81,009)
	(2,07,52,113)	10,40,09,016

2.32.2. Changes in other current assets during the year

in ₹

Particulars	Year ended March 31,	
	2012	2011
As per Balance Sheet	41,57,66,640	74,50,65,608
Less: Deposit with body corporate considered as cash	(10,00,00,000)	(50,00,00,000)
	31,57,66,640	24,50,65,608
Less: Opening balance considered	(24,50,65,608)	(1,19,81,312)
	7,07,01,032	23,30,84,296

2.32.3. Changes in liabilities during the year

in ₹

Particulars	Year ended March 31,	
	2012	2011
As per Balance Sheet	429,35,93,954	413,76,44,782
Less: Sundry creditors considered separately	(10,23,790)	–
Less: Retention money considered separately	(8,08,16,534)	(4,29,78,153)
Less: Opening balance considered	(409,46,66,629)	(375,25,57,967)
	11,70,87,001	34,21,08,662

2.32.4. Changes in trade payables during the year

in ₹

Particulars	Year ended March 31,	
	2012	2011
As per Balance Sheet	6,36,60,114	2,86,32,227
Less: Opening balance considered	(2,86,32,227)	(4,22,07,471)
	3,50,27,887	(1,35,75,244)

2.32.5. Changes in provisions during the year

in ₹

Particulars	Year ended March 31,	
	2012	2011
As per Balance Sheet	40,53,60,897	31,93,29,011
Less: Provision for income taxes considered separately	(5,00,91,064)	(1,96,65,292)
Less: Opening balance considered	(29,96,63,719)	(22,33,12,074)
	5,56,06,114	7,63,51,645

2.32.6. Income tax paid during the year

in ₹

Particulars	Year ended March 31,	
	2012	2011
Charges as per the Profit and Loss account	82,34,93,398	37,88,13,706
Add: Tax deducted at source	(1,47,38,523)	(61,11,497)
	80,87,54,875	37,27,02,209

2.32.7. Purchase of fixed assets and changes in capital work in progress / advances

in ₹

Particulars	Year ended March 31,	
	2012	2011
Movement as per Balance Sheet	121,88,68,113	22,05,80,136
Less: Opening capital work-in-progress	(15,39,33,179)	(59,695)
Add: Closing capital work-in-progress	1,99,41,000	(15,39,33,179)
Less: Opening capital advances	(9,32,06,877)	(46,58,912)
Add: Closing capital advances	63,73,026	40,10,73,235
Less: Closing sundry creditors for capital goods	(10,23,790)	–
Add: Opening retention monies	4,29,78,153	5,64,04,055
Less: Closing retention monies	(8,08,16,534)	(4,29,78,153)
	95,91,79,912	47,64,27,487

2.32.8. Interest income received during the year

in ₹

Particulars	Year ended March 31,	
	2012	2011
As per Statement of Profit and Loss	60,12,07,528	31,83,30,127
Add: Opening interest accrued but not yet due	5,93,60,642	69,35,485
Less: Closing interest accrued but not yet due	(11,30,73,697)	(5,93,60,642)
	54,74,94,473	26,59,04,970

2.32.9. Investments in subsidiary during the year

in ₹

Particulars	Year ended March 31,	
	2012	2011
As per Balance Sheet	562,77,50,869	320,26,24,119
Add: Amount due to liquidation	–	6,21,66,191
Less: Opening balance considered	(320,26,24,119)	(326,47,90,310)
	242,51,26,750	–

2.32.10. Loans to subsidiary during the year

in ₹

Particulars	Year ended March 31,	
	2012	2011
Add: Transfer to investment account	–	–
Less: Opening balance considered	–	15,49,973
	–	15,49,973
Loans given to subsidiary	22,92,713	11,20,08,880
Loans repaid by subsidiary	22,92,713	11,35,58,853

2.32.11. Cash and cash equivalents at the end of the year

in ₹

Particulars	Year ended March 31,	
	2012	2011
As per Balance Sheet	555,82,36,951	533,53,36,646
Add: Deposits with financial institutions and body corporate	10,00,00,000	50,00,00,000
	565,82,36,951	583,53,36,646

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

To

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

We have audited the attached Balance Sheet of Infosys BPO (Poland) Sp.Z.o.o ('the Company') as at March 31, 2012, the Profit and Loss account('Financial Statement') of the Company for the year ended on that date. These Financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Further, we report that:

a. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;

b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

c. The Balance Sheet and the Profit and Loss account dealt with by this report are in agreement with the books of accounts;

d. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.

   1. in the case of the Balance Sheet, of the State of affairs of the Company as at March 31, 2012; and

   2. in the case of Profit and Loss account, of the Profit of the Company for the year ended on that date.

for Shenoy & Kamath
Chartered Accountants
Firm's Registration No. 006673S

M. Rathnakar Kamath
Partner
Membership No. 202841

Bangalore
April 13, 2012

Balance Sheet

in ₹

Particulars	Note	As at March 31, 2012	2011
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	3,93,50,000	3,93,50,000
Reserves and surplus	2.2	121,35,53,665	75,58,83,554
		125,29,03,665	79,52,33,554
CURRENT LIABILITIES			
Trade payables		29,71,070	50,18,136
Other current liabilities	2.3	23,28,73,133	19,18,79,189
Short-term provisions	2.4	8,84,83,443	6,40,18,819
		32,43,27,646	26,09,16,144
		157,72,31,311	105,61,49,698
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	2.5	4,29,66,113	4,06,72,083
Intangible assets	2.5	35,20,12,240	35,20,12,240
Capital work-in-progress		–	4,59,578
		39,49,78,353	39,31,43,901
Long-term loans and advances	2.6	1,23,99,210	1,66,26,880
CURRENT ASSETS			
Trade receivables	2.7	51,41,85,838	30,14,90,730
Cash and cash equivalents	2.8	43,21,90,170	23,88,86,650
Short-term loans and advances	2.9	22,34,77,740	10,60,01,537
		116,98,53,748	64,63,78,917
		157,72,31,311	105,61,49,698
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

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

As per our report attached
for Shenoy & Kamath
Chartered Accountants
Firm's Registration No. 006673S

M. Rathnakar Kamath
Partner
Membership No. 202841

Abraham Mathews
Director

Ritesh M. Idnani
Director

B. G. Srinivas
Director

Bangalore
April 13, 2012

Statement of Profit and Loss

in ₹

Particulars	Note	Year ending March 31, 2012	Year ending March 31, 2011
Revenues from business process management services		191,67,36,026	140,03,70,324
Other income	2.10	4,43,50,296	45,66,439
Total revenue		196,10,86,322	140,49,36,763
EXPENSES			
Employee benefit expenses	2.11	98,45,72,324	80,79,30,602
Cost of technical sub-contractors	2.11	2,31,33,847	1,90,80,749
Travel expenses	2.11	10,55,93,469	11,63,84,917
Cost of software packages	2.11	40,38,674	–
Communication expenses	2.11	3,00,36,770	7,01,20,776
Professional charges	2.11	6,20,72,810	4,74,08,510
Office maintenance	2.11	3,41,00,688	4,67,75,501
Power and fuel	2.11	1,57,41,517	–
Insurance	2.11	25,38,769	21,77,890
Rent	2.11	10,02,85,891	7,79,09,304
Depreciation and amortization expenses	2.5	2,99,74,287	2,87,44,637
Other expenses	2.11	6,69,91,741	4,86,84,554
		145,90,80,787	126,52,17,440
PROFIT BEFORE TAX		50,20,05,535	13,97,19,323
Provision for taxation	2.12		
Current tax		8,48,89,341	2,53,02,906
		8,48,89,341	2,53,02,906
NET PROFIT AFTER TAX		41,71,16,194	11,44,16,417
Earnings per share			
Basic		83,423	22,883
Number of shares used in computing earnings per share			
Basic		5,000	5,000
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

Note : The notes referred to above are an integral part of Statement of Profit and Loss.

As per our report attached
for Shenoy & Kamath
Chartered Accountants
Firm's Registration No. 006673S

M. Rathnakar Kamath
Partner
Membership No. 202841

Abraham Mathews
Director

Ritesh M. Idnani
Director

B. G. Srinivas
Director

Bangalore
April 13, 2012

Notes to the financial statements for the year ended March 31, 2012

Company overview

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

1. Significant accounting policies

1.1. Basis of preparation of financial statements

These financial statements are prepared under the historical cost convention, in accordance with Generally Accepted Accounting Principles (GAAP) in India on accrual basis except for certain financial instruments which are measured at fair values. GAAP comprises accounting standards as specified in rule 3 of the Companies (Accounting Standards) Rules 2006, and the relevant provisions of the Companies Act, 1956 to the extent applicable. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

1.2. Use of estimates

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

1.3. Revenue recognition

The Company derives its revenues primarily from business process management services, on time-and-material, fixed-price, fixed-time frame and unit-price basis. Revenue on time-and-material contracts is recognized as the related services are rendered and revenue from the end of the last billing to the Balance Sheet date is recognized as unbilled revenues. Revenue from fixed-price, fixed-time frame contracts, where there is no uncertainty as to measurement and collectability of consideration, is recognized as per the percentage of completion method. When there is uncertainty as to measurement or ultimate collectability revenue recognition is postponed until such uncertainty is resolved. Revenues from unit-priced contracts are recognized as transactions are processed based on objective measures of output. Cost and earnings in excess of billings are classified as unbilled revenue while billing in excess of cost and earnings is classified as deferred revenue. Provision for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the current estimates. When the Company receives advances for its services, such amounts are reflected as advance received from clients until all conditions for revenue recognition are met. The Company presents revenues net of service taxes and value added taxes in its Profit and Loss account

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

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

1.4. Expenditure

The cost of software user licenses purchased for rendering business process management services is charged to revenue when put to use. Lease under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets acquired are capitalized at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower. Lease payments under operating leases are recognized as an expense on a straight-line basis in the Profit and Loss account over the lease term.

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

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

1.6. Depreciation

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

The Management estimates the useful lives for the various fixed assets as follows:

Building	15 years
Computer equipment	2 years
Office equipment	5 years
Furniture and fixtures	5 years

1.7. Foreign currency transactions

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

1.8. Forward contracts and option contracts in foreign currencies

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

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

Forward and options contracts are fair valued at each reporting date. The Company records the mark to market gain or loss on effective hedges in the foreign currency fluctuation reserve until the transactions are complete. On completion, the gain or loss is transferred to the Profit and Loss account of that period. To designate a forward contract or option contracts as an effective hedge, 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 an effective hedge, a gain or loss is recognized in the Profit and Loss account. Currently the hedges undertaken by the Company are all ineffective in nature and the resultant gain or loss consequent to fair valuation is recognized in the Profit and Loss account at each reporting date.

1.9. Income tax

Income taxes are computed using the tax effect accounting method, where taxes are accrued in the same period the related revenue and expenses arise. A provision is made for income tax for the period based on the tax liability computed, after considering tax allowances and exemptions. Provisions are recorded when it is estimated that a liability due to disallowances or other matters is probable.

The differences that result between the profit considered for income taxes and the profit as per the financial statements are identified, and thereafter a deferred tax asset or deferred tax liability is recorded for timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount being considered. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on prevailing enacted or substantively enacted regulations. Deferred tax assets in situation of unabsorbed depreciation and carry forward business losses exist, are recognized only to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax assets, other than in situation of unabsorbed depreciation and carry forward business losses are recognized only if there is reasonable certainty that they will be realized. Deferred tax assets are reviewed for the appropriateness of their respective carrying values at each Balance Sheet date. The income tax provision for the interim period is made based on the best estimate of the annual average tax rate expected to be applicable for the full fiscal year.

1.10. Provisions and contingent liability

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

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

1.11. Impairment of assets

The Management periodically assesses using external and internal sources, whether there is an indication that an asset (including goodwill) may be impaired. An impairment loss is recognized wherever the carrying value of an asset exceeds its recoverable amount. The recoverable amount is higher of the asset's net selling price and value in use i.e. the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. An impairment loss for an asset is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognized. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognized for the asset in the prior years.

1.12. Earnings per share

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

1.13. Employee benefits

Compensated absences

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

2. Notes on accounts for the year ended March 31, 2012

2.1. Share capital

in ₹

Particulars	As at March 31, 2012	As at March 31, 2011
Authorized		
Share capital		
5000 (5000) equity shares of PLN 500 each fully paid up	3,93,50,000	3,93,50,000
	3,93,50,000	3,93,50,000
Issued, Subscribed and Paid Up		
Share capital		
5000 (5000) equity shares of PLN 500 each fully paid up	3,93,50,000	3,93,50,000
	3,93,50,000	3,93,50,000

2.2. Reserves and surplus

in ₹

Particulars	As at March 31, 2012	As at March 31, 2011
Securities premium account	39,34,96,852	39,34,96,852
Foreign currency translation reserve	5,50,35,156	1,44,81,239
Balance in Profit and Loss account – Opening	34,79,05,463	23,34,89,046
Add: Profit during the year	41,71,16,194	11,44,16,417
Balance in Profit and Loss account – Closing	76,50,21,657	34,79,05,463
	121,35,53,665	75,58,83,554

2.3. Other current liabilities

in ₹

Particulars	As at March 31, 2012	As at March 31, 2011
Accrued salaries and benefits		
Salaries	2,80,42,680	2,67,49,950
Bonus and incentives	5,63,37,871	4,06,02,650
For other liabilities		
Provision for expenses	5,28,03,503	3,49,06,586
Withholding and other taxes	7,15,11,013	6,55,80,206
	20,86,95,067	16,78,39,392
Advances subsidy claim received	4,88,318	–
Unearned revenue	2,36,89,748	65,34,082
Mark to market gain on forward contract	–	1,75,05,715
	23,28,73,133	19,18,79,189

2.4. Short-term provisions

in ₹

	As at March 31, 2012	As at March 31, 2011
Provision for employee benefits		
Unavailed leave	4,07,02,168	3,95,04,262
Others		
Provision for		
Income taxes	4,03,39,223	1,23,52,593
SLA compliance	74,42,052	1,21,61,964
	8,84,83,443	6,40,18,819

Provision for SLA compliance

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

Particulars	As at March 31, 2012	As at March 31, 2011
Balance at the beginning of the year	1,21,61,964	1,02,32,497
Additional provision made during the year	15,61,671	47,84,927
Provisions used during the year	–	–
Unused amount reversed during the year	62,81,583	28,55,460
Balance at the end of the year	74,42,052	1,21,61,964

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

2.5. Fixed assets

in ₹

Particulars	Original cost				Depreciation and amortization				Net book value	
	Cost as at April 01, 2011	Additions during the period	Deletions during the period	Cost as at March 31, 2012	As at April 01, 2011	Charge for the period	Deductions during the period	As at March 31, 2012	As at March 31, 2012	As at March 31, 2011
Tangible assets :										
Leasehold improvements	63,49,966	5,72,519	–	69,22,485	6,97,364	36,81,205	(1,88,551)	45,67,120	23,55,365	56,52,602
Office equipment	4,11,83,574	32,38,343	–	4,44,21,917	2,54,38,168	83,41,231	(15,39,031)	3,53,18,430	91,03,487	1,57,45,406
Computer equipment	7,66,60,527	2,87,31,740	16,91,423	10,37,00,844	6,36,32,337	1,53,81,825	(19,16,400)	8,09,30,562	2,27,70,282	1,30,28,190
Furniture and fixtures	2,45,01,513	60,06,356	–	3,05,07,869	1,82,55,628	25,70,026	(9,45,236)	2,17,70,890	87,36,979	62,45,885
Vehicles	10,62,555	49,217	7,62,498	3,49,274	10,62,555	–	7,13,281	3,49,274	–	–
	14,97,58,135	3,85,98,175	24,53,921	18,59,02,389	10,90,86,052	2,99,74,287	(38,75,937)	14,29,36,276	4,29,66,113	4,06,72,083
Intangible assets :										
Goodwill	35,20,12,240	–	–	35,20,12,240	–	–	–	–	35,20,12,240	35,20,12,240
	35,20,12,240	–	–	35,20,12,240	–	–	–	–	35,20,12,240	35,20,12,240
Total	50,17,70,375	3,85,98,175	24,53,921	53,79,14,629	10,90,86,052	2,99,74,287	(38,75,937)	14,29,36,276	39,49,78,353	39,26,84,323
Previous year	47,69,00,310	2,66,65,980	17,95,915	50,17,70,375	8,03,67,713	2,87,44,637	26,298	10,90,86,052	39,26,84,323	

2.6. Long-term loans and advances

in ₹

Particulars	As at March 31,	
	2012	2011
Advance income tax	1,23,99,210	1,66,26,880
	1,23,99,210	1,66,26,880

2.7. Trade receivables

in ₹

Particulars	As at March 31,	
	2012	2011
Debt outstanding for a period exceeding six months		
Unsecured		
Considered doubtful	37,35,577	6,894
Less : Provision for doubtful debts	37,35,577	6,894
	–	–
Other debts		
Unsecured		
Considered good [1]	51,41,85,838	30,14,90,730
Considered doubtful	6,54,671	4,56,436
	51,48,40,509	30,19,47,166
Less : Provision for doubtful debts	6,54,671	4,56,436
	51,41,85,838	30,14,90,730

[1] *Of which are dues from subsidiary companies (Also Refer to Note 2.16)*

Provision for doubtful debts

Periodically, the Company evaluates all customer dues to the Company for collectability. The need for provisions is assessed based on various factors including collectability of specific dues, risk perceptions of the industry in which the customer operates, general economic factors, which could affect the customer's ability to settle. The Company normally provides for debtor dues outstanding for six months or longer as at the Balance Sheet date.

2.8. Cash and cash equivalents

in ₹

Particulars	As at March 31,	
	2012	2011
Cash on hand	18,43,318	2,79,952
Balances with bank		
In current and deposit accounts	43,03,46,852	23,86,06,698
	43,21,90,170	23,88,86,650

The details of balances with banks as at March 31,2012 and March 31,2011 are as follows :

Balances with scheduled banks	As at March 31,	
	2012	2011
In current accounts		
Deutsche Bank – PLN account	1,21,79,481	1,18,20,599
Deutsche Bank – EUR account	61,06,379	3,40,542
Deutsche Bank, Esfund – PLN account	11,99,054	1,64,24,962
Deutsche Bank, EU subsidy	15,27,370	–
	2,10,12,284	2,85,86,103
In deposit account		
Deutsche Bank	40,93,34,568	21,00,20,595
	43,03,46,852	23,86,06,698

2.9. Short-term loans and advances

in ₹

Particulars	As at March 31,	
	2012	2011
Unsecured, considered good		
Prepaid expenses	1,23,58,843	1,25,46,953
Loans to subsidiary	5,20,36,339	–
Withholding and other taxes receivables	6,21,17,401	5,66,13,194
	12,65,12,583	6,91,60,147
Unbilled revenue	1,88,30,244	–
Interest accrued but not due	3,94,292	1,11,803
Loans and advances to employees	1,15,40,939	94,78,016
Electricity and other deposits	41,90,290	19,22,355
Rental deposits	2,64,76,954	2,53,04,846
Customer recoverables	–	24,370
Mark to market loss on forward exchange contract	3,55,32,438	–
	22,34,77,740	10,60,01,537

2.10. Other income

in ₹

Particulars	Year ended March 31,	
	2012	2011
Interest income	73,07,260	21,68,752
Miscellaneous income	89,75,257	15,78,847
Exchange differences	2,80,67,779	8,18,840
	4,43,50,296	45,66,439

2.11. Expenses

in ₹

Particulars	Year ended March 31, 2012	2011
Employee benefit expenses		
Salaries and bonus excluding overseas staff expenses	82,01,98,602	68,11,91,866
Staff welfare	2,91,58,060	1,99,91,584
Contribution to provident and other funds	13,52,15,662	10,67,47,152
	98,45,72,324	80,79,30,602
Cost of technical sub-contractors		
Consultancy charges	2,31,33,847	1,90,80,749
	2,31,33,847	1,90,80,749
Travel expenses		
Overseas travel expenses	10,55,71,072	11,63,84,917
Travelling expenses	22,397	–
	10,55,93,469	11,63,84,917
Cost of software for own use		
Cost of software for own use	40,38,674	–
	40,38,674	–
Communication expenses		
Communication expenses	3,00,36,770	7,01,20,776
	3,00,36,770	7,01,20,776
Professional charges		
Legal and professional charges	1,98,29,695	1,10,54,564
Auditor's remuneration		
Audit fees	16,18,020	9,95,278
Recruitment and training expenses	4,06,25,095	3,53,58,668
	6,20,72,810	4,74,08,510
Office expenses		
Printing and stationery	4,32,725	20,24,268
Office maintenance	3,36,67,963	4,47,51,233
	3,41,00,688	4,67,75,501
Power and fuel		
Power and fuel	1,57,41,517	–
	1,57,41,517	–
Insurance		
Insurance	25,38,769	21,77,890
	25,38,769	21,77,890
Rent		
Rent	10,02,85,891	7,79,09,304
	10,02,85,891	7,79,09,304
Other expenses		
Brand building and advertisement	86,44,888	95,74,813
Sales promotion expenses	36,73,441	18,05,662
Rates and taxes	1,61,92,374	1,29,00,120
Donations	7,82,069	11,61,989
Bank charges and commission	15,44,486	10,95,626
Postage and courier	1,87,07,959	1,66,49,527
Provision for doubtful debts	36,85,940	3,49,419
Other miscellaneous expenses	1,37,60,584	51,47,398
	6,69,91,741	4,86,84,554

2.12. Tax expense

in ₹

Particulars	Year ended March 31 2012	2011
Current tax		
Income taxes	8,48,89,341	2,53,02,906
	8,48,89,341	25,302,906

2.13. Leases

The lease rentals charged during the year is as follows:

in ₹

Particulars	Year ended March 31, 2012	2011
Lease rentals charged during the period	10,02,85,891	7,79,09,304

2.14. Contingent liabilities and commitments (to the extent not provided for)

in ₹

Particulars	As at March 31, 2012	2011
Contingent:		
Estimated amount of unexecuted capital contracts (net of advance and deposits)	1,01,54,968	–
Commitments:		
Forward contracts outstanding		
EUR / PLN	1,80,00,000	80,00,000
(Equivalent approximate in ₹)	(122,16,60,000)	(50,70,40,000)
USD / PLN	10,00,000	–
(Equivalent approximate in ₹)	(5,08,80,000)	–

As at the Balance Sheet date, the Company's net foreign currency exposure that is not hedged by a derivative instrument or otherwise is ₹Nil (₹Nil as at March 31, 2011).

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

in ₹

Particulars	As at March 31, 2012	2011
Not later than one month	13,57,40,000	6,33,80,000
Later than one month and not later than three months	32,23,60,000	9,50,70,000
Later than three months and not later than one year	81,44,40,000	34,85,90,000
	127,25,40,000	50,70,40,000

The Company recognized a profit on derivative financial instruments of ₹2,40,72,878 and a loss on derivative financial instruments of ₹53,061 during the year ended March 31, 2012 and March 31, 2011, respectively, which is included in other income.

2.15. Quantitative details

The Company is primarily engaged in providing business process management services. The sale of such services cannot be expressed in any generic unit. Hence, it is not possible to give the quantitative details of sales and certain information as required under paragraphs 5(viii)(c) of general instructions for preparation of Statement of Profit and Loss as per revised Schedule VI to the Companies Act, 1956.

2.16. Related party transactions

List of related parties:

Name of the related party	Country	Holding as at March 31, 2012	2011
Infosys BPO Limited	India	100%	100%

Name of ultimate holding company	Country
Infosys Limited	India

Name of fellow subsidiaries	Country
Infosys BPO s.r.o. [1]	Czech Republic
McCamish Systems LLC [1]	U.S.
Portland Group Pty. Limited [1]	Australia
Portland Procurement Services Pty. Limited [1]	Australia
Infosys Consulting India Limited [2]	India
Infosys Technologies (Australia) Pty. Limited ('Infosys Australia') [2]	Australia
Infosys Technologies S. de R. L. de C. V. ('Infosys Mexico') [2]	Mexico
Infosys Technologies (China) Co. Limited ('Infosys China') [2]	China
Infosys Technologies (Shanghai) Co. Limited ('Infosys Shanghai') [2]	China
Infosys Tecnologia do Brasil Ltda ('Infosys Brasil') [2]	Brazil

[1] *Wholly-owned subsidiaries of Infosys BPO Limited.*
[2] *Wholly-owned subsidiaries of Infosys Limited.*

The details of the related party transactions entered into by the Company, for the year ended March 31, 2012 and March 31, 2011 are as follows:

in ₹

Particulars	Year ended March 31, 2012	2011
Capital transactions:		
Financial transactions		
Loans given		
McCamish Systems LLC	5,20,36,339	–
Revenue transactions:		
Purchase of services		
Infosys Limited	–	–
Infosys BPO s.r.o.	46,33,800	–
Purchase of shared services including facilities and personnel		
Infosys Limited	51,860	–
Infosys BPO Limited	2,67,431	–
Infosys BPO s.r.o.	9,10,964	–
Interest income		
McCamish Systems LLC	5,71,560	–
Sale of services		
Infosys Limited	7,89,14,173	19,78,456
Infosys BPO Limited	4,47,99,535	–
Infosys Brasil	–	1,84,54,166
Sale of shared services including facilities and personnel		
Infosys BPO s.r.o.	27,93,415	–
Infosys BPO Limited	2,29,108	–

Details of amounts due to or due from related party for the year ended March 31, 2012 and year ended March 31, 2011.

in ₹

Particulars	As at March 31, 2012	2011
Loans		
McCamish Systems, LLC		
	5,20,36,339	–
Debtors		
Infosys Limited	95,78,297	5,68,440
Infosys BPO Limited	3,36,35,133	–
Creditors		
Infosys Limited	–	6,68,204
Infosys BPO Limited	–	25,341

2.17. Segment reporting

The Company's operations primarily relate to providing business process management services to organizations that outsource their business processes. Accordingly, revenues represented along industry classes comprise the primary basis of segmental information set out in these financial statements. Secondary segmental reporting is performed on the basis of the geographical location of customers

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

Industry segments at the Company primarily comprise customers relating to financial services and insurance (FSI), manufacturing (MFG), enterprises in energy, utilities and telecommunication services (ECS) and retail, logistics, consumer packaged goods, life sciences and healthcare enterprises (RCL). Income in relation to segments is categorized based on items that are individually identified to those segments while expenditure is categorized in relation to the associated turnover of the segment. Expenses which form a significant component of total expenses are not specifically allocable to specific segments as the underlying services are used interchangeably. These expenses are separately disclosed as 'unallocated' and adjusted only against the total income of the Company. The Company believes that it is not practical to provide segment disclosures relating to these costs and expenses, and accordingly these expenses are separately disclosed as unallocated and directly charged against total income. Fixed assets or liabilities contracted have not been identified to any reportable segments, as these are used interchangeably between segments. Accordingly no disclosure relating to total segment assets and liabilities are made.

Geographical segments are segregated based on the location of the customers, or in relation to which the revenue is otherwise recognized.

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

Industry segments

For the years ending March 31, 2012 and *March 31, 2011* :

in ₹

Particulars	FSI	MFG	RCL	ECS	Total
Revenues	–	173,77,77,209	17,78,38,052	11,20,765	191,67,36,026
	–	*130,13,32,988*	*9,81,13,667*	*9,23,669*	*140,03,70,324*
Identifiable operating expenses	–	71,43,01,894	4,66,96,441	2,57,708	76,12,56,043
	–	*59,43,09,163*	*4,57,34,885*	*7,44,059*	*64,07,88,107*
Allocated expenses	–	60,57,63,091	6,16,81,184	4,06,182	66,78,50,457
	–	*55,26,47,501*	*4,26,40,203*	*3,96,992*	*59,56,84,696*
Segmental operating profit	–	41,77,12,224	6,94,60,427	4,56,875	48,76,29,526
	–	*15,43,76,324*	*97,38,579*	*(2,17,382)*	*16,38,97,521*
Unallocable expenses					2,99,74,287
					2,87,44,637
Profit before other income					45,76,55,239
					13,51,52,884
Other income, net					4,43,50,296
					45,66,439
Net profit before tax					50,20,05,535
					13,97,19,323
Tax expense					8,48,89,341
					2,53,02,906
Profit for the period					41,71,16,194
					11,44,16,417

Geographical segments

For the years ending March 31, 2012 and *March 31, 2011* :

in ₹

Particulars	North America	Europe	Others	Total
Revenues	6,05,14,444	168,62,93,523	16,99,28,059	191,67,36,026
	41,16,679	*132,40,52,101*	*7,22,01,544*	*140,03,70,324*
Identifiable operating expenses	89,68,744	67,06,32,484	8,16,54,815	76,12,56,043
	–	*60,67,49,358*	*3,40,38,749*	*64,07,88,107*
Allocated expenses	2,11,49,965	58,77,35,862	5,89,64,630	66,78,50,457
	17,69,318	*56,43,07,618*	*2,96,07,760*	*59,56,84,696*
Segmental operating profit	3,03,95,735	42,79,25,177	2,93,08,614	48,76,29,526
	23,47,361	*15,29,95,125*	*85,55,035*	*16,38,97,521*
Unallocable expenses				2,99,74,287
				2,87,44,637
Profit before other income				45,76,55,239
				13,51,52,884
Other income, net				4,43,50,296
				45,66,439
Net profit before tax				50,20,05,535
				13,97,19,323
Tax expense				8,48,89,341
				2,53,02,906
Profit for the period				41,71,16,194
				11,44,16,417

2.18. Function-wise classification of the Statement of Profit and Loss

in ₹

Particulars	Year ended March 31,	
	2012	2011
Revenues from business process management services	191,67,36,026	140,03,70,324
Cost of revenue	117,16,52,672	100,52,86,296
GROSS PROFIT	74,50,83,354	39,50,84,028
Selling and marketing expenses	1,31,01,679	51,66,805
General and administration expenses	24,43,52,149	22,59,58,433
	25,74,53,828	23,11,25,238
OPERATING PROFIT BEFORE DEPRECIATION	48,76,29,526	16,39,58,790
Depreciation	2,99,74,287	2,87,44,637
OPERATING PROFIT	45,76,55,239	13,52,14,153
Other income, net	4,43,50,296	45,05,170
PROFIT BEFORE TAX	50,20,05,535	13,97,19,323
Tax expense :		
Current tax	8,48,89,341	2,53,02,906
PROFIT FOR THE PERIOD	41,71,16,194	11,44,16,417

As per our report attached
for Shenoy & Kamath
Chartered Accountants
Firm's Registration No. 006673S

M. Rathnakar Kamath
Partner
Membership No. 202841

Abraham Mathews
Director

Ritesh M. Idnani
Director

B. G. Srinivas
Director

Bangalore
April 13, 2012

Financial statements of Infosys BPO s.r.o.

To

The Members of Infosys BPO s.r.o.

We have audited the attached Balance Sheet of Infosys BPO s.r.o. ('the Company') as at March 31, 2012, the Profit and Loss account('Financial Statement') of the Company for the year ended on that date. These Financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Further, we report that:

a. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;

b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

c. The Balance Sheet and the Profit and Loss account dealt with by this report are in agreement with the books of accounts;

d. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.

   1. in the case of the Balance Sheet, of the State of affairs of the Company as at March 31, 2012; and

   2. in the case of Profit and Loss account, of the loss of the Company for the year ended on that date.

for Shenoy & Kamath
Chartered Accountants
Firm's Registration No. 006673S

M. Rathnakar Kamath
Partner
Membership No. 202841

Bangalore
April 13, 2012

Balance Sheet

in ₹

Particulars	Note	As at March 31, 2012	As at March 31, 2011
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	3,49,78,993	3,49,78,993
Reserves and surplus	2.2	30,30,71,280	28,37,62,401
		33,80,50,273	31,87,41,394
CURRENT LIABILITIES			
Trade payables		88,82,629	1,55,855
Other current liabilities	2.3	11,18,25,795	12,73,26,233
Short-term provisions	2.4	1,41,34,706	2,95,18,492
		13,48,43,130	15,70,00,580
		47,28,93,403	47,57,41,974
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	2.5	2,45,72,949	1,66,72,490
		2,45,72,949	1,66,72,490
Deferred tax assets (net)	2.6	–	63,26,583
Long-term loans and advances	2.7	2,68,33,165	1,76,02,987
		2,68,33,165	2,39,29,570
CURRENT ASSETS			
Trade receivables	2.8	13,93,90,638	15,16,42,608
Cash and cash equivalents	2.9	10,22,62,451	8,68,17,205
Short-term loans and advances	2.10	17,98,34,200	19,66,80,101
		42,14,87,289	43,51,39,914
		47,28,93,403	47,57,41,974
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

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

As per our report attached
for Shenoy & Kamath
Chartered Accountants
Firm's Registration No. 006673S

M. Rathnakar Kamath
Partner
Membership No. 202841

D. Swaminathan
Chairman Supervisory Board

Abraham Mathews
Director

Ritesh M. Idnani
Director

Bangalore
April 13, 2012

B. G. Srinivas
Director

Statement of Profit and Loss

in ₹

Particulars	Note	Year ending March 31, 2012	Year ending March 31, 2011
Revenues from business process management services		57,25,83,219	55,86,98,102
Other income	2.11	1,66,48,630	(13,61,850)
Total revenue		58,92,31,849	55,73,36,252
EXPENSES			
Employee benefit expenses	2.12	41,69,04,319	36,01,68,744
Cost of technical sub-contractors	2.12	1,84,22,876	1,90,75,754
Travel expenses	2.12	2,23,29,688	4,22,09,491
Cost of software packages	2.12	(87,534)	24,73,585
Communication expenses	2.12	54,33,602	66,16,998
Professional charges	2.12	3,10,55,921	2,15,94,979
Office expenses	2.12	1,10,69,932	1,07,75,835
Power and fuel	2.12	1,27,03,793	1,21,20,018
Insurance charges	2.12	(13,93,096)	12,40,362
Rent	2.12	4,87,02,488	3,99,35,640
Depreciation expense	2.6	1,31,50,053	1,05,34,482
Other expenses	2.12	49,89,544	25,10,053
		58,32,81,586	52,92,55,941
PROFIT BEFORE TAX		59,50,263	2,80,80,311
Provision for taxation	2.13		
Current tax		25,88,104	1,25,96,716
Deferred tax		67,67,973	–
		93,56,077	1,25,96,716
PROFIT / (LOSS) FOR THE PERIOD		(34,05,814)	1,54,83,595
SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS	1 & 2		

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

As per our report attached
for Shenoy & Kamath
Chartered Accountants
Firm's Registration No. 006673S

M. Rathnakar Kamath
Partner
Membership No. 202841

D. Swaminathan
Chairman
Supervisory Board

Abraham Mathews
Director

Ritesh M. Idnani
Director

Bangalore
April 13, 2012

B. G. Srinivas
Director

Notes to the financial statements for the year ended March 31, 2012

Significant accounting policies and notes on accounts

Company overview

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

1. Significant accounting policies

1.1. Basis of preparation of financial statements

These financial statements are prepared under the historical cost convention, in accordance with Generally Accepted Accounting Principles (GAAP) in India on accrual basis except for certain financial instruments which are measured at fair values. GAAP comprises accounting standards as specified in rule 3 of the Companies (Accounting Standards) Rules 2006, and the relevant provisions of the Companies Act, 1956 to the extent applicable. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

1.2. Use of estimates

The preparation of the financial statements in conformity with GAAP requires that the Management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as of the date of the financial statements. Examples of such estimates includes 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; provision for doubtful debts; future obligations under employee retirement benefit plans; provision for income taxes; provision for Service Level Agreement (SLA) 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.

1.3. Revenue recognition

The Company derives its revenues primarily from business process management services, on time-and-material, fixed-price, fixed-timeframe and unit-price basis. Revenue on time-and-material contracts is recognized as the related services are rendered and revenue from the end of the last billing to the Balance Sheet date is recognized as unbilled revenues. Revenue from fixed-price, fixed-timeframe contracts, where there is no uncertainty as to measurement and collectability of consideration, is recognized as per the percentage of completion method. When there is uncertainty as to measurement or ultimate collectability, revenue recognition is postponed until such uncertainty is resolved. Revenues from unit-priced contracts are recognized, as transactions are processed based on objective measures of output. Cost and earnings in excess of billings are classified as unbilled revenue while billing in excess of cost and earnings is classified as deferred revenue. Provision for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable, based on the current estimates. When the Company receives advances for its services, such amounts are reflected as advance received from clients until all conditions for revenue recognition are met. The Company presents revenues net of service taxes and value added taxes in its Profit and Loss account.

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

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

1.4. Expenditure

The cost of software user licenses purchased for rendering business process management services is charged to revenue when put to use. Lease under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets acquired are capitalized at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower. Lease payments under operating leases are recognized as an expense on a straight-line basis in the Profit and Loss account over the lease term.

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

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

1.6. Depreciation

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

The Management estimates the useful lives for the various fixed assets as follows:

Building	15 years
Computer equipment	2 years
Office equipment	5 years
Furniture and fixtures	5 years

1.7. Foreign currency transactions

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

1.8. Forward contracts and option contracts in foreign currencies

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

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

Forward and options contracts are fair valued at each reporting date. The Company records the mark to market gain or loss on effective hedges in the foreign currency fluctuation reserve until the transactions are complete. On completion, the gain or loss is transferred to the Profit and Loss account of that period. To designate a forward contract or option contracts as an effective hedge, 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 an effective hedge, a gain or loss is recognized in the Profit and Loss account. Currently the hedges undertaken by the Company are all ineffective in nature and the resultant gain or loss consequent to fair valuation is recognized in the Profit and Loss account at each reporting date.

1.9. Income tax

Income taxes are computed using the tax effect accounting method, where taxes are accrued in the same period the related revenue and expenses arise. A provision is made for income tax for the period based on the tax liability computed, after considering tax allowances and exemptions. Provisions are recorded when it is estimated that a liability due to disallowances or other matters is probable.

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 the prevailing enacted or substantively enacted regulations. Deferred tax assets in situation of unabsorbed depreciation and carry forward business losses exist, are recognized only to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax assets, other than in situation of unabsorbed depreciation and carry forward business losses are recognized only if there is reasonable certainty that they will be realized. Deferred tax assets are reviewed for the appropriateness of their respective carrying values at each Balance Sheet date. The income tax provision for the interim period is made based on the best estimate of the annual average tax rate expected to be applicable for the full fiscal year.

1.10. Provisions and contingent liability

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

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

1.11. Earnings per share

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

1.12. Employee benefits

Compensated absences

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

1.13. Impairment of assets

The Management periodically assesses using external and internal sources, whether there is an indication that an asset (including goodwill) may be impaired. An impairment loss is recognized wherever the carrying value of an asset exceeds its recoverable amount. The recoverable amount is higher of the asset's net selling price and value in use, i.e. the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. An impairment loss for an asset is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognized. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation), had no impairment loss been recognized for the asset in prior years.

2. Notes on accounts for the year ended March 31, 2012

2.1. Share capital

in ₹

Particulars	As at March 31,	
	2012	2011
Authorized		
Share capital	3,49,78,993	3,49,78,993
	3,49,78,993	3,49,78,993
Issued, Subscribed and Paid Up		
Share capital	3,49,78,993	3,49,78,993
	3,49,78,993	3,49,78,993

2.2. Reserves and surplus

in ₹

Particulars	As at March 31,	
	2012	2011
Foreign currency translation reserve	5,01,91,197	2,74,76,504
Balance in Profit and Loss account – opening balance	25,62,85,897	24,08,02,302
Add: Profit during the year	(34,05,814)	1,54,83,595
Balance in Profit and Loss account – closing balance	25,28,80,083	25,62,85,897
	30,30,71,280	28,37,62,401

2.3. Other current liabilities

in ₹

Particulars	As at March 31,	
	2012	2011
Accrued salaries and benefits		
Salaries	3,68,63,747	3,49,18,801
Bonus and incentives	59,71,131	69,51,469
For other liabilities		
Provision for expenses	2,59,13,430	3,92,70,939
Withholding and other taxes	1,45,01,272	1,59,390
	8,32,49,580	8,13,00,599
Advances received from clients	–	9,30,467
Unearned revenue	1,04,18,865	4,50,95,167
Mark to market loss on forward exchange contract	1,81,57,350	–
	11,18,25,795	12,73,26,233

2.4. Short-term provisions

in ₹

Particulars	As at March 31,	
	2012	2011
Provision for employee benefits		
Unavailed leave	1,27,04,860	96,14,863
Provision for		
Income taxes	–	1,63,21,080
SLA compliance	14,29,846	35,82,549
	1,41,34,706	2,95,18,492

Provision for SLA compliance

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

in ₹

Particulars	As at March 31,	
	2012	2011
Balance at the beginning of the year	35,82,549	35,23,273
Additional provision made during the year	26,40,881	16,23,852
Provisions used during the year		–
Unused amount reversed during the year	47,93,584	15,64,576
Balance at the end of the period	14,29,846	35,82,549

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

2.5. Fixed assets

in ₹

Particulars	Original cost				Depreciation and amortization				Net book value	
	Cost as at April 01, 2011	Additions during the period	Deletions during the period	Cost as at March 31, 2012	As at April 01, 2011	Charge for the Period	Deductions during the period	As at March 31, 2012	As at March 31, 2012	As at March 31, 2011
Tangible assets:										
Leasehold improvements	1,67,56,667	12,34,018	–	1,79,90,685	1,29,35,300	21,14,275	(10,29,283)	1,60,78,858	19,11,827	38,21,367
Plant and machinery	73,00,105	51,31,444	3,59,297	1,20,72,252	48,92,575	17,70,248	(4,08,508)	70,71,331	50,00,921	24,07,530
Computer equipment	4,96,57,352	1,62,06,869	4,37,272	6,54,26,949	4,42,50,147	53,61,979	(29,59,267)	5,25,71,393	1,28,55,556	54,07,205
Furniture and fixtures	1,79,64,128	47,31,986	–	2,26,96,114	1,29,27,740	39,03,551	(10,60,178)	1,78,91,469	48,04,645	50,36,388
Total	9,16,78,252	2,73,04,317	7,96,569	11,81,86,000	7,50,05,762	1,31,50,053	(54,57,236)	9,36,13,051	2,45,72,949	1,66,72,490
Previous year	7,83,49,899	1,36,61,612	3,33,259	9,16,78,252	5,93,82,555	1,05,34,482	(50,88,728)	7,50,05,762	1,66,72,490	–

2.6. Deferred tax assets

in ₹

	As at March 31,	
	2012	2011
Deferred tax assets		
Unavailed leave	–	18,26,823
Others	–	44,99,760
	–	63,26,583

2.7. Long-term loans and advances

in ₹

	As at March 31,	
	2012	2011
Rental deposits	1,22,26,955	1,13,88,283
Advance income tax	1,46,06,210	62,14,704
	2,68,33,165	1,76,02,987

2.8. Trade receivables

in ₹

Particulars	As at March 31,	
	2012	2011
Other debts		
Unsecured		
Considered good [1]	13,93,90,638	15,16,42,608
	13,93,90,638	15,16,42,608
[1] *Of which are dues from subsidiary companies (Also Refer to Note 2.16)*	1,24,77,540	1,01,80,339

Provision for doubtful debts

Periodically, the Company evaluates all customer dues for collectability. The need for provision is assessed based on various factors including collectability of specific dues, risk perceptions of the industry in which the customer operates and general economic factors which could affect the customer's ability to settle. The Company normally provides for debtor dues outstanding for six months or longer as at the Balance Sheet date. As at March 31, 2012 the Company has not provided for doubtful debts since there are no outstandings due from customers exceeding 180 days.

2.9. Cash and cash equivalents

in ₹

Particulars	As at March 31,	
	2012	2011
Cash on hand	21,922	3,27,059
Balances with bank		
In current and deposit accounts	10,22,40,529	8,64,90,146
	10,22,62,451	8,68,17,205

The details of balances with banks as at March 31, 2012 and March 31, 2011 are as follows:

in ₹

Balances with scheduled banks	As at March 31,	
	2012	2011
In current accounts		
Deutsche bank – USD account	2,06,17,440	4,41,843
Deutsche bank – EUR account	1,19,93,011	1,86,826
Deutsche bank – CZK account	1,09,47,575	77,37,353
Citibank – subsidy account	7,892	7,890
Citibank – CZK account	91,32,286	1,16,21,236
Citibank – USD account	77,80,614	18,19,019
Citibank – EUR account	4,17,61,711	30,83,226
In deposit account		
Citibank, N.A.	–	6,15,92,753
	10,22,40,529	8,64,90,146

2.10. Short-term loans and advances

in ₹

Particulars	As at March 31,	
	2012	2011
Unsecured, considered good		
Prepaid expenses	71,737	–
Advances for goods and services	39,40,707	54,78,125
Loan to subsidary	15,52,03,300	17,72,14,658
Withholding and other taxes receivable	–	45,37,660
	15,92,15,744	18,72,30,443
Unbilled revenue	1,45,16,418	–
Interest accrued but not due	–	6,465
Loans and advances to employees	43,94,402	78,86,703
Electricity and other deposits	17,07,636	15,56,490
	17,98,34,200	20,28,94,805

2.11. Other income

in ₹

Particulars	Year ending March 31,	
	2012	2011
Miscellaneous income, net	1,26,85,423	1,16,83,011
Gains / (losses) on foreign currency, net	39,63,207	(1,30,44,861)
	1,66,48,630	(13,61,850)

2.12. Expenses

in ₹

Particulars	Year ending March 31,	
	2012	2011
Employee benefit expenses		
Salaries and bonus excluding overseas staff expenses	31,63,77,410	26,43,71,745
Staff welfare	1,02,00,487	93,33,929
Contribution to provident and other funds	9,03,26,422	8,64,63,070
	41,69,04,319	36,01,68,744
Cost of technical sub-contractors		
Consultancy charges	1,84,22,876	1,90,75,754
	1,84,22,876	1,90,75,754
Travel expenses		
Overseas travel expenses	2,23,29,688	4,22,09,491
	2,23,29,688	4,22,09,491
Cost of software packages		
Cost of software for own use	(87,534)	24,73,585
	(87,534)	24,73,585
Communication expenses		
Communication expenses	54,33,602	66,16,998
	54,33,602	66,16,998
Professional charges		
Legal and professional charges	51,68,780	37,66,510

in ₹

Particulars	Year ending March 31,	
	2012	2011
Auditor's remuneration		
Audit fees	9,73,873	10,40,609
Recruitment and training expenses	2,49,13,268	1,67,87,860
	3,10,55,921	2,15,94,979
Office expenses		
Computer maintenance	2,76,633	84,204
Printing and stationery	3,99,024	10,14,615
Office maintenance	1,03,94,275	96,77,016
	1,10,69,932	2,15,94,979
Power and fuel		
Power and fuel	1,27,03,793	1,21,20,018
	1,27,03,793	1,21,20,018
Insurance		
Insurance	(13,93,096)	12,40,362
	(13,93,096)	12,40,362
Rent		
Rent	4,87,02,488	3,99,35,640
	4,87,02,488	3,99,35,640
Other expenses		
Consumables	5,71,974	1,67,066
Brand building and advertisement	4,35,624	9,09,400
Sales promotion expenses	1,49,035	50,555
Rates and taxes	1,85,942	1,89,488
Donations	23,573	–
Bank charges and commission	9,20,501	5,96,543
Postage and courier	1,45,570	13,08,765
Provision for doubtful debts	–	(1,73,117)
Professional membership and seminar participation fees	44,540	92,607
Other miscellaneous expenses	25,12,785	(6,31,254)
	49,89,544	25,10,053

2.13. Tax expenses

in ₹

Particulars	Year ending March 31,	
	2012	2011
Current tax		
Income taxes	(25,88,104)	1,25,96,716
Deferred tax	67,67,973	–
	93,56,077	1,25,96,716

2.14. Commitments and contingent liabilities

in ₹

Particulars	As at March 31,	
	2012	2011
Sell : Forward contracts outstanding		
USD / CZK	4,00,00,000	–
(Equivalent approximate in ₹)	(20,35,20,000)	–
Buy : Forward Contracts outstanding		
USD / CZK	1,91,11,000	–
(Equivalent approximate in ₹)	(5,29,37,470)	

As at the Balance Sheet date, the Company's net foreign currency exposure that is not hedged by a derivative instrument or otherwise is ₹ Nil (₹ Nil as at March 31, 2011).

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 ₹

Particulars	As at March 31,	
	2012	2011
Not later than one month	–	–
Later than one month and not later than three months	25,64,57,470	–
Later than three months and not later than one year	–	–
	25,64,57,470	–

The company recognized a loss on derivative financial instruments of ₹ 1,81,57,350 and a gain on derivative financial instruments of ₹ Nil during the year ended March 31, 2012 and March 31, 2011, respectively, which is included in other income.

2.15. 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 5(viii)(c) of general instructions for preparation of Statement of Profit and Loss as per revised Schedule VI to the Companies Act, 1956.

2.16. Related party transactions

List of related parties:

Name of the related party	Country	Holding as at March 31,	
		2012	2011
Infosys BPO Limited	India	100%	100%

Name of Ultimate Holding Company	Country
Infosys Limited	India

Name of Fellow Subsidiaries	Country
Infosys BPO Poland Sp.Z.o.o (1)	Poland
Infosys BPO (Thailand) Limited (1)	Thailand
McCamish Systems LLC (1)	U.S.
Portland Group Pty. Limited (1)	Australia
Portland Procurement Services Pty. Limited (1)	Australia
Infosys Consulting India Limited (2)	India
Infosys Technologies (Australia) Pty. Limited (Infosys Australia) (2)	Australia
Infosys Technologies S. de R. L. de C. V. (Infosys Mexico) (2)	Mexico
Infosys Technologies (China) Co. Limited (Infosys China) (2)	China
Infosys Technologies (Shanghai) Co. Limited (Infosys Shanghai) (2)	China
Infosys Technologia do Brasil Ltda (Infosys Brasil) (2)	Brazil

(1) *Wholly-owned subsidiaries of Infosys BPO Limited. During the year ended March 31, 2011 Infosys BPO (Thailand) Limited was liquidated.*
(2) *Wholly-owned subsidiaries of Infosys Limited.*

The details of the related party transactions entered into by the company, for the year ended March 31, 2012 and March 31, 2011 are as follows:

in ₹

Particulars	Year ending March 31,	
	2012	2011
Revenue transactions:		
Purchase of shared services including facilities and personnel		
Infosys Limited	16,810	11,19,461
Infosys BPO Limited	11,66,896	84,80,901
Infosys BPO Poland Sp.Z.o.o	27,49,659	2,57,043
Interest income		
McCamish Systems LLC	24,33,322	–
Sale of services		
Infosys Limited	15,55,98,534	20,36,589
Infosys BPO Limited	–	10,36,368
Infosys BPO Poland Sp.Z.o.o	45,55,324	–

Note: *Details of amounts due to or due from related parties as at March 31, 2012 and March 31, 2011.*

in ₹

Particulars	As at March 31,	
	2012	2011
Loans		
McCamish Systems LLC	15,52,03,300	17,72,14,658
Debtors		
Infosys Limited	1,24,77,540	1,01,80,339
	1,24,77,540	
Creditors		
Infosys Limited	–	48,979
Infosys BPO Limited	–	41,938

2.17. Segment reporting

The company's operations primarily relate to providing business process management services to organizations that outsource their business processes. Accordingly, revenues represented along industry classes comprise the primary basis of segmental information set out in these financial statements. Secondary segmental reporting is performed on the basis of the geographical location of customers.

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

Industry segments at the company primarily comprise customers relating to financial services and insurance (FSI), manufacturing (MFG), enterprises in energy, utilities and telecommunication services (ECS) and retail, logistics, consumer packaged goods, life sciences and healthcare enterprises (RCL). Income in relation to segments is categorized based on items that are individually identified to those segments while expenditure is categorized in relation to the associated turnover of the segment. Expenses which form a significant component of total expenses are not specifically allocable to specific segments as the underlying services are used interchangeably. These expenses are separately disclosed as 'unallocated' and adjusted only against the total income of the company. The company believes that it is not practical to provide segment disclosures relating to these costs and expenses, and accordingly these expenses are separately disclosed as unallocated and directly charged against total income. Fixed assets or liabilities contracted have not been identified to any reportable segments, as these are used interchangeably between segments. Accordingly no disclosure relating to total segment assets and liabilities are made.

Geographical segments are segregated based on the location of the customers, or in relation to which the revenue is otherwise recognized.

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

Industry segments

For the years ending March 31, 2012 and *March 31, 2011* :

in ₹

Particulars	FSI	MFG	RCL	ECS	Total
Revenues	7,93,51,370	34,43,44,652	13,66,88,073	1,21,99,124	57,25,83,219
	7,97,13,790	*42,03,54,005*	*5,78,80,592*	*7,49,715*	*55,86,98,102*
Identifiable operating expenses	5,76,29,451	18,41,25,634	5,49,72,359	61,79,872	30,29,07,316
	3,60,57,915	*23,18,58,060*	*4,42,43,828*	*7,61,858*	*31,29,21,661*
Allocated expenses	3,62,54,765	15,85,94,780	6,77,91,682	45,82,990	26,72,24,217
	2,84,64,149	*16,06,80,533*	*1,62,61,028*	*3,94,088*	*20,57,99,798*
Segmental operating profit	(1,45,32,846)	16,24,238	1,39,24,032	14,36,262	24,51,686
	1,51,91,726	*2,78,15,412*	*(26,24,264)*	*(4,06,241)*	*3,99,76,643*
Unallocable expenses					1,31,50,053
					1,05,34,482
Profit / (Loss) before other income					(1,06,98,367)
					2,94,42,161
Other income					1,66,48,630
					(13,61,850)
Profit / (Loss) before tax					59,50,263
					2,80,80,311
Tax expenses					93,56,077
					1,25,96,716
Profit / (Loss) for the period					(34,05,814)
					1,54,83,595

Geographical segments

For the years ending March 31, 2012 and *March 31, 2011* :

in ₹

Particulars	North America	Europe	Total
Revenues	17,76,46,139	39,49,37,080	57,25,83,219
	8,98,79,088	*46,88,19,014*	*55,86,98,102*
Identifiable operating expenses	7,30,90,335	22,98,16,981	30,29,07,316
	6,16,95,625	*25,12,26,036*	*31,29,21,661*
Allocated expenses	8,86,87,012	17,85,37,205	26,72,24,217
	2,86,86,701	*17,71,13,097*	*20,57,99,798*
Segmental operating profit	1,58,68,792	(1,34,17,106)	(24,51,686)
	(5,03,238)	*4,04,79,872*	*3,99,76,643*
Unallocable expenses			1,31,50,053
			1,05,34,482
Profit / (Loss) before other income			(1,06,98,367)
			2,94,42,161
Other income			1,66,48,630
			(13,61,850)
Profit / (Loss) before tax			59,50,263
			2,80,80,311
Tax expenses			93,56,077
			1,25,96,716
Profit / (Loss) for the period			(34,05,814)
			1,54,83,595

2.24. Function-wise classification of the Statement of Profit and Loss

in ₹

Particulars	Year ending March 31,	
	2012	2011
Revenues from business process management services	57,25,83,219	55,86,98,102
Cost of revenue	50,43,92,036	45,91,36,992
GROSS PROFIT	6,81,91,183	9,95,61,110
Selling and marketing expenses	13,77,212	16,20,972
General and administration expenses	6,43,62,285	5,78,50,464
	6,57,39,497	5,94,71,436
OPERATING PROFIT BEFORE DEPRECIATION	24,51,686	4,00,89,674
Depreciation	1,31,50,053	1,05,34,482
OPERATING PROFIT / (LOSS)	(1,06,98,367)	2,95,55,192
Other income, net	1,66,48,630	(14,74,881)
PROFIT BEFORE TAX	59,50,263	2,80,80,311
Tax expense :		
Current tax	93,56,077	1,25,96,716
PROFIT / (LOSS) FOR THE PERIOD	(34,05,814)	1,54,83,595

As per our report attached
for Shenoy & Kamath
Chartered Accountants
Firm's Registration No. 006673S

M. Rathnakar Kamath
Partner
Membership No. 202841

D. Swaminathan
Chairman
Supervisory Board

Abraham Mathews
Director

Ritesh M. Idnani
Director

Bangalore
April 13, 2012

B. G. Srinivas
Director

Financial statements of McCamish Systems LLC

To

The Members of McCamish Systems LLC

We have audited the attached Balance Sheet of McCamish Systems LLC(‘the Company’) as at March 31, 2012, the Profit and Loss account(‘Financial Statement’) of the Company for the year ended on that date. These Financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Further, we report that:

a. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;

b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

c. The Balance Sheet and the Profit and Loss account dealt with by this report are in agreement with the books of accounts;

d. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.

   1. in the case of the Balance Sheet, of the State of affairs of the company as at March 31, 2012; and

   2. in the case of Profit and Loss account, of the loss of the company for the year ended on that date.

for Shenoy & Kamath
Chartered Accountants
Firm's Registration No. 006673S

(M. Rathnakar Kamath)
Partner
Membership No. 202841

Bangalore
April 13, 2012

Balance Sheet

in ₹

Particulars	Note	As at March 31, 2012	As at March 31, 2011
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	147,52,47,854	115,06,82,854
Reserves and surplus	2.2	(147,52,80,161)	(120,71,82,789)
		(32,307)	(5,64,99,935)
NON-CURRENT LIABILITIES			
Long-term provisions	2.3	4,57,92,000	–
		4,57,92,000	–
CURRENT LIABILITIES			
Trade payables		11,61,82,038	2,12,56,430
Other current liabilities	2.4	33,19,48,650	28,68,42,667
Short-term provisions	2.5	1,20,77,589	1,04,37,297
		46,02,08,277	31,85,36,394
		50,59,67,970	26,20,36,459
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	2.6	5,65,03,411	4,22,64,310
		5,65,03,411	4,22,64,310
CURRENT ASSETS			
Trade receivables	2.8	31,96,04,857	15,34,13,460
Cash and cash equivalents	2.9	3,08,66,556	1,41,20,624
Short-term loans and advances	2.10	9,89,93,146	5,22,38,065
		44,94,64,559	21,97,72,149
		50,59,67,970	26,20,36,459
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

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

As per our report attached
for Shenoy & Kamath
Chartered Accountants
Firm's Registration No. 006673S

M. Rathnakar Kamath
Partner
Membership No. 202841

D. Swaminathan
Chairman

Gordon Beckam
Chief Executive Officer

Eric S. Paternoster
Director

Bangalore
April 13, 2012

Ritesh M. Idnani
Director

Sam Thomas
Director

Statement of Profit and Loss

in ₹

Particulars	Note	Year ending March 31, 2012	Year ending March 31, 2011
Revenues from business process management services		187,12,66,530	149,87,76,205
Other income	2.11	(60,04,163)	(10,57,460)
Total revenue		186,52,62,367	149,77,18,745
EXPENSES			
Employee benefit expenses	2.12	107,53,22,111	98,12,39,405
Cost of technical sub-contractors	2.12	68,27,33,001	33,28,60,033
Travel expenses	2.12	2,67,98,014	2,95,86,799
Cost of software packages	2.12	4,70,77,050	3,01,07,190
Communication expenses	2.12	2,42,63,158	1,08,24,807
Professional charges	2.12	1,33,09,524	7,62,20,973
Office expenses	2.12	7,79,95,679	11,22,91,322
Power and fuel	2.12	18,89,481	14,80,341
Insurance charges	2.12	56,87,616	91,35,713
Rent	2.12	3,31,08,463	3,23,08,734
Depreciation	2.6	5,09,82,903	3,33,75,215
Other expenses	2.12	6,65,94,357	4,51,32,227
		210,57,61,357	169,45,62,759
LOSS FOR THE PERIOD		(24,04,98,990)	(19,68,44,014)
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

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

As per our report attached
for Shenoy & Kamath
Chartered Accountants
Firm's Registration No. 006673S

M. Rathnakar Kamath
Partner
Membership No. 202841

D. Swaminathan
Chairman

Gordon Beckam
Chief Executive Officer

Eric S. Paternoster
Director

Bangalore
April 13, 2012

Ritesh M. Idnani
Director

Sam Thomas
Director

Notes to the financial statements for the year ended March 31, 2012

Significant accounting policies and notes on accounts

Company overview

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

1. Significant accounting policies

1.1. Basis of preparation of financial statements

These financial statements are prepared under the historical cost convention, in accordance with Generally Accepted Accounting Principles (GAAP) in India on accrual basis except for certain financial instruments which are measured at fair values. GAAP comprises accounting standards as specified in rule 3 of the Companies (Accounting Standards) Rules 2006, and the relevant provisions of the Companies Act, 1956 to the extent applicable. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

1.2. Use of estimates

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

1.3. Revenue recognition

The Company derives its revenues primarily from business process management services, on time-and-material, fixed-price, fixed-time frame and unit-price basis. Revenue on time-and-material contracts is recognized as the related services are rendered and revenue from the end of the last billing to the Balance Sheet date is recognized as unbilled revenues. Revenue from fixed-price, fixed-time frame contracts, where there is no uncertainty as to measurement and collectability of consideration, is recognized as per the percentage of completion method. When there is uncertainty as to measurement or ultimate collectability revenue recognition is postponed until such uncertainty is resolved. Revenues from unit-priced contracts are recognized as transactions are processed based on objective measures of output. Cost and earnings in excess of billings are classified as unbilled revenue while billing in excess of cost and earnings is classified as deferred revenue. Provision for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the current estimates. When the Company receives advances for its services, such amounts are reflected as advance received from clients until all conditions for revenue recognition are met. The Company presents revenues net of service taxes and value added taxes in its Profit and Loss account.

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

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

1.4. Expenditure

The cost of software user licenses purchased for rendering business process management services is charged to revenue when put to use. Lease under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets acquired are capitalized at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower. Lease payments under operating leases are recognized as an expense on a straight-line basis in the Profit and Loss account over the lease term.

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

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

1.6. Depreciation

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

The Management estimates the useful lives for the various fixed assets as follows:

Building	15 years
Computer equipment	2 years
Office equipment	5 years
Furniture and fixtures	5 years

1.7. Foreign currency transactions

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

1.8. Impairment of assets

The Management periodically assesses using external and internal sources, whether there is an indication that an asset (including goodwill) may be impaired. An impairment loss is recognized wherever the carrying value of an asset exceeds its recoverable amount. The recoverable amount is higher of the asset's net selling price and value in use i.e. the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. An impairment loss for an asset is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognized. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognized for the asset in the prior years.

1.9. Employee benefits

Compensated absences

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

1.10. Income tax

Income taxes are computed using the tax effect accounting method, where taxes are accrued in the same period the related revenue and expenses arise. A provision is made for income tax for the period based on the tax liability computed, after considering tax allowances and exemptions. Provisions are recorded when it is estimated that a liability due to disallowances or other matters is probable.

The differences that result between the profit considered for income taxes and the profit as per the financial statements are identified, and thereafter a deferred tax asset or deferred tax liability is recorded for timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount being considered. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on prevailing enacted or substantively enacted regulations. Deferred tax assets in situation of unabsorbed depreciation and carry forward business losses exist, are recognized only to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax assets, other than in situation of unabsorbed depreciation and carry forward business losses are recognized only if there is reasonable certainty that they will be realized. Deferred tax assets are reviewed for the appropriateness of their respective carrying values at each Balance Sheet date. The income tax provision for the interim period is made based on the best estimate of the annual average tax rate expected to be applicable for the full fiscal year.

1.11. Provisions and contingent liability

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

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

2. Notes on accounts for the year ended March 31, 2012

2.1. Share capital

in ₹

Particulars	As at March 31, 2012	As at March 31, 2011
Authorized		
Share capital	147,52,47,854	115,06,82,854
	147,52,47,854	115,06,82,854
Issued, Subscribed and Paid Up		
Share capital	147,52,47,854	115,06,82,854
	147,52,47,854	115,06,82,854

2.2. Reserves and surplus

in ₹

Particulars	As at March 31, 2012	As at March 31, 2011
Foreign currency translation reserve	(2,49,15,650)	26,82,732
Balance in Profit and Loss account – Opening balance	(120,98,65,521)	(101,30,21,507)
Add: Loss during the year	(24,04,98,990)	(19,68,44,014)
Balance in Profit and Loss account – Closing balance	(145,03,64,511)	(120,98,65,521)
	(147,52,80,161)	(120,71,82,789)

2.3. Long-term provisions

in ₹

Particulars	As at March 31, 2012	As at March 31, 2011
Provision for expenses	4,57,92,000	–
	4,57,92,000	–

2.4. Other current liabilities

in ₹

Particulars	As at March 31, 2012	As at March 31, 2011
Accrued salaries and benefits		
Salaries	1,20,98,552	2,20,61,265
For other liabilities		
Provision for expenses	9,00,82,226	6,08,23,374
Withholding and other taxes receivable	6,13,307	3,23,400
	10,27,94,085	8,32,08,039
Unearned revenue	2,37,55,567	2,62,88,643
Loans from subsidiary	20,53,98,998	17,73,45,985
	33,19,48,650	28,68,42,667

2.5. Short-term provisions

in ₹

Particulars	As at March 31, 2012	As at March 31, 2011
Provision for		
SLA compliance	1,20,77,589	1,04,37,297
	1,20,77,589	1,04,37,297

Provision for SLA compliance

The provision for Service Level Agreement compliance is based on estimates made by the Management for on-going contracts. In accordance with paragraphs 66 and 67 of the Accounting Standard 29, the movement in provision for Service Level Agreement is given below:

in ₹

Particulars	As at March 31, 2012	As at March 31, 2011
Balance at the beginning of the year	1,04,37,297	1,01,95,668
Additional provision made during the year	54,76,904	24,29,181
Provisions used during the year	–	–
Unused amount reversed during the year	38,36,612	21,87,552
Balance at the end of the year	1,20,77,589	1,04,37,297

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

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2.6. Fixed assets

in ₹

Particulars	Original cost				Depreciation and amortization				Net book value	
	Cost as at April 01, 2011	Additions during the period	Deletions during the period	Cost as at March 31, 2012	As at April 01, 2011	Charge for the period	Deletions during the period	As at March 31, 2012	As at March 31, 2012	As at March 31, 2011
Tangible assets:										
Leasehold improvements	22,04,395	3,10,400	–	25,14,795	9,44,878	7,70,147	(1,77,507)	18,92,532	6,22,263	12,59,517
Office equipment	16,28,742	41,51,328	–	57,80,070	5,17,727	5,35,200	(96,198)	11,49,125	46,30,945	11,11,015
Computer equipment	8,39,83,811	6,97,75,452	17,32,621	15,20,26,642	4,94,03,908	4,61,07,942	(75,50,729)	10,30,62,579	4,89,64,063	3,45,79,903
Furniture and fixtures	1,00,80,600	14,19,399	–	1,14,99,999	47,66,725	35,69,614	(8,77,520)	92,13,859	22,86,140	53,13,875
	9,78,97,548	7,56,56,579	17,32,621	17,18,21,506	5,56,33,238	5,09,82,903	(87,01,954)	11,53,18,095	5,65,03,411	4,22,64,310
Previous year	5,63,21,685	4,15,75,863	–	9,78,97,548	2,31,74,189	3,33,75,215	9,16,166	5,56,33,238	4,22,64,310	

2.7. Leases

The lease rentals charged during the year is as follows:

in ₹

Particulars	Year ending March 31,	
	2012	2011
Lease rentals charged during the period	3,31,08,463	3,23,08,734

2.8. Trade receivables

in ₹

Particulars	As at March 31,	
	2012	2011
Other debts		
Unsecured		
Considered good [(1)]	31,96,04,857	15,34,13,460
	31,96,04,857	15,34,13,460
[(1)] *Of which dues from holding company and fellow subsidiaries (Also Refer to Note 2.16)*	17,07,168	446

Provision for doubtful debts

Periodically, the Company evaluates all customer dues to the Company for collectability. The need for provisions is assessed based on various factors including collectability of specific dues, risk perceptions of the industry in which the customer operates, general economic factors, which could affect the customer's ability to settle. The Company normally provides for debtor dues outstanding for six months or longer as at the Balance Sheet date. As at March 31, 2012, the Company has not provided for doubtful debts since there are no outstandings due from customers exceeding 180 days.

2.9. Cash and cash equivalents

in ₹

Particulars	As at March 31,	
	2012	2011
Cash on hand	–	–
Balances with bank		
In current and deposit accounts	3,08,66,556	1,41,20,624
	3,08,66,556	1,41,20,624

The details of balances with banks as at March 31, 2012 and March 31, 2011 are as follows:

in ₹

Balances with scheduled banks	As at March 31,	
	2012	2011
In current accounts		
Bank of America – US $	3,06,12,156	1,38,97,624
Bank of America – US $ – Trust Funds	2,54,400	2,23,000
	3,08,66,556	1,41,20,624

2.10. Short-term loans and advances

in ₹

Particulars	As at March 31,	
	2012	2011
Unsecured, considered good		
Prepaid expenses	2,56,17,368	2,10,01,538
Advances for goods and services	11,25,262	10,73,879
	2,67,42,630	2,20,75,417
Unbilled revenue	7,11,39,653	2,94,71,645
Loans and advances to employees	3,47,663	22,003
Electricity and other deposits	7,63,200	6,69,000
	9,89,93,146	5,22,38,065

2.11. Other income

in ₹

Particulars	Year ending March 31,	
	2012	2011
Interest income / (expenses)	(51,07,360)	(11,36,260)
Miscellaneous income	(4,25,886)	92,785
Exchange differences	(13,22,689)	(13,985)
	(60,04,163)	(10,57,460)

2.12. Expenses

in ₹

Particulars	Year ending March 31,	
	2012	2011
Employee benefit expenses		
Salaries and bonus excluding overseas staff expenses	106,96,26,807	97,56,75,319
Staff welfare	56,95,304	55,64,086
	107,53,22,111	98,12,39,405
Cost of technical sub-contractors		
Consultancy charges	68,27,33,001	33,28,60,033
	68,27,33,001	33,28,60,033
Travel expenses		
Overseas travel expenses	2,58,20,873	2,62,36,105
Travelling expenses	9,77,141	33,50,694
	2,67,98,014	2,95,86,799
Cost of software packages		
Cost of software for own use	4,70,77,050	3,01,07,190
	4,70,77,050	3,01,07,190
Communication expenses		
Communication expenses	2,42,63,158	1,08,24,807
	2,42,63,158	1,08,24,807
Professional charges		
Legal and professional charges	86,55,391	7,39,79,344
Auditor's remuneration		
Audit fees	14,58,557	12,00,490
Recruitment and training expenses	25,30,696	10,41,139
	1,26,44,644	7,62,20,973
Office expenses		
Computer maintenance	7,67,81,833	10,76,68,535
Printing and stationery	4,50,169	35,39,305
Office maintenance	7,63,677	10,83,482
	7,79,95,679	11,22,91,322
Power and fuel		
Power and fuel	18,89,481	14,80,341
	18,89,481	14,80,341
Insurance		
Insurance	56,87,616	91,35,713
	56,87,616	91,35,713
Rent		
Rent	3,31,08,463	3,23,08,734
	3,31,08,463	3,23,08,734
Other expenses		
Consumables	31,37,173	15,87,113
Brand building and advertisement	33,34,751	24,55,441
Marketing expenses	4,32,392	10,79,918
Rates and taxes	51,59,696	28,32,921
Bank charges and commission	1,91,687	8,53,402
Postage and courier	1,05,11,325	87,22,641
Professional membership and seminar participation fees	6,64,880	21,539
Provision for doubtful debts	25,028	680
Other miscellaneous expenses	4,38,02,305	2,75,78,572
	6,72,59,237	4,51,32,227

2.13. Commitments and contingent liabilities

in ₹

Particulars	As at March 31, 2012	As at March 31, 2011
Estimated amount of unexecuted capital contracts (net of advance and deposits)	53,07,194	–

2.14. Quantitative details

The Company is primarily engaged in providing business process management services. The sale of such services cannot be expressed in any generic unit. Hence, it is not possible to give the quantitative details of sales and certain information as required under paragraphs 5(viii)(c) of general instructions for preparation of Statement of Profit and Loss as per revised Schedule VI to the Companies Act, 1956.

2.15. Related party transactions

List of related parties:

Name of the related party	Country	Holding as at March 31, 2012	Holding as at March 31, 2011
Infosys BPO Limited	India	100%	100%

Name of Ultimate Holding Company	Country
Infosys Limited	India

Name of Fellow Subsidiaries	Country
Infosys BPO Poland Sp.Z.o.o [(1)]	Poland
Infosys BPO s.r.o. [(1)]	Czech Republic
Portland Group Pty. Limited [(1)]	Australia
Portland Procurement Services Pty. Limited [(1)]	Australia
Infosys Consulting India Limited [(2)]	India
Infosys Technologies (Australia) Pty. Limited [(2)]	Australia
Infosys Technologies S. de R. L. de C. V. [(2)]	Mexico
Infosys Technologies (China) Co. Limited [(2)]	China
Infosys Technologies (Shanghai) Co. Limited [(2)]	China
Infosys Technologia do Brasil Ltda [(2)]	Brazil

[(1)] Wholly-owned subsidiaries of Infosys BPO Limited.
[(2)] Wholly-owned subsidiaries of Infosys Limited.

On December 4, 2009, Infosys BPO acquired 100% of the voting interests in McCamish Systems LLC (McCamish), a business process solutions provider based in Atlanta, Georgia, in the U.S. The business acquisition was conducted by entering into a Membership Interest Purchase Agreement for a cash consideration of ₹171 crore and a contingent consideration of ₹67 crore. The acquisition was completed during the year and accounted as a business combination which resulted in goodwill of ₹227 crore.

The details of the related party transactions entered into by the Company, for the year ended March 31, 2012 and 2011 are as follows:

in ₹

Particulars	Year ending March 31, 2012	Year ending March 31, 2011
Capital transactions:		
Financial transactions		
Loans		
Infosys BPO Poland Sp.Z.o.o	5,02,49,342	–
Infosys BPO s.r.o.	19,50,04,979	–
Revenue transactions:		
Purchase of services		
Infosys Limited	33,54,09,090	–
Infosys Consulting Inc.	4,31,52,937	–
Infosys BPO Limited	18,25,92,890	–
Purchase of shared services including facilities and personnel		
Infosys Limited	49,832	–
Infosys BPO Limited	3,47,119	–
Interest expense		
Infosys BPO Limited	23,45,963	–
Infosys BPO Poland Sp.Z.o.o	5,66,850	–
Infosys BPO s.r.o.	21,94,547	–
Sale of services		
Infosys Limited	3,47,74,515	–
Infosys BPO Limited	1,11,19,857	–
Sale of shared services including facilities and personnel		
Infosys Limited	10,97,263	–
Infosys BPO Limited	20,35,005	–

Details of amounts due to or due from related parties for at March 31, 2012 and March 31, 2011.

in ₹

Particulars	As at March 31, 2012	As at March 31, 2011
Loans		
Infosys BPO Poland Sp.Z.o.o	15,39,23,117	–
Infosys BPO s.r.o.	5,14,75,894	17,73,45,968
Debtors		
Infosys BPO Limited	17,07,168	–
Infosys Limited	–	446
Creditors		
Infosys Limited	8,62,67,294	1,93,19,089
Infosys Consulting Inc.	–	19,37,360
Infosys BPO Limited	2,83,26,809	–

2.17. Segment reporting

The Company's operations primarily relate to providing business process management services to organizations that outsource their business processes. Accordingly, revenues represented along industry classes comprise the primary basis of segmental information set out in these financial statements. Secondary segmental reporting is performed on the basis of the geographical location of customers.

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

Industry segments at the Company primarily comprise customers relating to financial services and insurance (FSI), manufacturing (MFG), enterprises in energy, utilities and telecommunication services (ECS) and retail, logistics, consumer packaged goods, life sciences and healthcare enterprises (RCL). Income in relation to segments is categorized based on items that are individually identified to those segments while expenditure is categorized in relation to the associated turnover of the segment. Expenses which form a significant component of total expenses are not specifically allocable to specific segments as the underlying services are used interchangeably. These expenses are separately disclosed as 'unallocated' and adjusted only against the total income of the Company. The Company believes that it is not practical to provide segment disclosures relating to these costs and expenses, and accordingly these expenses are separately disclosed as unallocated and directly charged against total income. Fixed assets or liabilities contracted have not been identified to any reportable segments, as these are used interchangeably between segments. Accordingly no disclosure relating to total segment assets and liabilities are made.

Geographical segments are segregated based on the location of the customers, or in relation to which the revenue is otherwise recognized. All direct costs are identified to its respective verticals / geographies on the basis of revenues from the respective verticals / geographies while unallocable cost consists of depreciation only.

Industry segments

For the years ending March 31, 2012 and *March 31, 2011* :

in ₹

Particulars	FSI	MFG	RCL	ECS	Total
Revenues	186,66,32,830	12,93,845	16,46,513	16,93,342	187,12,66,530
	149,32,18,020	*19,02,889*	*16,14,558*	*20,40,738*	*149,87,76,205*
Identifiable operating expenses	80,37,08,783	–	1,30,423	–	80,38,39,206
	61,02,85,889	*4,12,791*	*3,44,704*	*4,10,349*	*61,14,53,733*
Allocated expenses	124,77,12,553	8,65,018	11,35,043	12,26,634	125,09,39,248
	104,55,59,016	*14,44,192*	*11,68,130*	*15,62,473*	*104,97,33,811*
Segmental operating profit	(18,47,88,506)	4,28,827	3,81,050	4,66,708	(18,35,11,924)
	(16,26,26,885)	*45,906*	*1,01,724*	*67,916*	*(16,24,11,339)*
Unallocable expenses					5,09,82,903
					3,33,75,215
Profit before other income					(23,44,94,827)
					(19,57,86,554)
Other income, net					(60,04,163)
					(10,57,460)
Net profit before tax					(24,04,98,990)
					(19,68,44,014)
Profit for the period					(24,04,98,990)
					(19,68,44,014)

Geographical segments

For the years ending March 31, 2012 and *March 31, 2011* :

in ₹

Particulars	North America	Europe	Others	Total
Revenues	186,02,63,131	1,10,03,399	–	187,12,66,530
	149,87,76,205	–	–	*149,87,76,205*
Identifiable operating expenses	80,38,39,206	–	–	80,38,39,206
	61,14,53,733	–	–	*61,14,53,733*
Allocated expenses	123,94,96,937	1,14,42,311	–	125,09,39,248
	104,97,33,811	–	–	*104,97,33,811*
Segmental operating profit	(18,30,73,009)	(4,38,912)	–	(18,35,11,924)
	(16,24,11,339)	–	–	*(16,24,11,339)*
Unallocable expenses				5,09,82,903
				3,33,75,215
Profit before other income				(23,44,94,827)
				(19,57,86,554)
Other income, net				(60,04,163)
				(10,57,460)
Net profit before tax				(24,04,98,990)
				(19,68,44,014)
Profit for the period				(24,04,98,990)
				(19,68,44,014)

2.18. Function-wise classification of Statement of Profit and Loss

in ₹

Particulars	Year ending March 31,	
	2012	2011
Revenues from business process management services	187,12,66,530	149,87,76,205
Cost of revenue	181,74,91,508	142,11,99,534
GROSS PROFIT / (LOSS)	(5,37,75,022)	7,75,76,671
Selling and marketing expenses	9,16,32,114	7,41,63,328
General and administration expenses	14,56,54,832	16,58,24,682
	23,72,86,946	23,99,88,010
OPERATING LOSS BEFORE DEPRECIATION	(18,35,11,924)	(16,24,11,339)
Depreciation	5,09,82,903	3,33,75,215
OPERATING LOSS	(23,44,94,827)	(19,57,86,554)
Other income, net	(60,04,163)	(10,57,460)
LOSS BEFORE TAX	(24,04,98,990)	(19,68,44,014)
Tax expense :		
Current tax	–	–
LOSS FOR THE PERIOD	(24,04,98,990)	(19,68,44,014)

As per our report attached
for Shenoy & Kamath
Chartered Accountants
Firm's Registration No. 006673S

M. Rathnakar Kamath
Partner
Membership No. 202841

D. Swaminathan
Chairman

Gordon Beckam
Chief Executive Officer

Eric S. Paternoster
Director

Bangalore
April 13, 2012

Ritesh M. Idnani
Director

Sam Thomas
Director

Financial statements of Portland Group Pty. Limited

To

The Members of Portland Group Pty. Limited

We have audited the attached Balance Sheet of Portland Group Pty. Limited ('the Company') as at March 31, 2012, the Profit and Loss account ('Financial Statement') of the Company for the year ended on that date. These Financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Further, we report that:

a. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;

b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

c. The Balance Sheet and the Profit and Loss account dealt with by this report are in agreement with the books of accounts;

d. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.

   1. in the case of the Balance Sheet, of the State of affairs of the company as at March 31, 2012; and

   2. in the case of Profit and Loss account, of the Loss of the company for the year ended on that date.

for Shenoy & Kamath
Chartered Accountants
Firm's Registration No. 006673S

M. Rathnakar Kamath
Partner
Membership No. 202841

Bangalore
April 13, 2012

Balance Sheet

in ₹

Particulars	Note	As at March 31, 2012
EQUITY AND LIABILITIES		
SHAREHOLDERS' FUNDS		
Share capital	2.1	17,86,70,669
Reserves and surplus	2.2	15,79,04,766
		33,65,75,435
CURRENT LIABILITIES		
Trade payables	2.3	2,43,47,436
Other current liabilities	2.4	48,35,15,389
Short-term provisions	2.5	4,68,91,698
		55,47,54,523
		89,13,29,958
ASSETS		
NON-CURRENT ASSETS		
Fixed assets		
Tangible assets	2.6	2,41,49,717
		2,41,49,717
Non-current investments	2.7	34,80,95,947
Long-term loans and advances	2.8	89,37,875
		35,70,33,822
CURRENT ASSETS		
Trade receivables	2.9	33,11,74,007
Cash and cash equivalents	2.10	13,95,11,500
Short-term loans and advances	2.11	3,94,60,912
		51,01,46,419
		89,13,29,958
SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS	1 & 2	

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

As per our report attached
for Shenoy & Kamath
Chartered Accountants
Firm's Registration No. 006673S

M. Rathnakar Kamath *Partner* Membership No. 202841	D. Swaminathan *Chairman*	Gavin Solsky *Managing Director and Chief Executive Officer*	Abraham Mathews *Director*
Bangalore April 13, 2012	David Gardiner *Director*	Gautam Thakkar *Director*	Jackie Korhonen *Director*

Statement of Profit and Loss

in ₹

Particulars	Note	From January 4 to March 31, 2012
Revenues from business process management services		33,19,41,962
Other income	2.12	(2,98,578)
Total revenue		33,22,40,540
EXPENSES		
Employee benefit expenses	2.13	23,19,32,177
Cost of technical sub-contractors	2.13	4,46,07,074
Travel expenses	2.13	60,87,059
Communication expenses	2.13	18,84,705
Professional charges	2.13	1,49,95,692
Office expenses	2.13	1,49,656
Insurance charges	2.13	3,13,117
Rent	2.13	84,71,198
Depreciation	2.6	33,48,933
Other expenses	2.13	1,76,51,236
		32,94,40,847
PROFIT BEFORE TAX		27,99,693
Provision for taxation		
Current tax	2.14	1,54,58,338
		1,54,58,338
LOSS FOR THE PERIOD		(1,26,58,645)
SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS	1 & 2	

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

As per our report attached
for Shenoy & Kamath
Chartered Accountants
Firm's Registration No. 006673S

M. Rathnakar Kamath
Partner
Membership No. 202841

D. Swaminathan
Chairman

Gavin Solsky
Managing Director and Chief Executive Officer

Abraham Mathews
Director

Bangalore
April 13, 2012

David Gardiner
Director

Gautam Thakkar
Director

Jackie Korhonen
Director

Notes to the financial statements for the year ended March 31, 2012

Significant accounting policies and notes on accounts

Company overview

Portland Group Pty. Limited is a strategic sourcing and category management services provider. Portland Group Pty. Limited is a majority owned and controlled subsidiary of Infosys BPO Limited. The Company leverages the benefits of service delivery globalization, process redesign and technology and thus drives efficiency and cost effectiveness into client's business processes and thereby improve their competitive position by managing their business processes in addition to providing increased value.

1. Significant accounting policies

1.1. Basis of preparation of financial statements

These financial statements are prepared under the historical cost convention, in accordance with Generally Accepted Accounting Principles (GAAP) in India on accrual basis except for certain financial instruments which are measured at fair values. GAAP comprises accounting standards as specified in rule 3 of the Companies (Accounting Standards) Rules 2006, and the relevant provisions of the Companies Act, 1956 to the extent applicable. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. The previous year comparatives have not been given since the Company became the subsidiary of Infosys BPO with effect from January 4, 2012.

1.2. Use of estimates

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

1.3. Revenue recognition

The Company derives its revenues primarily from strategic sourcing and category management services, on time-and-material, fixed-price, fixed-time frame and unit-price basis. Revenue on time-and-material contracts is recognized as the related services are rendered and revenue from the end of the last billing to the Balance Sheet date is recognized as unbilled revenues. Revenue from fixed. Revenue from fixed-price, fixed-time frame contracts, where there is no uncertainty as to measurement and collectability of consideration, is recognized as per the percentage of completion method. When there is uncertainty as to measurement or ultimate collectability revenue recognition is postponed until such uncertainty is resolved. Revenues from unit-priced contracts are recognized as transactions are processed based on objective measures of output. Cost and earnings in excess of billings are classified as unbilled revenue while billing in excess of cost and earnings is classified as deferred revenue. Provision for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the current estimates. When the Company receives advances for its services, such amounts are reflected as advance received from clients until all conditions for revenue recognition are met. The Company presents revenues net of service taxes and value added taxes in its Profit and Loss account.

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

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

1.4. Expenditure

The cost of software user licenses purchased for rendering business process management services is charged to revenue when put to use. Lease under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets acquired are capitalized at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower. Lease payments under operating leases are recognized as an expense on a straight-line basis in the Profit and Loss account over the lease term.

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

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

1.6. Depreciation

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

Computer equipment	2 years
Office equipment	5 years
Furniture and fixtures	5 years

1.7. Foreign currency transactions

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

1.8. Income tax

Income taxes are computed using the tax effect accounting method, where taxes are accrued in the same period the related revenue and expenses arise. A provision is made for income tax for the period based on the tax liability computed, after considering tax allowances and exemptions. Provisions are recorded when it is estimated that a liability due to disallowances or other matters is probable

The differences that result between the profit considered for income taxes and the profit as per the financial statements are identified, and thereafter a deferred tax asset or deferred tax liability is recorded for timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount being considered. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on prevailing enacted or substantively enacted regulations. Deferred tax assets in situation of unabsorbed depreciation and carry forward business losses exist, are recognized only to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax assets, other than in situation of unabsorbed depreciation and carry forward business losses are recognized only if there is reasonable certainty that they will be realized. Deferred tax assets are reviewed for the appropriateness of their respective carrying values at each Balance Sheet date. The income tax provision for the interim period is made based on the best estimate of the annual average tax rate expected to be applicable for the full fiscal year.

1.9. Provisions and contingent liability

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

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

1.10. Impairment of assets

Management periodically assesses using, external and internal sources, whether there is an indication that an asset (including goodwill) may be impaired. An impairment loss is recognized wherever the carrying value of an asset exceeds its recoverable amount. The recoverable amount is higher of the asset's net selling price and value in use i.e. the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. An impairment loss for an asset is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognized. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation), had no impairment loss been recognized for the asset in prior years

1.11. Earnings per share

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

1.12. Employee benefits

Compensated absences

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

2. Notes on accounts for the year ended March 31, 2012

2.1. Share capital

in ₹

Particulars	As at March 31, 2012
Authorized	
Share capital	17,86,70,669
Issued, Subscribed and Paid Up	
Share capital	
Equity shares, AUD 1 par value 17,45,00,000 equity shares fully paid up	17,86,70,669
	17,86,70,669

2.2. Reserves and surplus

in ₹

Particulars	As at March 31, 2012
Foreign currency translation reserve	3,38,944
Balance in Profit and Loss account – Opening	17,02,24,467
Add: Loss during the period	(1,26,58,645)
Balance in Profit and Loss account – Closing	15,75,65,822
	15,79,04,766

2.3. Trade payables

in ₹

Particulars	As at March 31, 2012
Trade payables	2,43,47,436
	2,43,47,436

2.4. Other current liabilities

in ₹

Particulars	As at March 31, 2012
Accrued salaries and benefits	
Bonus and incentives	11,49,34,435
For other liabilities	
Provision for expenses	1,92,19,293
Withholding and other taxes	1,62,71,359
	15,04,25,087
Advances received from clients	33,30,90,302
	48,35,15,389

2.5. Short-term provisions

in ₹

	As at March 31, 2012
Provision for employee benefits	
Unavailed leave	2,32,66,008
Others	
Provision for	
Income taxes	1,55,11,307
SLA compliance	81,14,383
	4,68,91,698

Provision for SLA compliance

The provision for Service Level Agreement compliance is based on estimates made by the Management for ongoing contracts. In accordance with paragraphs 66 and 67 of the Accounting Standard 29, the movement in provision for Service Level Agreement is given below.

in ₹

Particulars	As at March 31, 2012
Balance at the beginning of the year	–
Additional provision made during the year	81,14,383
Provisions used during the year	–
Unused amount reversed during the year	–
Balance at the end of the year	81,14,383

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

2.6. Fixed assets

in ₹

Particulars	Original cost				Depreciation and amortization				Net book value
	Opening Balance	Additions during the period	Deletions during the period	Cost as at March 31, 2012	Opening Balance	Additions during the period	Deductions / adjustments during the period	As at March 31, 2012	As at March 31, 2012
Tangible assets:									
Office equipment	–	25,90,844	–	25,90,844	–	2,20,864	–	2,20,864	23,69,980
Computer equipment	–	85,49,568	–	85,49,568	–	18,60,275	–	18,60,275	66,89,293
Furniture and fixtures	–	1,63,58,238	–	1,63,58,238	–	12,67,794	–	12,67,794	1,50,90,444
Total	–	2,74,98,650	–	2,74,98,650	–	33,48,933	–	33,48,933	2,41,49,717

2.7. Non-current investments

in ₹

Particulars	As at March 31, 2012
Other investment (unquoted)	
Long-term – at cost	
Investments in equity of subsidiaries	
Portland Procurement Services Pty. Limited	34,80,95,947
	34,80,95,947

2.8. Long-term loans and advances

in ₹

Particulars	As at March 31, 2012
Advance income tax	89,37,875
	89,37,875

2.9. Trade receivables

in ₹

Particulars	As at March 31, 2012
Other debts	
Unsecured	
Considered good	33,11,74,007
	33,11,74,007

Provision for doubtful debts

Periodically, the Company evaluates all customer dues to the Company for collectability. The need for provisions is assessed based on various factors including collectability of specific dues, risk perceptions of the industry in which the customer operates, general economic factors, which could affect the customer's ability to settle. The Company normally provides for debtor dues outstanding for six months or longer as at the Balance Sheet date.

2.10. Cash and cash equivalents

in ₹

Particulars	As at March 31, 2012
Cash on hand	–
Balances with bank	
In current and deposit accounts	13,95,11,500
	13,95,11,500

The details of balances with banks as at March 31, 2012 are as follows:

in ₹

Balances with scheduled banks	As at March 31, 2012
In current accounts	
Bank of New Zealand	12,46,75,113
	12,46,75,113
In deposit account	
Deposits in banks	1,48,36,387
	13,95,11,500

2.11. Short-term loans and advances

in ₹

Particulars	As at March 31, 2012
Unsecured, considered good	
Prepaid expenses	19,43,913
Loans to subsidiary	3,75,16,999
	3,94,60,912

2.12. Other income

in ₹

Particulars	From January 4 to March 31, 2012
Miscellaneous income	2,98,578
	2,98,578

2.13. Expenses

in ₹

Particulars	From January 4 to March 31, 2012
Employee benefit expenses	
Salaries and bonus excluding overseas staff expenses	22,95,34,494
Staff welfare	23,97,683
	23,19,32,177
Cost of technical sub-contractors	
Consultancy charges	4,46,07,074
	4,46,07,074
Travel expenses	
Overseas travel expenses	60,87,059
	60,87,059
Communication expenses	
Communication expenses	18,84,705
	18,84,705
Professional charges	
Legal and professional charges	(2,63,300)
Recruitment and training expenses	1,52,58,992
	1,49,95,692
Office expenses	
Printing and stationery	48,998
Office maintenance	1,00,658
	1,49,656
Insurance	
Insurance	3,13,117
	3,13,117
Rent	
Rent	84,71,198
	84,71,198
Other expenses	
Consumables	71,23,603
Marketing expenses	2,82,160
Rates and taxes	86,63,852
Bank charges and commission	80,041
Postage and courier	1,00,228
Other miscellaneous expenses	14,01,352
	1,76,51,236

2.14. Tax expenses

in ₹

Particulars	From January 4 to March 31, 2012
Current tax	
Income taxes	1,54,58,338
	1,54,58,338

2.15. Quantitative details

The Company is primarily engaged in strategic sourcing and category management services. The sale of such services cannot be expressed in any generic unit. Hence, it is not possible to give the quantitative details of sales and certain information as required under paragraphs 5(viii)(c) of general instructions for preparation of the Statement of Profit and Loss as per revised Schedule VI to the Companies Act, 1956.

2.16. Related party transactions

List of related parties:

Name of the related party	Country	Holding as at March 31, 2012
Infosys BPO Limited	India	100%

Name of ultimate holding company	Country
Infosys Limited	India

Name of fellow subsidiaries	Country
Infosys BPO s.r.o. [(1)]	Czech Republic
Infosys BPO (Thailand) Limited [(1)]	Thailand
McCamish Systems LLC [(1)]	U.S.
Infosys BPO (Poland) Sp.Z.o.o [(1)]	Poland
Portland Procurement Services Pty. Limited [(1)]	Australia
Infosys Consulting India Limited [(2)]	India
Infosys Technologies (Australia) Pty. Limited [(2)]	Australia
Infosys Technologies S. de R. L. de C. V. [(2)]	Mexico
Infosys Technologies (China) Co. Limited [(2)]	China
Infosys Technologies (Shanghai) Co. Limited [(2)]	China
Infosys Technologia do Brasil Ltda [(2)]	Brazil

[(1)] *Wholly-owned subsidiaries of Infosys BPO Limited. During the year ended March 31, 2011 Infosys BPO (Thailand) Limited was liquidated.*
[(2)] *Wholly-owned subsidiaries of Infosys Limited.*

The details of the related party transactions entered into by the Company, for the period from January 04 to March 31, 2012 are as follows:

in ₹

Particulars	From January 4 to March 31, 2012
Sale of shared services including facilities and personnel	
Infosys BPO Limited	1,15,51,015

Details of amounts due to or due from related party for the year ended March 31, 2012.

in ₹

Particulars	As at March 31, 2012
Loans and advances given	
Portland Procurement Services Pty. Limited	2,59,65,959
Infosys BPO Limited	1,15,51,015
Loans and advances taken	
Portland Procurement Services Pty. Limited	33,91,14,158
Creditors	
Portland Procurement Services Pty. Limited	60,23,861

2.17. Segment reporting

The Company's operations primarily relate to providing business process management services to organizations that outsource their business processes. Accordingly, revenues represented along industry classes comprise the primary basis of segmental information set out in these financial statements. Secondary segmental reporting is performed on the basis of the geographical location of customers.

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

Industry segments at the Company primarily comprise customers relating to financial services and insurance (FSI), manufacturing (MFG), enterprises in energy, utilities and telecommunication services (ECS) and retail, logistics, consumer packaged goods, life sciences and healthcare enterprises (RCL). Income in relation to segments is categorized based on items that are individually identified to those segments while expenditure is categorized in relation to the associated turnover of the segment. Expenses which form a significant component of total expenses are not specifically allocable to specific segments as the underlying services are used interchangeably. These expenses are separately disclosed as 'unallocated' and adjusted only against the total income of the Company. The Company believes that it is not practical to provide segment disclosures relating to these costs and expenses, and accordingly these expenses are separately disclosed as unallocated and directly charged against total income. Fixed assets or liabilities contracted have not been identified to any reportable segments, as these are used interchangeably between segments. Accordingly no disclosure relating to total segment assets and liabilities are made.

Geographical segments are segregated based on the location of the customers, or in relation to which the revenue is otherwise recognized. All direct costs are identified to its respective verticals / geographies on the basis of revenues from the respective verticals / geographies while unallocable cost consists of depreciation only.

Industry segments

From January 4 to March 31, 2012

in ₹

Particulars	FSI	MFG	RCL	ECS	Total
Revenues	3,34,35,815	7,28,04,867	13,04,76,032	9,52,25,248	33,19,41,962
Identifiable operating expenses	2,36,23,406	5,14,38,822	9,21,85,230	6,72,79,542	23,45,27,000
Allocated expenses	92,23,141	2,00,82,943	3,59,91,312	2,62,67,518	9,15,64,914
Segmental operating profit	5,89,268	12,83,102	22,99,490	16,78,188	58,50,048
Unallocable expenses					33,48,933
Profit before other income					25,01,115
Other income, net					2,98,578
Net profit before tax					27,99,693
Tax expense					1,54,58,338
Profit for the period					(1,26,58,645)

Geographical segments

From January 4 to March 31, 2012

in ₹

Particulars	North America	Europe	Others	Total
Revenues	–	8,06,513	33,11,35,449	33,19,41,962
Identifiable operating expenses	–	–	23,45,27,000	23,45,27,000
Allocated expenses	–	2,22,474	9,13,42,440	9,15,64,914
Segmental operating profit	–	5,84,039	52,66,009	58,50,048
Unallocable expenses				33,48,933
Profit before other income				25,01,115
Other income, net				2,98,578
Net profit before tax				27,99,693
Tax expense				1,54,58,338
Profit for the period				(1,26,58,645)

2.18. Function-wise classification of Statement of Profit and Loss

Particulars	From January 4 to March 31, 2012
Revenues from business process management services	33,19,41,962
Cost of revenue	31,69,17,772
GROSS PROFIT	1,50,24,190
Selling and marketing expenses	2,82,160
General and administration expenses	88,91,982
	91,74,142
OPERATING PROFIT BEFORE DEPRECIATION	58,50,048
Depreciation	33,48,933
OPERATING PROFIT	25,01,115
Other income, net	2,98,578
PROFIT BEFORE TAX	27,99,693
Tax expense:	
Current tax	1,54,58,338
PROFIT FOR THE PERIOD	(1,26,58,645)

As per our report attached
for Shenoy & Kamath
Chartered Accountants
Firm's Registration No. 006673S

M. Rathnakar Kamath
Partner
Membership No. 202841

D. Swaminathan
Chairman

Gavin Solsky
Managing Director and Chief Executive Officer

Abraham Mathews
Director

Bangalore
April 13, 2012

David Gardiner
Director

Gautam Thakkar
Director

Jackie Korhonen
Director

Financial statements of Portland Procurement Services Pty. Limited

To

The Members of Portland Procurement Services Pty. Limited

We have audited the attached Balance Sheet of Portland Procurement Services Pty. Limited ('the Company') as at March 31, 2012, the Profit and Loss account ('Financial Statement') of the Company for the year ended on that date. These Financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Further, we report that:

a. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;

b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

c. The Balance Sheet and the Profit and Loss account dealt with by this report are in agreement with the books of accounts;

d. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.

   1. in the case of the Balance Sheet, of the State of affairs of the company as at March 31, 2012; and

   2. in the case of Profit and Loss account, of the Profit of the company for the year ended on that date.

for Shenoy & Kamath
Chartered Accountants
Firm's Registration No. 006673S

M. Rathnakar Kamath
Partner
Membership No. 202841

Bangalore
April 13, 2012

Balance Sheet

in ₹

Particulars	Note	As at March 31, 2012
EQUITY AND LIABILITIES		
SHAREHOLDERS' FUNDS		
Share capital	2.1	16,73,74,718
Reserves and surplus	2.2	18,44,46,039
		35,18,20,757
CURRENT LIABILITIES		
Trade payables	2.3	1,02,47,133
Other current liabilities	2.4	7,17,26,172
Short-term provisions	2.5	3,69,03,508
		11,88,76,813
		47,06,97,570
ASSETS		
CURRENT ASSETS		
Trade receivables	2.6	9,51,08,529
Cash and cash equivalents	2.7	3,58,37,530
Short-term loans and advances	2.8	33,97,51,511
		47,06,97,570
		47,06,97,570
SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS	1 & 2	

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

As per our report attached
for Shenoy & Kamath
Chartered Accountants
Firm's Registration No. 006673S

M. Rathnakar Kamath *Partner* Membership No. 202841	D. Swaminathan *Chairman*	Gavin Solsky *Managing Director and Chief Executive Officer*	Abraham Mathews *Director*
Bangalore April 13, 2012	David Gardiner *Director*	Gautam Thakkar *Director*	Jackie Korhonen *Director*

Statement of Profit and Loss

in ₹

Particulars	Note	From January 4 to March 31, 2012
Revenues from business process management services		11,20,79,161
Other income	2.9	2,57,358
Total revenue		11,23,36,519
EXPENSES		
Employee benefit expenses	2.10	9,27,80,088
Cost of technical sub-contractors	2.10	4,74,750
Travel expenses	2.10	41,15,666
Cost of software packages	2.10	3,31,691
Communication expenses	2.10	98,819
Power and fuel	2.10	2,06,233
Other expenses	2.10	74,11,470
		10,54,18,717
PROFIT BEFORE TAX		69,17,802
Provision for taxation		
Current tax	2.11	24,31,921
		24,31,921
PROFIT FOR THE PERIOD		44,85,881
SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS	1 & 2	

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

As per our report attached
for Shenoy & Kamath
Chartered Accountants
Firm's Registration No. 006673S

M. Rathnakar Kamath
Partner
Membership No. 202841

D. Swaminathan
Chairman

Gavin Solsky
Managing Director and Chief Executive Officer

Abraham Mathews
Director

Bangalore
April 13, 2012

David Gardiner
Director

Gautam Thakkar
Director

Jackie Korhonen
Director

Notes to the financial statements for the year ended March 31, 2012

Significant accounting policies and notes on accounts

Company overview

Portland Procurement Services Pty. Limited is a strategic sourcing and category management services provider. Portland Procurement Services Pty. Limited is a majority owned and controlled subsidiary of Portland Group Pty. Limited. Infosys BPO is the holding company of the Group with effect from January 4, 2012. The Company leverages the benefits of service delivery globalization, process redesign and technology and thus drives efficiency and cost effectiveness into client's business processes and thereby improve their competitive position by managing their business processes in addition to providing increased value.

1. Significant accounting policies

1.1. Basis of preparation of financial statements

These financial statements are prepared under the historical cost convention, in accordance with Generally Accepted Accounting Principles (GAAP) in India on accrual basis except for certain financial instruments which are measured at fair values. GAAP comprises accounting standards as specified in rule 3 of the Companies (Accounting Standards) Rules 2006, and the relevant provisions of the Companies Act, 1956 to the extent applicable. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. The previous year comparatives have not been given since the Company became the subsidiary of Infosys BPO with effect from January 4, 2012.

1.2. Use of estimates

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

1.3. Revenue recognition

The Company derives its revenues primarily from strategic sourcing and category management services, on time-and-material, fixed-price, fixed-timeframe and unit-price basis. Revenue on time-and-material contracts is recognized as the related services are rendered and revenue from the end of the last billing to the Balance Sheet date is recognized as unbilled revenues. Revenue from fixed-price, fixed-time frame contracts, where there is no uncertainty as to measurement and collectability of consideration, is recognized as per the percentage of completion method. When there is uncertainty as to measurement or ultimate collectability, revenue recognition is postponed until such uncertainty is resolved. Revenues from unit-priced contracts are recognized as transactions are processed based on objective measures of output. Cost and earnings in excess of billings are classified as unbilled revenue while billing in excess of cost and earnings is classified as deferred revenue. Provision for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the current estimates. When the Company receives advances for its services, such amounts are reflected as advance received from clients until all conditions for revenue recognition are met. The Company presents revenues net of service taxes and value added taxes in its Profit and Loss account.

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

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

1.4. Expenditure

The cost of software user licenses purchased for rendering business process management services is charged to revenue when put to use. Lease under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets acquired are capitalized at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower. Lease payments under operating leases are recognized as an expense on a straight-line basis in the Profit and Loss account over the lease term.

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

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

1.6. Depreciation

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

Computer equipment	2 years
Office equipment	5 years
Furniture and fixtures	5 years

1.7. Foreign currency transactions

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

1.8. Income tax

Income taxes are computed using the tax effect accounting method, where taxes are accrued in the same period the related revenue and expenses arise. A provision is made for income tax for the period based on the tax liability computed, after considering tax allowances and exemptions. Provisions are recorded when it is estimated that a liability due to disallowances or other matters is probable.

The differences that result between the profit considered for income taxes and the profit as per the financial statements are identified. Thereafter a deferred tax asset or deferred tax liability is recorded for timing difference. These are the differences that originate in one accounting period and reverse in another accounting period, based on the tax effect of the aggregate amount being considered. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on prevailing enacted or substantively enacted regulations. Deferred tax assets in situation of unabsorbed depreciation and carry forward business losses exist, are recognized only to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax assets, other than in situation of unabsorbed depreciation and carry forward business losses are recognized only if there is reasonable certainty that they will be realized. Deferred tax assets are reviewed for the appropriateness of their respective carrying values at each Balance Sheet date. The income tax provision for the interim period is made based on the best estimate of the annual average tax rate expected to be applicable for the full fiscal year.

1.9. Provisions and contingent liability

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

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

1.10. Impairment of assets

The Management periodically assesses using external and internal sources, whether there is an indication that an asset (including goodwill) may be impaired. An impairment loss is recognized wherever the carrying value of an asset exceeds its recoverable amount. The recoverable amount is higher of the asset's net selling price and value in use i.e. the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. An impairment loss for an asset is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognized. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

1.11. Earnings per share

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

1.12. Employee benefits

Compensated absences

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

2. Notes on accounts for the year ended March 31, 2012

2.1. Share capital

in ₹

Particulars	As at March 31, 2012
Issued, Subscribed and Paid Up	
Share capital	16,73,74,718
	16,73,74,718

2.2. Reserves and surplus

in ₹

Particulars	As at March 31, 2012
Foreign currency translation reserve	12,44,837
Balance in Profit and Loss account – Opening	17,87,15,321
Add : Profit during the period	44,85,881
Balance in Profit and Loss account – Closing	18,32,01,202
	18,44,46,039

2.3. Trade payables

in ₹

Particulars	As at March 31, 2012
Trade payables	1,02,47,133
	1,02,47,133

2.4. Other current liabilities

in ₹

Particulars	As at March 31, 2012
Accrued salaries and benefits	
Salaries	58,13,486
Bonus and incentives	3,85,92,766
For other liabilities	
Provision for expenses	35,89,626
Withholding and other taxes	78,84,437
	5,58,80,315
Advances received from clients	1,57,66,492
Unearned revenue	79,365
	7,17,26,172

2.5. Short-term provisions

in ₹

	As at March 31, 2012
Provision for employee benefits	
Unavailed leave	1,77,28,289
Others	
Provision for	
Income taxes	1,91,75,219
	3,69,03,508

2.6. Trade receivables

in ₹

Particulars	As at March 31, 2012
Other debts	
Unsecured	
Considered good	9,51,08,529
	9,51,08,529

Provision for doubtful debts

Periodically, the Company evaluates all customer dues to the Company for collectability. The need for provisions is assessed based on various factors including collectability of specific dues, risk perceptions of the industry in which the customer operates, general economic factors, which could affect the customer's ability to settle. The Company normally provides for debtor dues outstanding for six months or longer as at the Balance Sheet date.

2.7. Cash and cash equivalents

in ₹

Particulars	As at March 31, 2012
Cash on hand	–
Balances with bank	
In current and deposit accounts	3,58,37,530
	3,58,37,530

The details of balances with banks as at March 31, 2012 are as follows :

in ₹

Balances with scheduled banks	As at March 31, 2012
In current accounts	
Commonwealth Bank	3,58,37,530
	3,58,37,530
	3,58,37,530

2.8. Short-term loans and advances

in ₹

Particulars	As at March 31, 2012
Unsecured, considered good	
Prepaid expenses	4,91,216
Loans and advances to group companies	33,91,14,158
	33,96,05,374
Unbilled revenue	1,46,137
	33,97,51,511

2.9. Other income

in ₹

Particulars	From January 4 to March 31, 2012
Miscellaneous income	2,57,358
	2,57,358

2.10. Expenses

in ₹

Particulars	From January 4 to March 31, 2012
Employee benefit expenses	
Salaries and bonus excluding overseas staff expenses	9,24,85,868
Staff welfare	2,94,220
	9,27,80,088
Cost of technical sub-contractors	
Consultancy charges	4,74,750
	4,74,750
Travel expenses	
Overseas travel expenses	41,15,666
	41,15,666
Cost of software for own use	
Cost of software for own use	3,31,691
	3,31,691
Communication expenses	
Communication expenses	98,819
	98,819
Power and fuel	
Power and fuel	2,06,233
	2,06,233
Other expenses	
Consumables	48,151
Marketing expenses	1,16,295
Rates and taxes	50,34,300
Bank charges and commission	8,178
Postage and courier	16,693
Other miscellaneous expenses	21,87,853
	74,11,470

2.11. Tax expenses

in ₹

Particulars	From January 4 to March 31, 2012
Current tax	
Income taxes	24,31,921
	24,31,921

2.12. Quantitative details

The Company is primarily engaged in strategic sourcing and category management services. The sale of such services cannot be expressed in any generic unit. Hence, it is not possible to give the quantitative details of sales and certain information as required under paragraphs 5(viii)(c) of general instructions for preparation of Statement of Profit and Loss as per revised Schedule VI to the Companies Act, 1956.

2.13. Related party transactions

List of related parties :

Name of the related party	Country	Holding as at March 31, 2012
Portland Group Pty. Limited (1)	Australia	100%

Name of ultimate holding company	Country
Infosys Limited	India

Name of fellow subsidiaries	Country
Infosys BPO s.r.o. (1)	Czech Republic
McCamish Systems LLC (1)	U.S.
Infosys BPO Poland Sp.Z.o.o (1)	Poland
Infosys BPO Limited (2)	India
Infosys Consulting India Limited (2)	India
Infosys Technologies (Australia) Pty. Limited (2)	Australia
Infosys Technologies S. de R. L. de C. V. (2)	Mexico
Infosys Technologies (China) Co. Limited (2)	China
Infosys Technologies (Shanghai) Co. Limited (2)	China
Infosys Technologia do Brasil Ltda (2)	Brazil

(1) *Wholly-owned subsidiaries of Infosys BPO Limited.*
(2) *Wholly-owned subsidiaries of Infosys Limited.*

Details of amounts due to or due from related party for the year ended March 31, 2012:

in ₹

Particulars	As at March 31, 2012
Loans and advances given	
Portland Procurement Services Pty. Limited	33,91,14,158
Loans and advances taken	
Portland Procurement Services Pty. Limited	1,57,66,492
Creditors	
Portland Group Pty. Limited	1,01,99,467

2.14. Segment reporting

The Company's operations primarily relate to providing business process management services to organizations that outsource their business processes. Accordingly, revenues represented along industry classes comprise the primary basis of segmental information set out in these financial statements. Secondary segmental reporting is performed on the basis of the geographical location of customers.

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

Industry segments at the Company primarily comprise customers relating to financial services and insurance (FSI), manufacturing (MFG), enterprises in energy, utilities and telecommunication services (ECS) and retail, logistics, consumer packaged goods, life sciences and healthcare enterprises (RCL). Income in relation to segments is categorized based on items that are individually identified to those segments while expenditure is categorized in relation to the associated turnover of the segment. Expenses which form a significant component of total expenses are not specifically allocable to specific segments as the underlying services are used interchangeably. These expenses are separately disclosed as 'unallocated' and adjusted only against the total income of the Company. The Company believes that it is not practical to provide segment disclosures relating to these costs and expenses, and accordingly these expenses are separately disclosed as unallocated and directly charged against total income. Fixed assets or liabilities contracted have not been identified to any reportable segments, as these are used interchangeably between segments. Accordingly no disclosure relating to total segment assets and liabilities are made.

Geographical segments are segregated based on the location of the customers, or in relation to which the revenue is otherwise recognized. All direct costs are identified to its respective verticals / geographies on the basis of revenues from the respective verticals / geographies while unallocable cost consists of depreciation only.

Industry segments

From January 4 to March 31, 2012:

in ₹

Particulars	FSI	MFG	RCL	ECS	Total
Revenues	52,46,589	87,31,674	3,47,71,255	6,33,29,643	11,20,79,161
Identifiable operating expenses	–	–	9,68,45,305	–	9,68,45,305
Allocated expenses	4,01,330	6,67,917	26,59,778	48,44,387	85,73,412
Segmental operating profit	48,45,259	80,63,757	(6,47,33,828)	5,84,85,256	66,60,444
Unallocable expenses					–
Profit before other income					66,60,444
Other income, net					2,57,358
Net profit before tax					69,17,802
Tax expense					24,31,921
Profit for the period					44,85,881

Geographical segments

From January 4 to March 31, 2012:

in ₹

Particulars	North America	Europe	Others	Total
Revenues	–	–	11,20,79,161	11,20,79,161
Identifiable operating expenses	–	–	9,68,45,305	9,68,45,305
Allocated expenses	–	–	85,73,412	85,73,412
Segmental operating profit	–	–	66,60,444	66,60,444
Unallocable expenses				–
Profit before other income				66,60,444
Other income, net				2,57,358
Net profit before tax				69,17,802
Tax expense				24,31,921
Profit for the period				44,85,881

2.15. Function-wise classification of the Statement of Profit and Loss

in ₹

Particulars	From January 4 to March 31, 2012
Revenues from business process management services	11,20,79,161
Cost of revenue	10,00,37,018
GROSS PROFIT	1,20,42,143
Selling and marketing expenses	1,16,295
General and administration expenses	52,65,404
	53,81,699
OPERATING PROFIT	66,60,444
Other income, net	2,57,358
PROFIT BEFORE TAX	69,17,802
Tax expense :	
Current tax	24,31,921
PROFIT FOR THE PERIOD	44,85,881

As per our report attached
for Shenoy & Kamath
Chartered Accountants
Firm's Registration No. 006673S

M. Rathnakar Kamath
Partner
Membership No. 202841

D. Swaminathan
Chairman

Gavin Solsky
Managing Director and Chief Executive Officer

Abraham Mathews
Director

Bangalore
April 13, 2012

David Gardiner
Director

Gautam Thakkar
Director

Jackie Korhonen
Director

Financial statements of Infosys Consulting India Limited

To

The Members of Infosys Consulting India Limited

We have audited the attached Balance Sheet of Infosys Consulting India Limited ('the Company') as at 31 March 2012, the statement of Profit and Loss and the cash flow statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

a. we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

b. in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

c. the Balance Sheet, the statement of Profit and Loss and the cash flow statement dealt with by this report are in agreement with the books of account;

d. in our opinion, the Balance Sheet, the statement of Profit and Loss and the cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;

e. on the basis of written representations received from the directors, as at 31 March, 2012 and taken on record by the Board of Directors, we report that none of the directors are disqualified as at 31 March 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 on the said date; and

f. in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

   1. in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2012;
   2. in the case of the statement of Profit and Loss, of the profit for the year ended on that date; and
   3. in the case of the cash flow statement, of the cash flows for the year ended on that date.

for B S R & Co.
Chartered Accountants
Firm's Registration No. 101248W

Natrajh Ramakrishna
Partner
Membership No. 32815

Bangalore
May 15, 2012

Annexure to the Auditors' Report

The Annexure referred to in the auditors' report to the members of Infosys Consulting India Limited ('the Company') for the year ended 31 March, 2012. We report that:

i. a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

b. The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified every year. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

c. No fixed assets have been disposed off during the year. Thus paragraph 4(i)(c) of the Order is not applicable.

ii. The Company is a service company, primarily rendering software consultancy and related services. Accordingly it does not hold any physical inventories. Thus, paragraph 4(ii) of the Order is not applicable.

iii. The Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956 ('the Act'). Accordingly, paragraphs 4(iii)(a) to 4(iii)(g) of the Order are not applicable.

iv. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and sale of services. The activities of the Company do not involve purchase of inventories and the sale of goods. We have not observed any major weakness in the internal control system during the course of the audit.

v. a. In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section.

b. In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements referred to in (v)(a) above and exceeding the value of ₹ 5 lakh with any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.

vi. The Company has not accepted any deposits from the public.

vii. In our opinion, the Company has an internal audit system commensurate with the size of the Company and the nature of its business.

viii. The Central Government has not prescribed the maintenance of cost records under section 209(1)(d) of the Act for any of the services rendered by the Company.

ix. a. According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted / accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Income tax, Service tax and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of Investor Education and Protection Fund, Employees' State Insurance, Sales tax, Wealth tax, Customs duty and Excise duty.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Income tax, Service tax and other material statutory dues were in arrears as at 31 March 2012 for a period of more than six months from the date they became payable.

b. According to the information and explanations given to us, there are no dues of Income Tax, Service Tax and Cess which have not been deposited with the appropriate authorities on account of any dispute.

x. The Company has been registered for a period of less than five years. Thus, paragraph 4(x) of the Order is not applicable.

xi. The Company did not have any outstanding dues to any financial institution, banks or debenture holders during the year.

xii. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

xiii. In our opinion and according to the information and explanations given to us, the Company is not a chit fund / nidhi / mutual benefit fund / society.

xiv. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.

xv. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.

xvi. The Company did not have any term loans outstanding during the year.

xvii. The Company has not raised any funds on short-term basis.

xviii. The Company has not made any preferential allotment of shares to firms, parties and companies covered in the Register maintained under section 301 of the Act.

xix. The Company did not have any outstanding debentures during the year.

xx. The Company has not raised any money by public issues during the year.

xxi. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

for B S R & Co.
Chartered Accountants
Firm's Registration No. 101248W

Natrajh Ramakrishna
Partner
Membership No. 32815

Bangalore
May 15, 2012

Balance Sheet

in ₹

Particulars	Note	As at March 31, 2012	As at March 31, 2011
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	1,00,00,000	1,00,00,000
Reserves and surplus	2.2	5,79,04,574	3,21,47,352
CURRENT LIABILITIES			
Other current liabilities	2.3	71,28,966	6,03,77,492
Short-term provisions	2.4	1,32,12,678	1,21,84,678
		8,82,46,218	11,47,09,522
ASSETS			
NON-CURRENT ASSETS			
FIXED ASSETS			
Tangible fixed assets	2.5	26,08,627	69,87,249
Deferred tax asset (net)	2.6	42,48,399	50,037
Long-term loans and advances	2.7	27,97,912	27,10,036
		96,54,938	97,47,322
CURRENT ASSETS			
Current investments	2.8	6,52,10,313	–
Trade receivables	2.9	–	3,79,41,484
Cash and cash equivalents	2.10	62,24,044	6,18,67,988
Short-term loans and advances	2.11	71,56,923	51,52,728
		7,85,91,280	10,49,62,200
		8,82,46,218	11,47,09,522
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

As per our report attached.
for B S R & Co.
Chartered Accountants
Firm's registration No. 101248W

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

Natrajh Ramakrishna
Partner
Membership No. 32815

S. D. Shibulal
Director

Chandrashekar Kakal
Director

B. G. Srinivas
Director

Bangalore
May 15, 2012

Statement of Profit and Loss

in ₹

Particulars	Note	Year ended March 31, 2012	Year ended March 31, 2011
Income from software consultancy services		17,97,71,509	27,95,52,878
Other income	2.12	64,33,538	9,18,634
Total revenue		18,62,05,047	28,04,71,512
EXPENSES			
Employee benefit expenses	2.13	11,30,40,076	18,55,71,752
Travel expenses		1,62,93,460	2,79,18,535
Rent		55,44,338	55,25,784
Professional charges		84,35,225	1,20,53,160
Depreciation	2.5	52,93,700	37,46,459
Other expenses	2.14	50,14,388	53,34,046
		15,36,21,187	24,01,49,735
PROFIT BEFORE TAX		3,25,83,860	4,03,21,777
Tax expense :			
Current tax		1,10,25,000	1,74,99,615
Deferred tax		(41,98,362)	30,81,697
PROFIT FOR THE YEAR		2,57,57,222	1,97,40,465
EARNINGS PER EQUITY SHARE			
Equity shares of par value ₹10/- each			
Basic and diluted	2.19	25.76	19.74
Number of shares used in computing earnings per share			
Basic and diluted		10,00,000	10,00,000
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

As per our report attached.
for B S R & Co.
Chartered Accountants
Firm's registration No. 101248W

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

Natrajh Ramakrishna
Partner
Membership No. 32815

S. D. Shibulal
Director

Chandrashekar Kakal
Director

B. G. Srinivas
Director

Bangalore
May 15, 2012

Cash Flow Statement

in ₹

Particulars	Note	Year ended March 31, 2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit before tax		3,25,83,860	4,03,21,777
Adjustments to reconcile net profit before tax to cash provided by operating activities			
Depreciation		52,93,700	37,46,459
Interest and dividend income		(47,04,468)	(11,07,482)
Changes in assets and liabilities			
Trade receivables		3,79,41,484	(1,68,71,898)
Loans and advances		(22,21,321)	43,17,486
Other liabilities and provisions		(5,22,20,526)	3,25,20,248
		1,66,72,729	6,29,26,590
Income taxes paid		(1,11,12,876)	(2,02,09,652)
NET CASH GENERATED BY OPERATING ACTIVITIES		55,59,853	4,27,16,938
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(9,15,078)	(73,75,160)
Investment in liquid mutual funds		(6,52,10,313)	–
Interest and dividend received		49,21,594	8,90,021
NET CASH USED IN INVESTING ACTIVITIES		(6,12,03,797)	(64,85,139)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(5,56,43,944)	3,62,31,799
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		6,18,67,988	2,56,36,189
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	2.10	62,24,044	6,18,67,988
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

As per our report attached.
for B S R & Co.
Chartered Accountants
Firm's registration No. 101248W

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

Natrajh Ramakrishna
Partner
Membership No. 32815

S. D. Shibulal
Director

Chandrashekar Kakal
Director

B. G. Srinivas
Director

Bangalore
May 15, 2012

Significant accounting policies and notes on accounts

Company overview

Infosys Consulting India Limited ('ICIL' or 'the Company') was incorporated on August 19, 2009 as a public limited company under the Companies Act 1956. ICIL was a wholly owned subsidiary of Infosys Consulting Inc., U.S., which in turn was a 100% subsidiary of Infosys Limited. However, during the year ended March 31, 2012, Infosys Consulting Inc. was terminated in accordance with U.S. Corporate Laws and hence ICIL became a wholly-owned subsidiary of Infosys Limited.

The Company provides end-to-end business solutions that leverage technology, thereby enabling clients to enhance business performance. ICIL is singularly focused on making clients more competitive, and does so with rigorous linkages to client value, a set of proprietary competitive benchmarking tools, and the Infosys Global Delivery Model.

During the year ended March 31, 2012, Infosys Limited, Infosys Consulting Inc. and ICIL have entered into a scheme of amalgamation ('the Scheme'). Pursuant to the Scheme, the Company has filed a petition with the Honorable High Court of Karnataka on January 12, 2012 for its merger with Infosys Limited. On approval of the Scheme, the Company will be merged with Infosys Limited with effect from January 12, 2012 (the appointed date) and the operations, assets and liabilities of ICIL will be transferred to Infosys Limited .

1. Significant accounting policies

1.1. Basis of preparation of financial statements

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

1.2. Use of estimates

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

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

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

1.3. Revenue recognition

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

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

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

1.4. Provisions and contingent liabilities

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

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

1.5. Fixed assets and capital work-in-progress

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

1.6. Depreciation

Depreciation on fixed assets is provided on the straight-line method over the useful lives of assets estimated by the Management. Depreciation for assets purchased / sold during a period is proportionately charged. Individual low cost assets (acquired for less than ₹5,000/-) are depreciated over a period of one year from the date of acquisition. The Management estimates the useful lives for the other fixed assets and computer equipment to be two years.

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

1.7. Retirement benefits to employees

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

1.7.b. Superannuation

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

1.7.c. Provident fund

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

1.7.d. Compensated absences

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

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.

1.9. Foreign currency transactions

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

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

1.10. Income taxes

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

The differences that result between the profit considered for income taxes and the profit as per the financial statements are identified, and thereafter a deferred tax asset or deferred tax liability is recorded for timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount of timing difference. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on enacted or substantively enacted regulations. Deferred tax assets in 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.

1.11. Earnings per share

Basic earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares outstanding during the year.

1.12. Cash and cash equivalents

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

1.13. Cash flow statement

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

1.14. Leases

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

2. Notes on accounts for the year ended March 31, 2012

All amounts are in rupees, except as otherwise stated. Previous period figures have been re-grouped / re-classified, wherever necessary, to confirm to the current year's presentation.

2.1. Share capital

in ₹

Particulars	March 31, 2012	March 31, 2011
Authorized		
Equity shares, ₹10/- par value		
10,00,000 (10,00,000) equity shares	1,00,00,000	1,00,00,000
Issued, subscribed and paid-up		
Equity shares, ₹10/- par value	1,00,00,000	1,00,00,000
10,00,000 (10,00,000) equity shares fully paid up		
Of the above as of March 31, 2012, 999,994 (Nil as of March 31, 2011) equity shares are held by Infosys Limited, the holding company. As of March 31, 2011, Infosys Consulting Inc. was the holding company and held 999,994 equity shares. Infosys Limited was the ultimate holding company.		
	1,00,00,000	1,00,00,000

1. The Company has only one class of shares referred to as equity shares having a par value of ₹10/-. Each holder of equity shares is entitled to one vote per share.
2. No dividend has been declared during the current financial year.
3. The details of shareholders holding more than 5% equity shares as at March 31, 2012 and March 31, 2011 is set out below:

Particulars	As at March 31, 2012		As at March 31, 2011	
	No of shares held	% held	No of shares held	% held
Infosys Limited	9,99,994	99.999%	–	–
Infosys Consulting Inc. [1]	–	–	9,99,994	99.999%

[1] *On October 7, 2011, the board of directors of Infosys Consulting Inc., approved the termination and winding down of the entity, and entered into an assignment and assumption agreement with Infosys Limited. The termination of Infosys Consulting, Inc. became effective on January 12, 2012, in accordance with the Texas Business Organizations Code. Effective January 12, 2012 Infosys Consulting Inc. was terminated and its assets and liabilities were transferred to Infosys Limited. Consequently, Infosys Limited is now the Holding Company.*

2.2. Reserves and surplus

in ₹

Particulars	March 31, 2012	March 31, 2011
Balance in the statement of profit and loss – opening	3,21,47,352	1,24,06,887
Add: Profit for the year	2,57,57,222	1,97,40,465
Balance in the statement of profit and loss – closing	5,79,04,574	3,21,47,352

2.3. Other current liabilities

in ₹

Particulars	March 31, 2012	March 31, 2011
Sundry creditors		
Goods and services [1]	–	63,99,308
Accrued bonus and incentives to employees	18,22,809	5,10,23,304
Deferred revenues	–	15,14,968
For other liabilities		
Provision for expenses	53,06,157	14,11,189
Withholding and other taxes payable	–	28,723
	71,28,966	6,03,77,492
[1] *Includes dues to related parties (Also Refer to Note 2.18)*	–	46,34,185

2.4. Short-term provisions

in ₹

Particulars	March 31, 2012	March 31, 2011
Unavailed leave	1,32,12,678	1,21,84,678
	1,32,12,678	1,21,84,678

2.5. Fixed assets

in ₹

Description	Original cost				Accumulated depreciation				Net book value	
	As at April 1, 2011	Additions during the year	Deductions during the year	As at March 31, 2012	As at April 1, 2011	For the year	Deductions during the year	As at March 31, 2012	As at March 31, 2012	As at March 31, 2011
Tangible assets :										
Computer equipment	1,17,31,375	9,15,078	–	1,26,46,453	47,44,126	52,93,700	–	1,00,37,826	26,08,627	69,87,249
	1,17,31,375	9,15,078	–	1,26,46,453	47,44,126	52,93,700	–	1,00,37,826	26,08,627	69,87,249
Previous year	43,56,215	73,75,160	–	1,17,31,375	9,97,667	37,46,459	–	47,44,126	69,87,249	

2.6. Deferred tax assets / (liabilities)

in ₹

Particulars	March 31, 2012	March 31, 2011
Deferred tax assets		
Unavailed leave	42,86,853	6,07,116
Deferred tax liability		
Fixed assets	(38,454)	(5,57,079)
Deferred tax assets (net)	42,48,399	50,037

2.7. Long-term loans and advances

in ₹

Particulars	March 31, 2012	March 31, 2011
Advance income tax, net of provisions	27,97,912	27,10,036
	27,97,912	27,10,036

2.8. Current investments – at lower of cost and fair value

Particulars	March 31, 2012	March 31, 2011
Others, non-trade (unquoted)		
Investment in liquid mutual fund units	6,52,10,313	–
	6,52,10,313	–
Aggregate amount of unquoted investments	6,52,10,313	–

The balances held in liquid mutual fund units as at March 31, 2012 is as follows:

in ₹

Particulars	Units	Amount
Birla Sun Life Cash Plus – Daily Dividend Reinvestment Plan	6,50,834	6,52,10,313
	6,50,834	6,52,10,313

There are no investments in liquid mutual fund units as at March 31, 2011.

2.9. Trade receivables

in ₹

Particulars	March 31, 2012	March 31, 2011
Debts outstanding for a period exceeding six months	–	–
Other debts		
Unsecured		
Considered good [(1)]	–	3,79,41,484
Considered doubtful	–	–
	–	3,79,41,484
[(1)] *Includes dues from related parties (Refer to Note 2.18)*	–	1,24,53,277

2.10. Cash and cash equivalents

in ₹

Particulars	March 31, 2012	March 31, 2011
Balances with banks		
In current accounts	61,69,008	2,18,17,988
In deposit accounts	55,036	50,000
Others		
Deposits with financial institutions	–	4,00,00,000
	62,24,044	6,18,67,988

2.11. Short-term loans and advances

in ₹

Particulars	As at March 31, 2011	As at March 31, 2010
Unsecured, considered good		
Advances		
Prepaid expenses	2,18,615	4,22,655
Advance to gratuity trust *(Refer to Note 2.21)*	1,90,412	32,071
Withholding and other taxes receivable	2,61,788	8,54,351
Interest accrued but not due	335	2,17,461
Loans and advances to employees	50,85,773	22,26,190
	57,56,923	37,52,728
Rental deposits *(Refer to Note 2.18)*	14,00,000	14,00,000
	71,56,923	51,52,728

2.12. Other income

in ₹

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
Interest received on deposits with banks and others	18,73,931	11,07,482
Dividend income	28,30,537	–
Miscellaneous income	4,60,372	–
Gains / (losses) on foreign currency, net	12,68,698	(1,88,848)
	64,33,538	9,18,634

2.13. Employee benefit expenses

in ₹

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
Salaries and bonus including overseas staff expenses	10,40,64,416	16,95,52,765
Overseas group health insurance	–	44,840
Contribution to provident and other funds	84,86,373	1,21,19,361
Staff welfare	4,89,287	38,54,786
	11,30,40,076	18,55,71,752

2.14. Other expenses

in ₹

Particulars	As at March 31, 2012	As at March 31, 2011
Communication expenses	33,18,768	27,31,564
Insurance charges	4,34,100	7,12,067
Rates and taxes	6,70,371	3,14,445
Software packages for own use	67,419	73,205
Consumables	2,31,784	13,19,338
Miscellaneous expenses	2,91,946	1,83,426
	50,14,388	53,34,046

2.15. Capital commitments and contingent liabilities

in ₹

Particulars	As at March 31, 2012	As at March 31, 2011
Outstanding guarantees and counter guarantees to various banks, in respect of the guarantees given by those banks in favor of various government authorities and others	50,000	50,000

2.16. Quantitative details

The Company is primarily engaged in providing software consultancy and related services. The sale of such services cannot be expressed in any generic unit. Hence, it is not possible to give the quantitative details of sales and certain information as required under paragraphs 5(viii)(c) of general instructions for preparation of statement of profit and loss as per revised Schedule VI to the Companies Act, 1956.

2.17. Earnings and expenditure in foreign currency

in ₹

Particulars	Year ended March 31,	
	2012	2011
Earnings in foreign currency		
Income from software services	15,82,69,764	22,90,23,058
Expenditure in foreign currency		
Overseas travel expenses	66,17,441	1,51,95,376
Others	24,92,812	28,12,391

2.18. Related party transactions

List of related parties:

Name of related parties	Country of incorporation
Infosys Limited [1]	India
Infosys Consulting Inc.[2]	U.S.
Infosys BPO Limited (Infosys BPO) [3]	India
Infosys Technologies (China) Co. Limited (Infosys China) [3]	China
Infosys Australia Pty. Limited [3]	Australia
Infosys Mexico [3]	Mexico
Infosys Sweden [3]	Sweden
Infosys Shanghai [3]	China
Infosys Brasil [3]	Brazil
Infosys Public Services Inc. [3]	U.S.
Infosys BPO s.r.o [3]	Czech Republic
Infosys BPO (Poland) Sp.Z.o.o [3]	Poland
McCamish Systems LLC [3]	U.S.
Portland Group Pty. Limited [3]	Australia
Portland Procurement Services Pty. Limited [3]	Australia

(1) *Infosys Limited is the holding company w.e.f January 12, 2012. Until then, it was the ultimate holding company.*
(2) *Infosys Consulting Inc. was the the holding company till January 12, 2012. (Refer Note on Company overview)*
(3) *Fellow subsidiaries of ICIL.*

List of key management personnel include:

Particulars	Designation
S. D. Shibulal	Director
B. G. Srinivas	Director
Chandrashekar Kakal	Director

The key management personnel is remunerated by other companies of the Group.

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

in ₹

Particulars	As at March 31,	
	2012	2011
Sundry debtors		
Infosys Limited	–	1,16,43,905
Infosys China	–	4,38,440
Infosys Technologies (Australia) Pty. Limited	–	419
Infosys Consulting Inc.	–	3,70,513
Sundry creditors		
Infosys Limited	–	28,92,517
Infosys China	–	6,59,405

in ₹

Particulars	As at March 31,	
	2012	2011
Infosys Consulting Inc.	–	2,07,325
Infosys BPO	–	8,74,938
Other receivables		
Infosys Limited	1,57,40,981	1,57,40,981
Rental deposit		
Infosys Limited	14,00,000	14,00,000

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

in ₹

Particulars	Year ended March 31,	
	2012	2011
Capital transactions:		
Purchase of fixed assets		
Infosys Limited	–	6,55,683
Revenue transactions:		
Purchase of shared services including facilities and personnel		
Infosys Limited	55,44,338	57,08,904
Infosys BPO	40,61,077	1,02,01,466
Sale of services		
Infosys Consulting Inc.	15,62,14,068	20,60,88,055
Infosys Limited	2,15,01,745	5,05,29,820

2.19. Earning per share

in ₹

Particulars	Year ended March 31,	
	2012	2011
Weighted average number of shares	10,00,000	10,00,000
Net profit after tax attributable to equity share holders (₹)	2,57,57,222	1,97,40,465
Basic and diluted earning per share (₹)	25.76	19.74
Par value of shares (₹)	10	10

The Company does not have any potentially dilutive equity shares.

2.20. Segment reporting

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

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

The only segment by service type is consulting services. Hence, since the Company comprises a single business segment, disclosures pertaining to the primary segment have not been presented.

Segment assets, segment liabilities and fixed assets used in the Company's business have not been identified to any reportable segment as these are used interchangeably between segments and hence, the Management believes that it is not practical to provide segment disclosures relating to total carrying amount of segment assets and segment liabilities, since a meaningful segregation is not possible. All fixed assets of the Company are located in India.

Customer relationships are driven based on the location of the respective client. Geographical revenues are segregated based on the location of the customer who is invoiced or in relation to which the revenue is otherwise recognized. North America comprises the U.S., Canada and Mexico; Rest of the World comprises all other places except, those mentioned above and India.

Geographic segments

For the years ended March 31, 2012 and *March 31, 2011* :

in ₹

Particulars	North America	India	Rest of the World	Total
Revenues	15,62,14,068	2,35,57,441	–	17,97,71,509
	20,60,88,055	*5,69,12,930*	*1,65,51,893*	*27,95,52,878*

2.21. Gratuity plan

The following table sets out the status of the Gratuity Plan as required under AS 15 (Revised).

The reconciliation of opening and closing balances of the present value of the defined benefit obligation and plan assets are as follows:

in ₹

Particulars	As at March 31,		
	2012	2011	2010
Obligations at the beginning of the year	2,54,96,215	1,78,56,342	–
Transfer of obligation (1)	–	–	1,57,40,981
Service cost	75,98,653	1,15,92,710	15,40,325
Interest cost	9,77,190	11,78,178	6,15,472
Actuarial (gain) / loss	12,39,439	11,16,674	(40,436)
Benefits paid	(55,00,000)	(62,47,689)	–
Obligations at the end of the year	2,98,11,497	2,54,96,215	1,78,56,342
Defined benefit obligation liability as at the Balance Sheet is fully funded by the Company			
Change in plan assets			
Plan assets at the beginning of the year, at fair value	97,87,305	21,29,343	–
Expected return on plan assets	3,32,849	5,36,268	19,337
Actuarial gain / (loss)	1,40,774	(78,306)	537
Contributions	95,00,000	1,34,47,689	21,09,469
Benefits paid	(55,00,000)	(62,47,689)	–
Plan assets at the end of the year, at fair value	1,42,60,928	97,87,305	21,29,343
Reconciliation of present value of the obligation and the fair value of the plan assets :			
Fair value of plan assets at the end of the year	1,42,60,928	97,87,305	21,29,343
Reimbursement (obligation) / asset (1)	1,57,40,981	1,57,40,981	1,57,40,981
Present value of the defined benefit obligations at the end of the year	(2,98,11,497)	(2,54,96,215)	(1,78,56,342)
Asset recognized in the Balance Sheet	1,90,412	32,071	13,982
Assumptions			
Interest rate	8.57%	7.91%	7.82%
Estimated rate of return on plan assets	9.45%	7.91%	9.00%
Weighted average expected rate of salary increase	7.27%	9.36%	7.27%

Net gratuity cost for the year ended March 31, 2012 and March 31, 2011 comprise the following components:

in ₹

Particulars	Year ended March 31,	
	2012	2011
Gratuity cost for the year		
Service cost	75,98,653	1,15,92,710
Interest cost	9,77,190	11,78,178
Expected return on plan assets	(3,32,849)	(5,36,268)
Actuarial (gain) / loss	10,98,665	11,94,980
Net gratuity cost	93,41,659	1,34,29,600
Actual return on plan assets	4,73,623	4,57,962

(1) *During the year ended March 31, 2010 a reimbursement asset of ₹ 1,57,40,981 was transferred from Infosys Limited towards settlement of gratuity liability of the Company.*

Gratuity cost, as disclosed above, is included under employee benefit expenses.

As of March 31, 2012, the plan assets have been primarily invested in government securities. The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

2.22.a. Provident Fund

The Company contributed ₹53,02,290 and ₹95,92,533 towards provident fund during the year ended March 31, 2012 and March 31, 2011 respectively.

2.22.b. Superannuation

The Company contributed ₹36,93,624 and ₹72,88,732 to the Superannuation Trust during the year ended March 31, 2012 and during the year ended March 31, 2011, respectively.

2.23. Dues to micro and small enterprises

The Company has no dues to micro and small enterprises during the year ended March 31, 2012 and March 31, 2011 and as at March 31, 2012 and March 31, 2011.

2.24. Unhedged foreign currency exposure

As of March 31, 2012 and March 31, 2011, the company's net foreign currency asset exposures that are not hedged by a derivative instrument or otherwise is ₹8,001,182 and ₹22,665,831 respectively.

Financial statements of Infosys Public Services Inc.

To

The Members of Infosys Public Services Inc. U.S.

We have audited the attached Balance Sheet of Infosys Public Services Inc. U.S. ('the Company') as at March 31, 2012, the Profit and Loss account('Financial Statement') of the Company for the year ended on that date. These Financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Further, we report that:

a. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;

b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

c. The Balance Sheet and the Profit and Loss account dealt with by this report are in agreement with the books of accounts;

d. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.

   1. in the case of the Balance Sheet, of the State of affairs of the Company as at March 31, 2012; and

   2. in the case of Profit and Loss account, of the Loss of the Company for the year ended on that date.

for Shenoy & Kamath
Chartered Accountants
Firm's Registration No. 006673S

M. Rathnakar Kamath
Partner
Membership No. 202841

Bangalore
April 13, 2012

Balance Sheet

in ₹

Particulars	Note	As at March 31, 2012	2011
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	23,48,50,000	23,48,50,000
Reserves and surplus	2.2	(4,07,03,400)	(2,71,70,415)
		19,41,46,600	20,76,79,585
CURRENT LIABILITIES			
Trade payables	2.3	131,14,02,059	11,48,909
Other current liabilities	2.4	20,22,61,232	1,05,01,561
Short-term provisions	2.5	1,02,54,287	–
		152,39,17,578	1,16,50,470
		171,80,64,178	21,93,30,055
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	2.6	13,56,856	–
		13,56,856	–
CURRENT ASSETS			
Trade receivables	2.7	92,47,13,575	–
Cash and cash equivalents	2.8	21,33,56,220	21,93,26,543
Short-term loans and advances	2.9	57,86,37,527	3,512
		171,67,07,322	21,93,30,055
		171,80,64,178	21,93,30,055
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

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

As per our report attached
for Shenoy & Kamath
Chartered Accountants
Firm's Registration No. 006673S

M. Rathnakar Kamath
Partner
Membership No. 202841

Prof. Jeffrey S. Lehman
Chairman

Eric S. Paternoster
Chief Executive Officer and Director

Ashok Vemuri
Director

Bangalore
April 13, 2012

Statement of Profit and Loss

in ₹, except per share data

Particulars	Note	Year ended March 31, 2012	Year ended March 31, 2011
Income from software services and products	2.10	196,26,45,596	–
Other income	2.11	3,77,062	9,00,166
Total revenue		196,30,22,658	9,00,166
EXPENSES			
Employee benefit expenses	2.12	17,14,72,128	24,74,336
Cost of technical sub-contractors	2.12	175,86,71,666	–
Travel expenses	2.12	1,65,23,528	88,482
Cost of software packages and others	2.12	17,434	–
Communication expenses	2.12	2,71,964	10,436
Professional charges		4,26,91,471	76,35,292
Depreciation and amortization expenses	2.6	4,66,127	–
Other expenses	2.12	1,31,62,453	48,72,061
Total expenses		200,32,76,771	1,50,80,607
PROFIT BEFORE TAX		(4,02,54,113)	(1,41,80,441)
Tax expense :			
Current tax	2.13	66,568	–
PROFIT FOR THE PERIOD		(4,03,20,681)	(1,41,80,441)
EARNINGS PER EQUITY SHARE			
Equity shares of par value US $0.50/- each			
Basic		(4.03)	(1.42)
Number of shares used in computing earnings per share			
Basic		1,00,00,000	1,00,00,000
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

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

As per our report attached
for Shenoy & Kamath
Chartered Accountants
Firm's Registration No. 006673S

M. Rathnakar Kamath
Partner
Membership No. 202841

Prof. Jeffrey S. Lehman
Chairman

Eric S. Paternoster
Chief Executive Officer and Director

Ashok Vemuri
Director

Bangalore
April 13, 2012

Significant accounting policies and notes on accounts

Company overview

Infosys Public Services Inc. ('the Company') was incorporated on October 9, 2009. The purpose of the Company is to engage in any lawful act or activity for which corporation may be organized under the Delaware General Corporation Law, as the same exists or as may hereafter be amended from time to time, the Company is a wholly-owned subsidiary of Infosys Limited. The Company provides end-to-end business solutions that leverage technology, thereby enabling its clients to enhance business performance. The Company's operations are to provide solutions that span the entire software lifecycle encompassing technical consulting, design, development, re-engineering, maintenance, systems integration, package evaluation and implementation, testing and infrastructure management services.

1. Significant accounting policies

1.1. Accounting year

The accounting year of the Company is from April 1 to March 31.

1.2. Basis of preparation of financial statements

The financial statements of the Company have been prepared on an accrual basis. Unless otherwise stated, the measurement basis used is historical cost. Accounting policies have been consistently applied to all periods presented in the financial report.

1.3. Reporting currency

The Company's reporting currency is the U.S. Dollar.

1.4. Previous period figures

The previous period's figures disclosed in these financial statements have been re-grouped / re-classified wherever necessary.

1.5. Use of estimates

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

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

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

1.6. 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 method. 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.

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

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

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.

1.7. 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.

1.8. 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.

1.9. 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.

1.10. 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 of 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.

1.11. 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 ₹5,000/- or less) 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
Office equipment	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.

1.12. Provision for impairment

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

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

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

1.13. Retirement benefits to employees

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.

1.14. 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 Statement of Profit and Loss. 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.

1.15. 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. Deferred tax assets and deferred tax liabilities have been offset wherever the Company has a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority. Tax benefits of deductions earned on exercise of employee share options in excess of compensation charged to Statement of Profit and Loss are credited to the share premium account.

1.16. 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.

1.17. 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 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.

1.18. 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.

1.19. Leases

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

1.20. Government grants

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

2. Notes on accounts for the year ended March 31, 2012

The previous period figures have been re-grouped / re-classified, wherever necessary to conform to the current period presentation.

2.1. Share capital

in ₹, except as otherwise stated

Particulars	As at March 31,	
	2012	2011
Authorized		
Common stock, US $0.50/- par value 2,50,00,000 (2,50,00,000) common stock	58,72,50,000	58,72,50,000
Issued, Subscribed and Paid Up		
Common stock, US $0.50/- par value, fully paid 1,00,00,000 (1,00,00,000) Common stock	23,48,50,000	23,48,50,000
	23,48,50,000	23,48,50,000

2.2. Reserves and surplus

in ₹

Particulars	As at March 31,	
	2012	2011
Currency translation	1,50,99,353	(1,16,88,343)
Surplus – Opening balance	(1,54,82,072)	(13,01,631)
Add: Net profit after tax transferred from Statement of Profit and Loss	(4,03,20,681)	(1,41,80,441)
Surplus – Closing balance	(5,58,02,753)	(1,54,82,072)
	(4,07,03,400)	(2,71,70,415)

2.3. Trade payables

in ₹

Particulars	As at March 31,	
	2012	2011
Trade payables (1)	131,14,02,059	11,48,909
	131,14,02,059	11,48,909
(1) Includes dues to holding company (Refer to Note 2.15)	131,14,02,059	11,48,909

2.4. Other current liabilities

in ₹

Particulars	As at March 31,	
	2012	2011
Accrued salaries and benefits		
Salaries and benefits	92,05,578	–
Bonus and incentives	3,30,08,063	–
Other liabilities		
Provision for expenses	3,18,95,631	1,05,01,561
Withholding and other taxes payable	2,60,668	–
Other payables (1)	10,49,74,175	–
Unearned revenue	2,29,17,117	–
	20,22,61,232	1,05,01,561
(1) Includes dues to holding company (Refer to Note 2.15)	10,44,77,651	–

2.5. Short-term provisions

in ₹

Particulars	As at March 31,	
	2012	2011
Provision for employee benefits		
Unavailed leave	1,02,54,287	–
	1,02,54,287	–

2.6. Fixed assets

in ₹

Particulars	Original cost				Depreciation and amortization				Net book value	
	As at April 1, 2011	Additions during the period	Deductions / retirement during the period	As at March 31, 2012	As at April 1, 2011	For the period	Deductions / Adjustments during the period	As at March 31, 2012	As at March 31, 2012	As at March 31, 2011
Tangible assets:										
Computer equipment	–	1,825,983	–	18,25,983	–	4,66,127	(3,000)	4,69,127	13,56,856	–
Intangible assets:										
Total	–	18,25,983	–	18,25,983	–	4,66,127	(3,000)	4,69,127	13,56,856	–
Previous year	–	–	–	–	–	–	–	–	–	

2.7. Trade receivables

in ₹

Particulars	As at March 31, 2012	As at March 31, 2011
Debts outstanding for a period exceeding six months		
Unsecured		
Considered doubtful	–	–
Less: Provision for doubtful debts	–	–
	–	–
Other debts		
Unsecured		
Considered good	92,47,13,575	–
	92,47,13,575	–

Provision for doubtful debts

Periodically, the Company evaluates all customer dues to the Company for collectability. The need for provisions is assessed based on various factors including collectability of specific dues, risk perceptions of the industry in which the customer operates, general economic factors, which could affect the customer's ability to settle. The Company normally provides for debtor dues outstanding for six months or longer from the invoice date, as at the Balance Sheet date. The Company pursues the recovery of the dues, in part or full.

2.8. Cash and cash equivalents

in ₹

Particulars	As at March 31, 2012	As at March 31, 2011
Cash on hand	–	–
Balances with banks		
In current and deposit accounts	21,33,56,220	1,86,26,543
Others		
Deposits with financial institutions	–	20,07,00,000
	21,33,56,220	21,93,26,543

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

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

in ₹

Particulars	As at December 31, 2011	As at December 31, 2010
In current accounts		
Bank of America, U.S.	21,33,56,220	1,86,26,543
	21,33,56,220	1,86,26,543
In deposit accounts		
Bank of America, U.S.	–	20,07,00,000
	–	20,07,00,000
Total cash and cash equivalents as per Balance Sheet	21,33,56,220	21,93,26,543

2.9. Short-term loans and advances

in ₹

Particulars	As at March 31, 2012	As at March 31, 2011
Unsecured, considered good		
Others		
Advances		
Prepaid expenses	8,49,076	–
For supply of goods and rendering of services	45,198	–
Withholding and other taxes receivable	94,308	–
Others [(1)]	17,27,57,266	–
	17,37,45,848	–
Unbilled revenues	40,43,39,189	–
Interest accrued but not due	–	3,512
Loans and advances to employees		
Salary advances	5,52,490	–
	57,86,37,527	3,512
[(1)] *Includes dues from holding company (Refer to Note 2.15)*	17,27,57,266	–

2.10. Income from software services and products

in ₹

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
Income from software services	196,26,45,596	–
	196,26,45,596	–

2.11. Other income

in ₹

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
Interest received on deposits with banks and others	3,64,351	9,08,454
Gains / (losses) on foreign currency, net	12,711	(8,288)
	3,77,062	9,00,166

2.12. Expenses

in ₹

Particulars	Year ended March 31, 2012	2011
Employee benefit expenses		
Salaries and bonus including overseas staff expenses	17,08,72,754	24,67,097
Staff welfare	5,99,374	7,239
	17,14,72,128	24,74,336
Cost of technical sub-contractors		
Technical sub-contractors – subsidiaries	171,24,48,326	–
Technical sub-contractors – others	4,62,23,340	–
	175,86,71,666	–
Travel expenses		
Overseas travel expenses	1,63,19,883	88,482
Traveling and conveyance	2,03,645	–
	1,65,23,528	88,482
Cost of software packages and others		
For own use	17,434	–
	17,434	–
Communication expenses		
Telephone charges	2,71,964	10,436
	2,71,964	10,436
Other expenses		
Office maintenance	1,16,871	–
Brand building	35,75,398	–
Rent	28,65,164	–
Rates and taxes, excluding taxes on income	19,255	2,62,913
Consumables	68,335	–
Marketing expenses	5,28,688	–
Printing and stationery	2,04,529	–
Professional membership and seminar participation fees	5,71,098	–
Postage and courier	83,249	–
Advertisements	2,54,050	–
Provision for post-sales client support and warranties	(20,03,219)	–
Commission to non-whole-time directors	48,10,341	44,99,000
Books and periodicals	77,697	–
Bank charges and commission	2,26,507	1,10,148
Donations	17,64,490	–
	1,31,62,453	48,72,061

2.13. Tax expense

in ₹

	Year ended March 31, 2012	2011
Current tax		
Income taxes	66,568	–
	66,568	–

2.14. 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 5(viii)(c) of general instructions for preparation of the Statement of Profit and Loss as per revised Schedule VI to the Companies Act, 1956.

2.15. Related party transactions

List of related parties:

Name of holding company	Country	Holding as at March 31, 2012	2011
Infosys Limited	India	100%	100%

Name of fellow subsidiaries	Country
Infosys BPO Limited	India
Infosys Technologies (Australia) Pty. Limited	Australia
Infosys Technologies S. de R. L. de C. V.	Mexico
Infosys Technologies (Sweden) AB	Sweden
Infosys Technologies (Shanghai) Co. Limited	China
Infosys Tecnologia do Brasil Ltda	Brazil
Infosys Technologies (China) Co. Limited	China
Infosys BPO s.r.o. (1)	Czech Republic
Infosys BPO (Poland) Sp.Z.o.o (1)	Poland
Infosys Consulting India Limited	India
McCamish Systems LLC (1)	U.S.
Portland Group Pty. Limited (1)	Australia
Portland Procurement Services Pty. Limited (1)	Australia

(1) *Wholly-owned subsidiaries of Infosys BPO.*

The details of amounts due to or due from as at March 31, 2012 and March 31, 2011 are as follows:

in ₹

Particulars	As at March 31, 2012	2011
Other receivables		
Infosys Limited	17,27,57,266	–
Trade payables		
Infosys Limited	131,14,02,059	11,48,909
Other payables		
Infosys Limited	10,44,77,651	–

The details of the related party transactions entered into by the Company, for the year ended March 31, 2012 and March 31, 2011 are as follows:

in ₹

Particulars	Year ended March 31, 2012	2011
Capital transactions:		
Financing transactions		
Infosys Limited	–	23,48,50,000
Revenue transactions:		
Purchase of services		
Infosys Limited	171,24,48,326	–
Rent charges		
Infosys Limited	28,65,164	–

2.16. Segment reporting

The Company's operations predominantly relate to providing end-to-end business solutions thereby enabling clients to enhance business performance, delivered to customers globally operating in various industry segments. Effective quarter ended June 30, 2011, the Company reorganized its business to increase its client focus. Consequent to the internal reorganization there were changes effected in the reportable segments based on the 'management approach', as laid down in AS 17, segment reporting. The Chief Executive Officer evaluates the Company's performance and allocates resources based on an analysis of various performance indicators by industry classes and geographic segmentation of customers. Accordingly, segment information has been presented both along industry classes and geographic segmentation of customers, industry being the primary segment. The accounting principles used in the preparation of the financial statements are consistently applied to record revenue and expenditure in individual segments, and are as set out in the significant accounting policies.

Industry segments for the Company are primarily financial services and insurance (FSI) comprising enterprises providing banking, finance and insurance services, manufacturing enterprises (MFG), enterprises in the energy, utilities and telecommunication services (ECS) and retail, logistics, consumer packaged goods, life sciences and healthcare enterprises (RCL). Geographic segmentation is based on business sourced from that geographic region and delivered from both onsite and offshore. North America comprises the U.S., Canada and Mexico, Europe includes continental Europe (both the east and the west), Ireland and the U.K., and the Rest of the World comprising all other places except those mentioned above and India. Consequent to the above change in the composition of reportable segments, the prior year comparatives have been restated.

Revenue and identifiable operating expenses in relation to segments are categorized based on items that are individually identifiable to that segment. Allocated expenses of segments include expenses incurred for rendering services from the Company's offshore software development centers and onsite expenses, which are categorized in relation to the associated turnover of the segment. Certain expenses such as depreciation, which form a significant component of total expenses, are not specifically allocable to specific segments as the underlying assets are used interchangeably. The Management believes that it is not practical to provide segment disclosures relating to those costs and expenses, and accordingly these expenses are separately disclosed as 'unallocated' and adjusted against the total income of the Company.

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

Industry segments

Year ended March 31, 2012 :

in ₹

Particulars	FSI	MFG	ECS	RCL	Total
Income from software services and products	1,01,78,983	3,57,16,494	–	191,67,50,119	196,26,45,596
Identifiable operating expenses	1,02,51,528	2,79,86,302	–	173,19,24,613	177,01,62,443
Allocated expenses	12,06,597	42,33,764	–	22,72,07,840	23,26,48,201
Segmental operating income	(12,79,142)	34,96,428	–	(4,23,82,334)	(4,01,65,048)
Unallocable expenses					4,66,127
Other income					3,77,062
Profit before tax					(4,02,54,113)
Tax expense					66,568
Profit for the period					(4,03,20,681)

Geographic segments

Year ended March 31, 2012 :

in ₹

Particulars	North America	Rest of the World	Total
Income from software services and products	195,24,66,614	1,01,78,982	196,26,45,596
Identifiable operating expenses	175,99,10,915	1,02,51,528	177,01,62,443
Allocated expenses	23,14,41,605	12,06,596	23,26,48,201
Segmental operating income	(3,88,85,906)	(12,79,142)	(4,01,65,048)
Unallocable expenses			4,66,127
Other income, net			3,77,062
Profit before tax			(4,02,54,113)
Tax expense			66,568
Profit for the period			(4,03,20,681)

2.17. Function-wise classification of Statement of Profit and Loss

in ₹

	Year ended March 31,	
	2012	2011
Income from software services and products	196,26,45,596	–
Software development expenses	178,35,88,926	7,238
GROSS PROFIT	17,90,56,670	(7,238)
Selling and marketing expenses	12,92,10,064	–
General and administration expenses	9,00,11,654	1,50,73,369
	21,92,21,718	1,50,73,369
OPERATING PROFIT BEFORE DEPRECIATION	(4,01,65,048)	(1,50,80,607)
Depreciation and amortization	4,66,127	–
OPERATING PROFIT	(4,06,31,175)	(1,50,80,607)
Other income	3,77,062	9,00,166
PROFIT BEFORE TAX	(4,02,54,113)	(1,41,80,441)
Tax expense :		
Current tax	66,568	–
PROFIT FOR THE PERIOD	(4,03,20,681)	(1,41,80,441)

As per our report attached
for Shenoy & Kamath
Chartered Accountants
Firm's Registration No. 006673S

M. Rathnakar Kamath
Partner
Membership No. 202841

Prof. Jeffrey S. Lehman
Chairman

Eric S. Paternoster
Chief Executive Officer and Director

Ashok Vemuri
Director

Bangalore
April 13, 2012

Financial statements of Infosys Technologies (Australia) Pty. Limited

To

The Members of Infosys Technologies (Australia) Pty. Limited

We have audited the attached Balance Sheet of Infosys Technologies (Australia) Pty. Limited ('the Company') as at March 31, 2012, the Profit and Loss account('Financial Statement') of the Company for the year ended on that date. These Financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Further, we report that:

a. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;

b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

c. The Balance Sheet and the Profit and Loss account dealt with by this report are in agreement with the books of accounts;

d. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.

   1. in the case of the Balance Sheet, of the State of affairs of the Company as at March 31, 2012; and

   2. in the case of Profit and Loss account, of the Profit of the Company for the year ended on that date.

for Shenoy & Kamath
Chartered Accountants
Firm's Registration No. 006673S

M. Rathnakar Kamath
Partner
Membership No. 202841

Bangalore
April 13, 2012

Balance Sheet

in ₹

Particulars	Note	As at March 31, 2012	As at March 31, 2011
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	4,36,92,227	4,36,92,227
Reserves and surplus	2.2	110,53,66,816	487,41,05,205
		114,90,59,043	491,77,97,432
NON-CURRENT LIABILITIES			
Other long-term liabilities	2.4	4,66,525	–
		4,66,525	–
CURRENT LIABILITIES			
Trade payables	2.5	1,04,22,635	7,31,76,121
Other current liabilities	2.6	75,36,80,474	69,42,19,509
Short-term provisions	2.7	133,94,18,939	79,45,53,219
		210,35,22,048	156,19,48,849
		325,30,47,616	647,97,46,281
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	2.8	11,35,95,674	12,23,46,975
Intangible assets	2.8	15,29,19,420	–
		26,65,15,094	12,23,46,975
Deferred tax assets (net)	2.3	33,19,05,916	20,47,97,613
Long-term loans and advances	2.10	65,74,35,602	34,65,64,141
		125,58,56,612	67,37,08,729
CURRENT ASSETS			
Trade receivables	2.11	83,96,96,612	15,76,12,618
Cash and cash equivalents	2.12	95,87,07,921	548,56,55,418
Short-term loans and advances	2.13	19,87,86,471	16,27,69,516
		199,71,91,004	580,60,37,552
		325,30,47,616	647,97,46,281
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

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

As per our report attached
for Shenoy & Kamath
Chartered Accountants
Firm's Registration No. 006673S

M. Rathnakar Kamath
Partner
Membership No. 202841

B. G. Srinivas
Chairman

Jackie Korhonen
Chief Executive Officer and Managing Director

Bangalore
April 13, 2012

V. G. Dheeshjith
Director

U. B. Pravin Rao
Director

Srinath Batni
Director

Statement of Profit and Loss

in ₹, except per share data

Particulars	Note	Year ended March 31,	
		2012	2011
Income from software services and products	2.14	1485,43,96,011	984,34,33,602
Other income	2.15	31,67,59,528	18,48,62,912
Total revenue		1517,11,55,539	1002,82,96,514
EXPENSES			
Employee benefit expenses	2.16	1144,03,36,117	709,33,89,909
Cost of technical sub-contractors	2.16	33,72,31,616	62,85,90,102
Travel expenses	2.16	48,35,03,532	29,90,09,518
Cost of software packages and others	2.16	5,19,28,218	2,76,78,032
Communication expenses	2.16	16,61,38,525	10,64,08,732
Professional charges		11,55,62,660	10,76,68,848
Depreciation and amortization expenses	2.8	16,94,20,247	18,61,46,526
Other expenses	2.16	53,87,74,364	41,99,33,623
Total expenses		1330,28,95,279	886,88,25,290
PROFIT BEFORE TAX		186,82,60,260	115,94,71,224
Tax expense :			
Current tax	2.17	70,67,30,630	35,33,58,919
Deferred tax	2.17	(8,80,78,908)	(2,94,21,319)
PROFIT FOR THE PERIOD		124,96,08,538	83,55,33,624
EARNINGS PER EQUITY SHARE			
Equity shares of par value AUD 0.11/- each			
Basic		123.62	82.65
Number of shares used in computing earnings per share			
Basic		1,01,08,869	1,01,08,869
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

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

As per our report attached
for Shenoy & Kamath
Chartered Accountants
Firm's Registration No. 006673S

M. Rathnakar Kamath
Partner
Membership No. 202841

B. G. Srinivas
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Bangalore
April 13, 2012

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Director

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Director

Srinath Batni
Director

Significant accounting policies and notes on accounts

Company overview

Infosys Technologies (Australia) Pty. Limited (Infosys Australia) is a wholly-owned subsidiary of Infosys Limited. The Company provides end-to-end business solutions that leverage technology, thereby enabling its clients to enhance business performance. The Company's operations are to provide solutions that span the entire software lifecycle encompassing technical consulting, design, development, re-engineering, maintenance, systems integration, package evaluation and implementation, testing and infrastructure management services.

1. Significant accounting policies

1.1. Accounting year

The accounting year of the Company is from April 1 to March 31.

1.2. Basis of preparation of financial statements

The financial statements of the Company have been prepared on an accrual basis. Unless otherwise stated, the measurement basis used is historical cost. Accounting policies have been consistently applied to all periods presented in the financial report.

1.3. Reporting currency

The Company's reporting currency is the Australian Dollar.

1.4. Previous period figure

The previous period's figures disclosed in these financial statements have been re-grouped / re-classified wherever necessary.

1.5. Use of estimates

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

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

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

1.6. 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 method. 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 (ATS) 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 method. 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 catch-up approach. The discounts are passed on to the customer either as direct payments or as a reduction of payments due from the customer.

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

Profit on the 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.

1.7. 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.

1.8. 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.

1.9. 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.

1.10. 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 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.

1.11. 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 ₹5,000/- or less) 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
Office equipment	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.

1.12. 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.

1.13. Retirement benefits to employees

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.

Long service leave

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

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

1.14. 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 Statement of Profit and Loss. 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.

1.15. 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. Thereafter a deferred tax asset or deferred tax liability is recorded for timing differences. These are the differences that originate in one accounting period and are reversed in another accounting period, 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. Deferred tax assets and deferred tax liabilities have been offset wherever the Company has a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority. Tax benefits of deductions earned on exercise of employee share options in excess of compensation charged to Statement of Profit and Loss are credited to the share premium account.

1.16. 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 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.

1.17. 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 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.

1.18. 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.

1.19. Leases

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

1.20. Government grants

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

2. Notes on accounts for the year ended March 31, 2012

2.1. Share capital

in ₹, except as otherwise stated

Particulars	As at March 31,	
	2012	2011
Authorized		
1,01,08,869 equity shares of AUD 0.11 par value	4,36,92,227	4,36,92,227
Issued, Subscribed and Paid-up		
1,01,08,869 (1,01,08,869) equity shares of AUD 0.11 par value, fully paid-up	4,36,92,227	4,36,92,227
	4,36,92,227	4,36,92,227

2.2. Reserves and surplus

in ₹

Particulars	As at March 31,	
	2012	2011
General reserve – Opening balance	21,79,30,925	21,79,30,925
Add: Transferred from Surplus	–	–
	21,79,30,925	21,79,30,925
Currency translation	191,72,61,171	115,83,08,098
Surplus – Opening balance	349,78,66,182	267,85,75,800
Add: Net profit after tax transferred from Statement of Profit and Loss	124,96,08,538	83,55,33,624
Add: Transfer upon liquidation of mainstream	–	(1,62,43,242)
Amount available for appropriation	474,74,74,720	349,78,66,182
Appropriations:		
Interim dividend	577,73,00,000	–
Surplus – Closing balance	(102,98,25,280)	349,78,66,182
	110,53,66,816	487,41,05,205

2.3. Deferred tax assets

in ₹

Particulars	As at March 31,	
	2012	2011
Fixed assets	4,95,95,568	2,51,48,902
Trade receivables	19,32,310	22,14,802
Unavailed leave	19,35,68,480	11,61,69,872
Others	8,68,09,558	6,12,64,037
	33,19,05,916	20,47,97,613

Deferred tax assets and deferred tax liabilities have been offset wherever the Company has a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority.

2.4. Other long-term liabilities

in ₹

Particulars	As at March 31,	
	2012	2011
Others		
Provision for expense	4,66,525	–
	4,66,525	–

2.5. Trade payables

in ₹

Particulars	As at March 31,	
	2012	2011
Trade payables [1]	1,04,22,635	7,31,76,121
	1,04,22,635	7,31,76,121
[1] *Includes dues to holding company and fellow subsidiaries (Refer to Note 2.20)*	22,22,604	5,87,89,332

2.6. Other current liabilities

in ₹

Particulars	As at March 31,	
	2012	2011
Accrued salaries and benefits		
Salaries and benefits	2,59,94,030	46,33,714
Bonus and incentives	26,31,94,700	18,96,87,033
Other liabilities		
Provision for expenses	13,75,54,995	7,71,76,494
Withholding and other taxes payable	28,21,64,081	15,99,28,599
Other payables [1]	1,85,45,220	55,71,210
Advances received from clients	–	24,98,60,375
Unearned revenue	2,62,27,448	73,62,084
	75,36,80,474	69,42,19,509
[1] *Includes dues to holding company and fellow subsidiaries (Refer to Note 2.20)*	1,17,47,507	–

2.7. Short-term provisions

in ₹

Particulars	As at March 31,	
	2012	2011
Provision for employee benefits		
Unavailed leave	64,52,28,211	38,72,33,013
Others		
Provision for		
Income taxes	69,41,90,728	40,37,71,811
Post-sales client support and warranties	–	35,48,395
	133,94,18,939	79,45,53,219

2.8. Fixed assets

in ₹

Particulars	Original cost				Depreciation and amortization				Net book value	
	As at April 1, 2011	Additions during the period	Deductions / Retirement during the period	As at March 31, 2012	As at April 1, 2011	For the period	Deductions / forex adjustments during the period	As at March 31, 2012	As at March 31, 2012	As at March 31, 2011
Tangible assets:										
Plant and equipment	1,40,34,823	20,87,866	–	1,61,22,689	55,98,356	27,07,569	(16,31,552)	99,37,477	61,85,212	84,36,467
Office equipment	1,14,34,922	36,28,961	41,69,539	1,08,94,344	68,39,366	24,29,622	36,83,111	55,85,877	53,08,467	45,95,556
Computer equipment	48,20,98,808	14,45,03,687	1,54,68,952	61,11,33,543	39,91,33,151	9,87,97,249	(4,99,91,886)	54,79,22,286	6,32,11,257	8,29,65,657
Furniture and fixtures	7,58,47,846	3,65,96,687	8,21,584	11,16,22,949	4,94,98,551	1,61,14,475	(71,19,185)	7,27,32,211	3,88,90,738	2,63,49,295
	58,34,16,399	18,68,17,201	2,04,60,075	74,97,73,525	46,10,69,424	12,00,48,915	(5,50,59,512)	63,61,77,851	11,35,95,674	12,23,46,975
Intangible assets:										
Intellectual property rights	–	20,40,16,432	–	20,40,16,432	–	4,93,71,332	(17,25,680)	5,10,97,012	15,29,19,420	–
	–	20,40,16,432	–	20,40,16,432	–	4,93,71,332	(17,25,680)	5,10,97,012	15,29,19,420	–
Total	58,34,16,399	39,08,33,633	2,04,60,075	95,37,89,957	46,10,69,424	16,94,20,247	(5,67,85,192)	68,72,74,863	26,65,15,094	12,23,46,975
Previous year	75,04,69,025	15,30,13,215	32,00,65,841	58,34,16,399	52,02,14,743	18,61,46,526	24,52,91,844	46,10,69,424	12,23,46,975	

2.9. Leases

Obligations on long-term, non-cancelable operating leases:

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

in ₹

Particulars	Year ended March 31,	
	2012	2011
Lease rentals recognized during the period	20,44,21,998	15,32,51,624

in ₹

Lease obligations payable	As at March 31,	
	2012	2011
Within one year of the Balance Sheet date	22,75,18,462	16,55,00,989
Due in a period between one year and five years	65,36,43,427	42,46,55,717
Due after five years	32,63,86,507	38,59,54,849

The operating lease arrangements, are renewable on a periodic basis and extend up to a maximum of 10 years from their respective dates of inception and relate to rented premises. Some of these lease agreements have price escalation clauses.

2.10. Long-term loans and advances

in ₹

Particulars	As at March 31,	
	2012	2011
Unsecured, considered good		
Capital advances	8,68,702	–
Electricity and other deposits	19,80,730	10,68,828
Other loans and advances		
Advance income taxes	65,45,86,170	34,54,95,313
	65,74,35,602	34,65,64,141

2.11. Trade receivables [1]

in ₹

Particulars	As at March 31,	
	2012	2011
Debts outstanding for a period exceeding six months		
Unsecured		
Considered doubtful	5,25,278	73,82,712
Less: Provision for doubtful debts	5,25,278	73,82,712
	–	–
Other debts		
Unsecured		
Considered good	83,96,96,612	15,76,12,618
	83,96,96,612	15,76,12,618
	83,96,96,612	15,76,12,618
[1] *Includes dues from holding company and fellow subsidiaries (Refer to Note 2.20)*	53,32,05,832	11,20,039

Provision for doubtful debts

Periodically, the Company evaluates all customer dues to the Company for collectability. The need for provisions is assessed based on various factors including collectability of specific dues, risk perceptions of the industry in which the customer operates, general economic factors, which could affect the customer's ability to settle. The Company normally provides for debtor dues outstanding for six months or longer from the invoice date, as at the Balance Sheet date. The Company pursues the recovery of the dues, in part or full.

2.12. Cash and cash equivalents

in ₹

Particulars	As at March 31,	
	2012	2011
Cash on hand	–	–
Balances with banks		
In current and deposit accounts	95,87,07,921	548,56,55,418
	95,87,07,921	548,56,55,418

in ₹

Particulars	As at March 31,	
	2011	2010
In current accounts		
National Australia Bank Limited	3,25,30,950	69,30,378
Citigroup Pty. Limited	20,03,63,422	11,07,446
Citibank N.A., New Zealand	6,70,84,049	1,48,34,290
	29,99,78,421	2,28,72,114
In deposit accounts		
National Australia Bank Limited	65,87,29,500	546,27,83,304
	65,87,29,500	546,27,83,304
Total cash and cash equivalents as per Balance Sheet	95,87,07,921	548,56,55,418

2.13. Short-term loans and advances

in ₹

Particulars	As at March 31,	
	2012	2011
Unsecured, considered good		
Others		
Advances		
Prepaid expenses	63,26,389	2,97,77,250
For supply of goods and rendering of services	–	3,85,479
Withholding and other taxes receivable	43,67,454	–
Others [1]	10,78,306	23,72,168
	1,17,72,149	3,25,34,897
Unbilled revenues	10,02,94,719	3,07,27,984
Interest accrued but not due	3,14,32,538	5,07,95,484
Loans and advances to employees		
Salary advances	5,52,87,065	4,87,11,151
	19,87,86,471	16,27,69,516
[1] *Includes dues from holding company and fellow subsidiaries (Refer to Note 2.20)*	151,323	–

2.14. Income from software services and products

in ₹

Particulars	Year ended March 31,	
	2012	2011
Income from software services	1485,43,96,011	984,34,33,602
	1485,43,96,011	984,34,33,602

2.15. Other income

in ₹

Particulars	Year ended March 31,	
	2012	2011
Interest received on deposits with banks and others	31,91,82,037	22,99,19,502
Miscellaneous income, net	2	14,74,655
Gains / (losses) on foreign currency, net	(24,22,511)	(4,65,31,245)
	31,67,59,528	18,48,62,912

2.16. Expenses

in ₹

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
Employee benefit expenses		
Salaries and bonus including overseas staff expenses	1141,34,83,556	706,54,37,597
Contribution to provident and other funds	5,023	20,95,609
Staff welfare	2,68,47,538	2,58,56,703
	1144,03,36,117	709,33,89,909
Cost of technical sub-contractors		
Technical sub-contractors – subsidiaries	14,85,28,477	33,06,19,543
Technical sub-contractors – others	18,87,03,139	29,79,70,559
	33,72,31,616	62,85,90,102
Travel expenses		
Overseas travel expenses	43,56,61,934	25,60,98,342
Traveling and conveyance	4,78,41,598	4,29,11,176
	48,35,03,532	29,90,09,518
Cost of software packages and others		
For own use	5,19,28,218	2,76,78,032
	5,19,28,218	2,76,78,032
Communication expenses		
Telephone charges	14,57,01,483	8,68,79,168
Communication expenses	2,04,37,042	1,95,29,564
	16,61,38,525	10,64,08,732
Other expenses		
Office maintenance	9,03,52,361	6,01,72,314
Power and fuel	1,05,53,479	81,64,693
Brand building	1,03,06,435	75,02,852
Rent	20,44,21,998	15,32,51,624
Rates and taxes, excluding taxes on income	2,92,06,747	1,72,43,970
Repairs to building	1,61,264	1,80,684
Repairs to plant and machinery	36,95,104	33,71,341
Computer maintenance	5,76,23,206	6,31,74,291
Consumables	1,62,15,486	96,99,376
Insurance charges	76,03,303	51,92,774
Research grants	1,86,25,841	1,60,16,507
Marketing expenses	6,70,07,308	4,23,81,140
Printing and stationery	49,30,723	44,71,972
Professional membership and seminar participation fees	62,61,892	56,50,166
Postage and courier	64,07,914	32,14,654
Advertisements	6,818	7,68,640
Provision for post-sales client support and warranties	(37,19,314)	34,93,757
Freight charges	7,62,120	13,60,161
Provision for bad and doubtful debts and advances	(13,17,714)	67,76,557
Books and periodicals	6,11,194	8,73,347
Others	6,333	65,292

in ₹

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
Auditor's remuneration		
Statutory audit fees	43,81,567	35,33,846
Out of pocket expenses	–	1,35,834
Others	–	46,628
Bank charges and commission	31,68,379	20,06,543
Donations	15,01,920	11,84,660
	53,87,74,364	41,99,33,623

2.17. Tax expense

in ₹

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
Current tax		
Income taxes	70,67,30,630	35,33,58,919
Deferred taxes	(8,80,78,908)	(2,94,21,319)
	61,86,51,722	32,39,37,600

2.18. Contingent liabilities and commitments (to the extent not provided for)

in ₹

Particulars	As at March 31, 2012	As at March 31, 2011
Contingent liabilities:		
Outstanding guarantees and counter guarantees to various banks, in respect of the guarantees given by those banks in favor of various government authorities and others	19,97,01,466	17,75,90,685
Commitments:		
Estimated amount of unexecuted capital contracts (net of advances and deposits)	1,42,91,166	1,65,00,159

2.19. 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 5(viii)(c) of general instructions for preparation of the Statement of Profit and Loss as per revised Schedule VI to the Companies Act, 1956.

2.20. Related party transactions

List of related parties :

Name of holding company	As at March 31,	
	2012	2011
Infosys Limited	100%	100%

Name of fellow subsidiaries	Country
Infosys BPO Limited	India
Infosys Technologies (China) Co. Limited	China
Infosys Technologies S. de R. L. de C. V.	Mexico
Infosys Technologies (Sweden) AB	Sweden
Infosys Technologies (Shanghai) Co. Limited	China
Infosys Tecnologia do Brasil Ltda	Brazil
Infosys Public Services Inc.	U.S.
Infosys BPO s.r.o. (1)	Czech Republic
Infosys BPO (Poland) Sp.Z.o.o (1)	Poland
Infosys Consulting India Limited	India
McCamish Systems LLC (1)	U.S.
Portland Group Pty. Limited (1)	Australia
Portland Procurement Services Pty. Limited (1)	Australia

(1) *Wholly-owned subsidiaries of Infosys BPO.*

The details of amounts due to or due from as at March 31, 2012 and March 31, 2011 are as follows :

in ₹

Particulars	As at March 31,	
	2012	2011
Trade receivables		
Infosys Technologies (China) Co. Limited	–	9,58,696
Infosys Limited	53,32,05,832	50,089
Infosys BPO Limited (including subsidiaries)	–	1,11,254
Trade payables		
Infosys Technologies (China) Co. Limited	–	16,43,545
Infosys Limited	22,22,604	5,37,84,195
Infosys BPO Limited (including subsidiaries)	–	33,61,170
Infosys Consulting India Limited	–	422
Other payables		
Infosys Limited	1,17,47,507	–
Other receivables		
Infosys Limited	1,51,323	–

The details of the related party transactions entered into by the Company, in addition to the lease commitments described in note 2.9, for the year ended March 31, 2012 and March 31, 2011 are as follows :

in ₹

Particulars	Year ended March 31,	
	2012	2011
Revenue transactions:		
Purchase of services		
Infosys Limited	14,74,29,953	32,35,42,766
Infosys Technologies (China) Co. Limited	10,98,524	70,76,777
Sale of services		
Infosys Limited	1322,26,82,507	889,00,03,830
Dividend paid		
Infosys Limited	577,73,00,000	–

2.21. Segment reporting

The Company's operations predominantly relate to providing end-to-end business solutions thereby enabling clients to enhance business performance, delivered to customers globally operating in various industry segments. Effective quarter ended June 30, 2011, the Company reorganized its business to increase its client focus. Consequent to the internal reorganization there were changes effected in the reportable segments based on the 'management approach', as laid down in AS 17, segment reporting. The Chief Executive Officer evaluates the Company's performance and allocates resources based on an analysis of various performance indicators by industry classes and geographic segmentation of customers. Accordingly, segment information has been presented both along industry classes and geographic segmentation of customers, industry being the primary segment. The accounting principles used in the preparation of the financial statements are consistently applied to record revenue and expenditure in individual segments, and are as set out in the significant accounting policies.

Industry segments for the Company are primarily financial services and insurance (FSI) comprising enterprises providing banking, finance and insurance services, manufacturing enterprises (MFG), enterprises in the energy, utilities and telecommunication services (ECS) and retail, logistics, consumer packaged goods, life sciences and healthcare enterprises (RCL). Geographic segmentation is based on business sourced from that geographic region and delivered from both onsite and offshore. North America comprises the U.S., Canada and Mexico, Europe includes continental Europe (both the east and the west), Ireland and the U.K., and the Rest of the World comprising all other places except those mentioned above and India. Consequent to the above change in the composition of reportable segments, the prior year comparatives have been restated.

Revenue and identifiable operating expenses in relation to segments are categorized based on items that are individually identifiable to that segment. Allocated expenses of segments include expenses incurred for rendering services from the Company's offshore software development centers and onsite expenses, which are categorized in relation to the associated turnover of the segment. Certain expenses such as depreciation, which form a significant component of total expenses, are not specifically allocable to specific segments as the underlying assets are used interchangeably. The Management believes that it is not practical to provide segment disclosures relating to those costs and expenses, and accordingly these expenses are separately disclosed as 'unallocated' and adjusted against the total income of the Company.

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

Industry segments

For the years ended March 31, 2012 and *March 31, 2011* :

in ₹

Particulars	FSI	MFG	ECS	RCL	Total
Income from software services and products	746,10,38,387	60,71,52,824	662,19,28,857	16,42,75,943	1485,43,96,011
	420,09,71,608	*40,83,65,632*	*501,48,47,057*	*21,92,49,305*	*984,34,33,602*
Identifiable operating expenses	478,64,31,538	43,77,73,925	389,47,62,082	11,02,90,088	922,92,57,633
	270,02,45,022	*30,52,12,233*	*318,17,03,549*	*15,53,74,097*	*634,25,34,901*
Allocated expenses	196,10,03,051	15,95,79,468	174,04,57,831	4,31,77,049	390,42,17,399
	99,87,24,469	*9,70,83,434*	*119,22,12,405*	*5,21,23,555*	*234,01,43,863*
Segmental operating income	71,36,03,798	97,99,431	98,67,08,944	1,08,08,806	172,09,20,979
	50,20,02,117	*60,69,965*	*64,09,31,103*	*1,17,51,653*	*116,07,54,838*
Unallocable expenses					16,94,20,247
					18,61,46,526
Other income					31,67,59,528
					18,48,62,912
Profit before tax					186,82,60,260
					115,94,71,224
Tax expense					61,86,51,722
					32,39,37,600
Profit for the period					124,96,08,538
					83,55,33,624

Geographic segments

For the years ended March 31, 2012 and *March 31, 2011* :

in ₹

Particulars	North America	Europe	India	Rest of the World	Total
Income from software services and products	7,25,79,033	2,20,11,181	5,40,330	1475,92,65,467	1485,43,96,011
	1,73,13,129	*1,54,22,015*	*2,135*	*981,06,96,323*	*984,34,33,602*
Identifiable operating expenses	4,36,95,234	1,11,61,198	6,12,343	917,37,88,858	922,92,57,633
	90,73,118	*91,80,048*	*3,51,136*	*632,39,30,599*	*634,25,34,901*
Allocated expenses	1,90,76,126	57,85,253	1,42,016	387,92,14,004	390,42,17,399
	41,15,964	*36,66,377*	*508*	*233,23,61,014*	*234,01,43,863*
Segmental operating income	98,07,673	50,64,730	(2,14,029)	170,62,62,605	172,09,20,979
	41,24,047	*25,75,590*	*(3,49,509)*	*115,44,04,710*	*116,07,54,838*
Unallocable expenses					16,94,20,247
					18,61,46,526
Other income, net					31,67,59,528
					18,48,62,912
Profit before tax					186,82,60,260
					115,94,71,224
Tax expense					61,86,51,722
					32,39,37,600
Profit for the period					124,96,08,538
					83,55,33,624

2.22. Function-wise classification of the Statement of Profit and Loss

in ₹

	Year ended March 31,	
	2012	2011
Income from software services and products	1485,43,96,011	984,34,33,602
Software development expenses	1098,07,38,756	723,70,79,002
GROSS PROFIT	387,36,57,255	260,63,54,600
Selling and marketing expenses	132,72,63,844	84,43,34,734
General and administration expenses	82,54,72,432	60,12,65,028
	215,27,36,276	144,55,99,762
OPERATING PROFIT BEFORE DEPRECIATION	172,09,20,979	116,07,54,838
Depreciation and amortization	16,94,20,247	18,61,46,526
OPERATING PROFIT	155,15,00,732	97,46,08,312
Other income	31,67,59,528	18,48,62,912
PROFIT BEFORE TAX	186,82,60,260	115,94,71,224
Tax expense :		
Current tax	70,67,30,630	35,33,58,919
Deferred tax	(8,80,78,908)	(2,94,21,319)
PROFIT FOR THE PERIOD	124,96,08,538	83,55,33,624

As per our report attached
for Shenoy & Kamath
Chartered Accountants
Firm's Registration No. 006673S

M. Rathnakar Kamath
Partner
Membership No. 202841

B. G. Srinivas
Chairman

Jackie Korhonen
Chief Executive Officer and Managing Director

Bangalore
April 13, 2012

V. G. Dheeshjith
Director

U. B. Pravin Rao
Director

Srinath Batni
Director

Financial statements of Infosys Technologies (China) Co. Limited

To

The Members of Infosys Technologies (China) Co. Limited

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

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

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

Further, we report that:

a. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;

b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

c. The Balance Sheet and the Profit and Loss account dealt with by this report are in agreement with the books of accounts;

d. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.

   1. in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2011; and

   2. in the case of Profit and Loss account, of the profit of the Company for the year ended on that date.

for Shenoy & Kamath
Chartered Accountants
Firm's Registration No. 006673S

M. Rathnakar Kamath
Partner
Membership No. 202841

Bangalore
January 6, 2012

Balance Sheet

in ₹

Particulars	Note	As at December 31, 2011	As at December 31, 2010
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	106,34,07,042	106,34,07,042
Reserves and surplus	2.2	50,44,13,313	(27,271,414)
		156,78,20,355	103,61,35,628
CURRENT LIABILITIES			
Unsecured loans		26,95,99,474	23,17,14,154
Trade payables	2.4	21,74,39,290	52,32,16,711
Other current liabilities	2.5	40,66,90,894	46,85,26,800
Short-term provisions	2.6	7,58,97,878	10,69,56,634
		96,96,27,536	133,04,14,299
		253,74,47,891	236,65,49,927
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	2.7	74,36,53,236	66,96,30,432
		74,36,53,236	66,96,30,432
Deferred tax assets (net)	2.3	10,97,81,548	8,80,10,767
Long-term loans and advances	2.9	2,22,00,706	24,27,635
		87,56,35,490	76,00,68,834
CURRENT ASSETS			
Trade receivables	2.10	92,46,91,856	74,80,93,031
Cash and cash equivalents	2.11	55,01,37,605	70,60,52,995
Short-term loans and advances	2.12	18,69,82,940	15,23,35,067
		166,18,12,401	160,64,81,093
		253,74,47,891	236,65,49,927
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

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

As per our report attached
for Shenoy & Kamath
Chartered Accountants
Firm's Registration No. 006673S

M. Rathnakar Kamath
Partner
Membership No. 202841

Ashok Vemuri
Chairman

V. G. Dheeshjith
Director

Prasad Thrikutam
Director

Bangalore
January 6, 2012

V. R. Rangarajan
Director

Srinath Batni
Director

Statement of Profit and Loss

in ₹

Particulars	Note	Year ended December 31,	
		2011	2010
Income from software services and products	2.13	464,84,77,194	323,89,19,094
Other income	2.14	30,64,08,825	4,57,76,284
Total revenue		495,48,86,019	328,46,95,378
EXPENSES			
Employee benefit expenses	2.15	305,07,58,300	203,25,28,229
Cost of technical sub-contractors	2.15	12,12,69,866	7,10,98,937
Travel expenses	2.15	19,13,77,343	17,40,67,486
Cost of software packages and others	2.15	68,29,271	58,08,253
Communication expenses	2.15	9,74,86,928	6,21,51,294
Professional charges		6,88,98,638	6,17,69,976
Depreciation and amortization expenses	2.7	43,08,60,484	20,71,22,283
Interest expenses		1,40,60,811	2,62,98,228
Other expenses	2.15	71,39,16,013	26,32,44,412
Total expenses		469,54,57,654	290,40,89,098
PROFIT BEFORE TAX		25,94,28,365	38,06,06,280
Tax expense :			
Current tax	2.16	(1,08,17,503)	6,70,88,973
Deferred tax	2.16	(4,76,881)	(8,75,12,540)
PROFIT FOR THE PERIOD		27,07,22,749	40,10,29,847
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

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

As per our report attached
for Shenoy & Kamath
Chartered Accountants
Firm's Registration No. 006673S

M. Rathnakar Kamath
Partner
Membership No. 202841

Ashok Vemuri
Chairman

V. G. Dheeshjith
Director

Prasad Thrikutam
Director

Bangalore
January 6, 2012

V. R. Rangarajan
Director

Srinath Batni
Director

Significant accounting policies and notes on accounts

Company overview

Infosys Technologies (China) Co. Limited ('Infosys China') is a wholly-owned subsidiary of Infosys Limited. The Company provides end-to-end business solutions that leverage technology, thereby enabling its clients to enhance business performance.

1. Significant accounting policies

1.1. Accounting year

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

1.2. Basis of preparation of financial statements

The financial statements of the Company have been prepared on an accrual basis. Unless otherwise stated, the measurement basis used is historical cost. Accounting policies have been consistently applied to all periods presented in the financial report.

1.3. Reporting currency

The Company's reporting currency is the Renminbi.

1.4. Previous period figures

The previous period's figures disclosed in these financial statements have been re-grouped / re-classified wherever necessary.

1.5. Use of estimates

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

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

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

1.6. Revenue recognition

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

Revenue on time-and-material contracts are recognized as the related services are performed and revenue from the end of the last billing to the Balance Sheet date is recognized as unbilled revenues. Revenue from fixed-price and fixed-timeframe contracts, where there is no uncertainty as to measurement or collectability of consideration, is recognized based upon the percentage of completion method. 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.

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 catch-up approach. The discounts are passed on to the customer either as direct payments or as a reduction of payments due from the customer.

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

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.

1.7. 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.

1.8. 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.

1.9. 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 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.

1.10. 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 ₹5,000/- or less) 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
Office equipment	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.

1.11. Provision for impairment

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

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

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

1.12. Retirement benefits to employees

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.

1.13. Foreign currency transactions

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

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

1.14. Income taxes

Income taxes are accrued in the same period that the related revenue and expenses arise. A provision is made for income tax annually, based on the tax liability computed, after considering tax allowances and exemptions. Provisions are recorded when it is estimated that a liability due to disallowances or other matters is probable. The Company offsets, on a year-on-year basis, the current tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

The differences that result between the profit considered for income taxes and the profit as per the financial statements are identified. Thereafter a deferred tax asset or deferred tax liability is recorded for timing differences. These are the differences that originate in one accounting period and are reversed in another accounting period, 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. Deferred tax assets and deferred tax liabilities have been offset wherever the Company has a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority. Tax benefits of deductions earned on exercise of employee share options in excess of compensation charged to Statement of Profit and Loss are credited to the share premium account.

1.15. 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.

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

1.17. Government grants

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

2. Notes on accounts for the year ended December 31, 2011

2.1. Share capital

in ₹, except as otherwise stated

Particulars	As at December 31, 2011	As at December 31, 2010
Authorized		
US $2,30,00,000	110,46,10,000	110,46,10,000
Issued, Subscribed and Paid Up		
US $2,30,00,000	106,34,07,042	106,34,07,042
	106,34,07,042	106,34,07,042

2.2. Reserves and surplus

in ₹

Particulars	As at December 31, 2011	As at December 31, 2010
Currency translation	20,26,74,246	(5,82,87,732)
Surplus – Opening balance	3,10,16,318	(37,00,13,529)
Add: Net profit after tax transferred from Statement of Profit and Loss	27,07,22,749	40,10,29,847
Surplus – Closing balance	30,17,39,067	3,10,16,318
	50,44,13,313	(2,72,71,414)

2.3. Deferred taxes

in ₹

Particulars	As at December 31, 2011	As at December 31, 2010
Fixed assets	4,95,78,592	3,02,80,989
Trade receivables	14,63,535	4,434
Computer software	55,80,542	31,79,429
Accrued compensation to employees	2,88,68,316	3,66,62,631
Others	2,42,90,563	1,78,83,284
	10,97,81,548	8,80,10,767

2.4. Trade payables

in ₹

Particulars	As at December 31, 2011	As at December 31, 2010
Trade payables [1]	21,74,39,290	52,32,16,711
	21,74,39,290	52,32,16,711
[1] *Includes dues to holding company and fellow subsidiaries (Refer to Note 2.19)*	10,46,74,008	37,77,14,176

2.5. Other current liabilities

in ₹

Particulars	As at December 31, 2011	As at December 31, 2010
Accrued salaries and benefits		
Salaries and benefits	27,96,087	22,83,654
Bonus and incentives	15,22,52,561	13,30,60,281
Other liabilities		
Provision for expenses [1]	20,20,44,464	12,12,34,108
Retention monies	47,51,401	97,87,489
Withholding and other taxes payable	53,23,467	6,49,705
Other payables	78,01,685	16,57,52,811
Unearned revenue	3,17,21,229	3,57,58,752
	40,66,90,894	46,85,26,800
[1] *Includes dues to holding company and fellow subsidiaries (Refer to Note 2.19)*	77,19,966	–

2.6. Short-term provisions

in ₹

Particulars	As at December 31, 2011	As at December 31, 2010
Provision for employee benefits		
Unavailed leave	7,58,97,878	5,28,20,272
Others		
Provision for Income taxes	–	5,41,36,362
	7,58,97,878	10,69,56,634

2.7. Fixed assets

in ₹

Particulars	Original cost				Depreciation and amortization				Net book value	
	As at January 1, 2011	Additions during the period	Deductions / Retirement during the period	As at December 31, 2011	As at January 1, 2011	For the period	Deductions / adjustments during the period	As at December 31, 2011	As at December 31, 2011	As at December 31, 2010
Tangible assets :										
Leasehold improvement	55,21,45,714	27,99,01,945	2,55,455	83,17,92,204	17,10,49,059	27,38,04,274	(8,29,24,481)	52,77,77,814	30,40,14,390	38,10,96,655
Plant and equipment	9,54,48,656	7,00,96,400	6,679	16,55,38,377	66,01,426	3,06,79,951	(17,26,593)	3,90,07,970	12,65,30,407	8,88,47,230
Office equipment	9,19,25,561	5,20,93,180	–	14,40,18,741	3,18,06,244	1,55,19,203	(1,45,76,133)	6,19,01,580	8,21,17,161	6,01,19,317
Computer equipment	39,07,54,061	26,09,04,320	3,21,162	65,13,37,219	29,58,86,927	9,76,12,196	(8,52,45,146)	47,87,44,269	17,25,92,950	9,48,67,134
Furniture and fixtures	7,69,89,234	3,67,76,865	–	11,37,66,099	3,22,89,138	1,32,44,860	(98,33,773)	5,53,67,771	5,83,98,328	4,47,00,096
Vehicles	9,23,440	2,21,354	–	11,44,794	9,23,440	–	(2,21,354)	11,44,794	–	–
Total	120,81,86,666	69,99,94,064	5,83,296	190,75,97,434	53,85,56,234	43,08,60,484	(19,45,27,480)	116,39,44,198	74,36,53,236	66,96,30,432
Previous year	61,35,02,547	71,25,01,847	11,78,17,728	120,81,86,666	44,92,28,002	20,71,22,283	11,77,94,050	53,85,56,234	66,96,30,432	

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

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

in ₹

Particulars	Year ended December 31,	
	2011	2010
Lease rentals recognized during the period	19,40,54,855	12,09,35,878

in ₹

Lease obligations payable	As at December 31,	
	2011	2010
Within one year of the Balance Sheet date	21,93,48,169	15,03,68,064
Due in a period between one year and five years	45,49,12,903	44,54,07,626
Due after five years	–	–

The operating lease arrangements, are renewable on a periodic basis and extend up to a maximum of 10 years from their respective dates of inception and relates to rented premises. Some of these lease agreements have price escalation clauses.

2.9. Long-term loans and advances

in ₹

Particulars	As at December 31,	
	2011	2010
Unsecured, considered good		
Other loans and advances		
Advance income taxes	2,22,00,706	24,27,635
	2,22,00,706	24,27,635

2.10. Trade receivables

in ₹

Particulars	As at December 31,	
	2011	2010
Debts outstanding for a period exceeding six months		
Unsecured		
Considered doubtful	44,04,904	–
Less: Provision for doubtful debts	44,04,904	–
	–	–
Other debts		
Unsecured		
Considered good [(1)]	92,46,91,856	74,80,93,031
Considered doubtful	72,66,845	–
	93,19,58,701	74,80,93,031
Less: Provision for doubtful debts	72,66,845	–
	92,46,91,856	74,80,93,031
	92,46,91,856	74,80,93,031
[(1)] *Includes dues from holding company and fellow subsidiaries (Refer to Note 2.19)*	31,52,26,624	26,69,58,412

Provision for doubtful debts

Periodically, the Company evaluates all customer dues to the Company for collectability. The need for provisions is assessed based on various factors including collectability of specific dues, risk perceptions of the industry in which the customer operates, general economic factors, which could affect the customer's ability to settle. The Company normally provides for debtor dues outstanding for six months or longer from the invoice date, as at the Balance Sheet date. The Company pursues the recovery of the dues, in part or full.

2.11. Cash and cash equivalents

in ₹

Particulars	As at December 31,	
	2011	2010
Cash on hand	–	–
Balances with banks		
In current and deposit accounts	55,01,37,605	70,60,52,995
	55,01,37,605	70,60,52,995

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

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

in ₹

Particulars	As at December 31,	
	2011	2010
In current accounts		
RBS, China	49,86,51,777	45,63,20,522
Pudong Development Bank	72,55,728	34,75,419
Hangzhou Merchant Bank	–	82,57,054
Construction Bank, China	4,533	–
China Merchants Bank	20,75,567	–
	50,79,87,605	46,80,52,995
In deposit accounts		
RBS, China	4,21,50,000	23,80,00,000
	4,21,50,000	23,80,00,000
Total cash and cash equivalents as per Balance Sheet	55,01,37,605	70,60,52,995

2.12. Short-term loans and advances

in ₹

Particulars	As at December 31,	
	2011	2010
Unsecured, considered good		
Others		
Advances		
Prepaid expenses	2,22,98,644	3,61,66,406
For supply of goods and rendering of services	17,08,761	4,67,817
Others	1,77,35,965	1,21,04,104
	4,17,43,370	4,87,38,327
Unbilled revenues	4,33,27,025	3,80,83,022
Interest accrued but not due	2,25,034	74,375
Loans and advances to employees		
Salary advances	2,83,22,196	96,61,222
Electricity and other deposits	7,58,700	6,39,200
Rental deposits	7,25,99,281	5,51,38,921
	18,69,75,606	15,23,35,067
Unsecured, considered doubtful		
Loans and advances to employees	1,48,781	80,920
	18,71,24,387	15,24,15,987
Less: Provision for doubtful loans and advances to employees	1,41,447	80,920
	18,69,82,940	15,23,35,067

2.13. Income from software services and products

in ₹

Particulars	Year ended December 31,	
	2011	2010
Income from software services	458,43,20,023	315,29,05,026
Income from software products	6,41,57,171	8,60,14,068
	464,84,77,194	323,89,19,094

2.14. Other income

in ₹

Particulars	Year ended December 31,	
	2011	2010
Interest received on deposits with banks and others	80,90,347	45,55,975
Dividend received on investment in mutual fund units	–	–
Miscellaneous income, net	30,97,83,408	3,73,37,366
Gains / (losses) on foreign currency, net	(1,14,64,930)	38,82,943
	30,64,08,825	4,57,76,284

2.15. Expenses

in ₹

Particulars	Year ended December 31,	
	2011	2010
Employee benefit expenses		
Salaries and bonus including overseas staff expenses	296,52,57,589	197,74,06,555
Contribution to provident and other funds	1,58,107	19,03,860
Staff welfare	8,53,42,604	5,32,17,814
	305,07,58,300	203,25,28,229
Cost of technical sub-contractors		
Technical sub-contractors – subsidiaries	10,07,82,082	6,31,08,050
Technical sub-contractors – others	2,04,87,784	79,90,887
	12,12,69,866	7,10,98,937
Travel expenses		
Overseas travel expenses	8,95,36,325	12,04,37,780
Traveling and conveyance	10,18,41,018	5,36,29,706
	19,13,77,343	17,40,67,486
Cost of software packages and others		
For own use	68,29,271	58,08,253
	68,29,271	58,08,253
Communication expenses		
Telephone charges	3,78,40,037	2,27,83,773
Communication expenses	5,96,46,891	3,93,67,521
	9,74,86,928	6,21,51,294
Other expenses		
Office maintenance	9,72,54,764	5,14,27,115
Power and fuel	5,61,44,599	4,04,70,293
Brand building	23,07,075	1,55,876
Rent	19,40,54,855	12,09,35,878
Rates and taxes, excluding taxes on income	36,30,970	8,37,049
Repairs to plant and machinery	96,80,518	38,87,095
Computer maintenance	2,44,87,453	2,04,34,249
Consumables	3,66,288	8,57,448
Insurance charges	50,90,641	39,52,744
Marketing expenses	65,83,997	23,59,256
Printing and stationery	1,07,43,661	91,43,443

in ₹

Particulars	Year ended December 31,	
	2011	2010
Professional membership and seminar participation fees	21,88,336	18,86,424
Postage and courier	26,99,974	26,09,212
Advertisements	–	2,52,000
Provision for bad and doubtful debts and advances	29,51,59,570	6,45,610
Books and periodicals	22,935	2,76,443
Auditor's remuneration		
Statutory audit fees	17,12,341	13,80,410
Bank charges and commission	18,71,299	9,94,820
Others	(83,263)	7,39,047
	71,39,16,013	26,32,44,412

2.16. Tax expense

in ₹

	Year ended December 31,	
	2011	2010
Current tax		
Income taxes	(1,08,17,503)	6,70,88,973
Deferred taxes	(4,76,881)	(8,75,12,540)
	(1,12,94,384)	(2,04,23,567)

2.17. Contingent liabilities and commitments (to the extent not provided for)

in ₹

Particulars	As at December 31,	
	2011	2010
Commitments :		
Estimated amount of unexecuted capital contracts (net of advances and deposits)	2,23,12,893	6,75,03,600

2.18. 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 5(viii)(c) of general instructions for preparation of the Statement of Profit and Loss as per revised Schedule VI to the Companies Act, 1956.

2.19. Related party transactions

List of related parties :

Name of holding company	Country	Holding as at December 31,	
		2011	2010
Infosys Limited	India	100%	100%

Name of fellow subsidiaries	Country
Infosys BPO Limited	India
Infosys Technologies (Australia) Pty. Limited	Australia
Infosys Consulting Inc.	U.S.
Infosys Technologies S. de R. L. de C. V.	Mexico
Infosys Technologies (Sweden) AB	Sweden
Infosys Technologies (Shanghai) Co. Limited	China
Infosys Tecnologia do Brasil Ltda	Brazil
Infosys Public Services Inc.	U.S.
Infosys BPO s.r.o. (1)	Czech Republic
Infosys BPO (Poland) Sp.Z.o.o (1)	Poland
Infosys Consulting India Limited	India
McCamish Systems LLC (1)	U.S.
Portland Group Pty. Limited (1)	Australia
Portland Procurement Services Pty. Limited (1)	Australia

(1) *Wholly-owned subsidiaries of Infosys BPO.*

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

in ₹

Particulars	As at December 31,	
	2011	2010
Unsecured loans		
Infosys Limited	26,95,99,474	23,17,14,154
Trade receivables		
Infosys Limited	31,52,26,624	25,61,20,182
Infosys Technologies (Australia) Pty. Limited	–	12,05,964
Infosys Consulting Inc.	–	6,65,538
Infosys BPO Limited (including subsidiaries)	–	89,66,728
Trade payables		
Infosys Limited	10,46,74,008	35,45,78,316
Infosys Technologies (Australia) Pty. Limited	–	7,92,172
Infosys BPO Limited (including subsidiaries)	–	2,19,11,233
Infosys Consulting Inc.	–	4,32,455
Other current liabilities		
Infosys Limited	77,19,966	–

The details of the related party transactions entered into by the Company, in addition to the lease commitments described in note 2.8, for the year ended December 31, 2011 and December 31, 2010 are as follows :

in ₹

Particulars	Year ended December 31,	
	2011	2010
Capital transactions :		
Financing transactions		
Infosys Limited	–	40,57,06,059
Loans		
Infosys Limited	–	(24,15,93,963)
Revenue transactions :		
Purchase of services		
Infosys Limited	10,07,82,082	6,35,16,507
Interest expense		
Infosys Limited	1,40,60,811	2,62,98,228
Sale of services		
Infosys Technologies (Australia) Pty. Limited	50,63,394	1,60,20,720
Infosys Limited	251,04,70,402	229,07,26,769

2.20. Segment reporting

The Company's operations predominantly relate to providing end-to-end business solutions thereby enabling clients to enhance business performance, delivered to customers globally operating in various industry segments. Effective quarter ended June 30, 2011, the Company reorganized its business to increase its client focus. Consequent to the internal reorganization there were changes effected in the reportable segments based on the 'management approach', as laid down in AS 17, segment reporting. The Chief Executive Officer evaluates the Company's performance and allocates resources based on an analysis of various performance indicators by industry classes and geographic segmentation of customers. Accordingly, segment information has been presented both along industry classes and geographic segmentation of customers, industry being the primary segment. The accounting principles used in the preparation of the financial statements are consistently applied to record revenue and expenditure in individual segments, and are as set out in the significant accounting policies.

Industry segments for the Company are primarily financial services and insurance (FSI) comprising enterprises providing banking, finance and insurance services, manufacturing enterprises (MFG), enterprises in the energy, utilities and telecommunication services (ECS) and retail, logistics, consumer packaged goods, life sciences and healthcare enterprises (RCL). Geographic segmentation is based on business sourced from that geographic region and delivered from both onsite and offshore. North America comprises the U.S., Canada and Mexico, Europe includes continental Europe (both the east and the west), Ireland and the U.K., and the Rest of the World comprising all other places except those mentioned above and India. Consequent to the above change in the composition of reportable segments, the prior year comparatives have been restated.

Revenue and identifiable operating expenses in relation to segments are categorized based on items that are individually identifiable to that segment. Allocated expenses of segments include expenses incurred for rendering services from the Company's offshore software development centers and onsite expenses, which are categorized in relation to the associated turnover of the segment. Certain expenses such as depreciation, which form a significant component of total expenses, are not specifically allocable to specific segments as the underlying assets are used interchangeably. The Management believes that it is not practical to provide segment disclosures relating to those costs and expenses, and accordingly these expenses are separately disclosed as 'unallocated' and adjusted against the total income of the Company.

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

Industry segments

For the years ended December 31, 2011 and *December 31, 2010* :

in ₹

Particulars	FSI	MFG	ECS	RCL	Total
Income from software services and products	141,22,88,202	163,84,06,459	34,21,91,957	125,55,90,576	464,84,77,194
	90,16,59,591	*90,29,02,120*	*28,61,65,991*	*114,81,91,392*	*323,89,19,094*
Identifiable operating expenses	53,90,84,088	69,19,39,724	15,15,98,697	49,09,27,347	187,35,49,856
	37,56,35,996	*41,89,09,096*	*7,74,94,268*	*45,00,14,634*	*132,20,53,994*
Allocated expenses	72,21,69,832	83,77,94,804	17,49,78,951	64,20,42,916	237,69,86,503
	37,54,31,200	*37,59,48,562*	*11,91,53,218*	*47,80,81,614*	*134,86,14,594*
Segmental operating income	15,10,34,282	10,86,71,931	1,56,14,309	12,26,20,313	39,79,40,835
	15,05,92,395	*10,80,44,462*	*8,95,18,505*	*22,00,95,144*	*56,82,50,506*
Unallocable expenses					44,49,21,295
					23,34,20,510
Other income, net					30,64,08,825
					4,57,76,284
Profit before tax					25,94,28,365
					38,06,06,280
Tax expense					(1,12,94,384)
					(2,04,23,567)
Profit for the period					27,07,22,749
					40,10,29,847

Geographic segments

For the years ended December 31, 2011 and *December 31, 2010* :

in ₹

Particulars	North America	Europe	India	Rest of the World	Total
Income from software services and products	253,14,46,926	57,97,83,363	3,57,20,732	150,15,26,173	464,84,77,194
	175,91,15,577	*37,89,05,148*	*28,84,197*	*109,80,14,172*	*323,89,19,094*
Identifiable operating expenses	99,98,48,845	21,54,07,883	1,08,00,760	64,74,92,368	187,35,49,856
	69,02,79,682	*17,12,67,695*	*18,20,486*	*45,86,86,131*	*132,20,53,994*
Allocated expenses	129,44,48,682	29,64,70,687	1,82,65,702	76,78,01,432	237,69,86,503
	73,24,56,992	*15,77,67,760*	*12,00,916*	*45,71,88,926*	*134,86,14,594*
Segmental operating income	23,71,49,399	6,79,04,793	66,54,270	8,62,32,373	39,79,40,835
	33,63,78,903	*4,98,69,693*	*(1,37,205)*	*18,21,39,115*	*56,82,50,506*
Unallocable expenses					44,49,21,295
					23,34,20,510
Other income, net					30,64,08,825
					4,57,76,284
Profit before tax					25,94,28,365
					38,06,06,280
Tax expense					(1,12,94,384)
					(2,04,23,567)
Profit for the period					27,07,22,749
					40,10,29,847

2.21. Function-wise classification of the Statement of Profit and Loss

in ₹

Particulars	Year ended December 31,	
	2011	2010
Income from software services and products	464,84,77,194	323,89,19,094
Software development expenses	327,90,60,734	221,49,51,036
GROSS PROFIT	136,94,16,460	102,39,68,058
Selling and marketing expenses	12,18,23,472	5,91,10,950
General and administration expenses	84,96,52,153	39,66,06,601
	97,14,75,625	45,57,17,551
OPERATING PROFIT BEFORE INTEREST AND DEPRECIATION	39,79,40,835	56,82,50,507
Interest	1,40,60,811	2,62,98,228
Depreciation and amortization	43,08,60,484	20,71,22,283
OPERATING PROFIT	(46,980,460)	33,48,29,996
Other income	30,64,08,825	4,57,76,284
PROFIT BEFORE TAX	25,94,28,3656	38,06,06,280
Tax expense :		
Current tax	(1,08,17,503)	6,70,88,973
Deferred tax	(4,76,881)	(8,75,12,540)
PROFIT FOR THE PERIOD	27,07,22,749	40,10,29,847

As per our report attached
for Shenoy & Kamath
Chartered Accountants
Firm's Registration No. 006673S

M. Rathnakar Kamath
Partner
Membership No. 202841

Ashok Vemuri
Chairman

V. G. Dheeshjith
Director

Prasad Thrikutam
Director

Bangalore
January 6, 2012

V. R. Rangarajan
Director

Srinath Batni
Director

Financial Statements of Infosys Technologies (Shanghai) Co. Limited

To

The Members of Infosys Technologies (Shanghai) Co. Limited

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

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

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

Further, we report that:

a. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;

b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

c. The Balance Sheet and the Profit and Loss account dealt with by this report are in agreement with the books of accounts;

d. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.

   1. in the case of the Balance Sheet, of the State of affairs of the Company as at December 31, 2011; and

   2. in the case of Profit and Loss account, of the Loss of the Company for the year ended on that date.

for Shenoy & Kamath
Chartered Accountants
Firm's Registration No. 006673S

M. Rathnakar Kamath
Partner
Membership No. 202841

Bangalore
January 6, 2012

Balance Sheet

in ₹

Particulars	Note	As at December 31, 2011
EQUITY AND LIABILITIES		
SHAREHOLDERS' FUNDS		
Share capital	2.1	93,14,61,861
Reserves and surplus	2.2	12,19,17,231
		105,33,79,092
CURRENT LIABILITIES		
Trade payables	2.3	12,93,714
Other current liabilities	2.4	45,13,720
Short-term provisions	2.5	1,18,863
		59,26,297
		105,93,05,389
ASSETS		
NON-CURRENT ASSETS		
Fixed assets		
Tangible assets	2.6	2,30,29,093
Intangible assets	2.6	59,15,32,713
		61,45,61,806
Long-term loans and advances	2.7	1,03,62,999
		62,49,24,805
CURRENT ASSETS		
Cash and cash equivalents	2.8	43,43,80,584
		43,43,80,584
		105,93,05,389
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2	

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

As per our report attached
for Shenoy & Kamath
Chartered Accountants
Firm's Registration No. 006673S

M. Rathnakar Kamath
Partner
Membership No. 202841

Ashok Vemuri
Chairman

V. R. Rangarajan
Director

Srinath Batni
Director

Bangalore
January 6, 2012

Statement of Profit and Loss

in ₹

Particulars	Note	Period ended December 31, 2011
Income from software services and products		–
Other income	2.9	(1,50,06,578)
Total revenue		(1,50,06,578)
EXPENSES		
Employee benefit expenses	2.10	46,20,702
Professional charges		4,36,293
Depreciation and amortization expenses	2.6	47,02,339
Other expenses	2.10	98,68,155
Total expenses		1,96,27,489
PROFIT BEFORE TAX		(3,46,34,067)
Tax expense :		
Current tax		–
PROFIT FOR THE PERIOD		(3,46,34,067)
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2	

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

As per our report attached
for Shenoy & Kamath
Chartered Accountants
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M. Rathnakar Kamath
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Bangalore
January 6, 2012

Significant accounting policies and notes on accounts

Company overview

Infosys Technologies (Shanghai) Co. Limited (Infosys Shanghai) incorporated on February 21, 2011, is a wholly-owned subsidiary of Infosys Limited. The Company provides end-to-end business solutions that leverage technology, thereby enabling its clients to enhance business performance. The Company's operations are to provide solutions that span the entire software lifecycle encompassing technical consulting, design, development, re-engineering, maintenance, systems integration, package evaluation and implementation, testing and infrastructure management services.

1. Significant accounting policies

1.1. Accounting year

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

1.2. Basis of preparation of financial statements

The financial statements of the Company have been prepared on an accrual basis. Unless otherwise stated, the measurement basis used is historical cost. Accounting policies have been consistently applied to all periods presented in the financial report.

1.3. Reporting currency

The Company's reporting currency is the Renminbi.

1.4. Previous period figures

Since the Company was incorporated on February 21, 2011, there are no comparative previous year figures.

1.5. Use of estimates

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

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

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

1.6. 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 method. 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 (ATS) 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 method. 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 catch-up approach. The discounts are passed on to the customer either as direct payments or as a reduction of payments due from the customer.

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

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.

1.7. 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.

1.8. 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.

1.9. 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.

1.10. 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 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.

1.11. 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 ₹5,000/- or less) 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
Office equipment	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.

1.12. Provision for impairment

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

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

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

1.13. Retirement benefits to employees

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.

1.14. 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 Statement of Profit and Loss. 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.

1.15. 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. Thereafter a deferred tax asset or deferred tax liability is recorded for timing difference. These are the differences that originate in one accounting period and reverse in another accounting period, 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. Deferred tax assets and deferred tax liabilities have been offset wherever the Company has a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority. Tax benefits of deductions earned on exercise of employee share options in excess of compensation charged to Statement of Profit and Loss are credited to the share premium account.

1.16. 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 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.

1.17. 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.

1.18. Leases

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

1.19. Government grants

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

2. Notes on accounts for the period ended December 31, 2011

2.1. Share capital

in ₹, except as otherwise stated

Particulars	As at December 31, 2011
Authorized	
US $2,00,00,000	93,14,61,861
Issued, subscribed and paid up	
US $2,00,00,000	93,14,61,861
	93,14,61,861

2.2. Reserves and surplus

in ₹

Particulars	As at December 31, 2011
Currency translation	15,65,51,298
Surplus – Opening balance	–
Add: Net profit after tax transferred from Statement of Profit and Loss	(3,46,34,067)
Surplus – Closing balance	(3,46,34,067)
	12,19,17,231

2.3. Trade payables

in ₹

Particulars	As at December 31, 2011
Trade payables	12,93,714
	12,93,714

2.4. Other current liabilities

in ₹

Particulars	As at December 31, 2011
Accrued salaries and benefits	
Salaries and benefits	1,15,500
Bonus and incentives	1,61,494
Other liabilities	
Provision for expenses	33,60,973
Retention monies	6,49,731
Withholding and other taxes payable	2,26,022
	45,13,720

2.5. Short-term provisions

in ₹

Particulars	As at December 31, 2011
Provision for employee benefits	
Unavailed leave	1,18,863
	1,18,863

2.6. Fixed assets

in ₹

Particulars	Original cost				Depreciation and amortization				Net book value
	As at February 21, 2011	Additions during the period	Deductions / retirement during the period	As at December 31, 2011	As at February 21, 2011	For the period	Deductions / adjustments during the period	As at December 31, 2011	As at December 31, 2011
Tangible assets:									
Leasehold improvement	–	1,63,90,599	–	1,63,90,599	–	13,42,695	(23,188)	13,65,883	1,50,24,716
Office equipment	–	10,11,144	–	10,11,144	–	29,663	(512)	30,175	9,80,969
Computer equipment	–	21,07,500	–	21,07,500	–	1,72,643	(2,982)	1,75,625	19,31,875
Furniture and fixtures	–	52,67,084	–	52,67,084	–	1,72,571	(2,980)	1,75,551	50,91,533
	–	2,47,76,327	–	2,47,76,327	–	17,17,572	(29,662)	17,47,234	2,30,29,093
Intangible assets:									
Land use rights	–	59,46,52,200	–	59,46,52,200	–	29,84,767	(1,34,720)	31,19,487	59,15,32,713
	–	59,46,52,200	–	59,46,52,200	–	29,84,767	(1,34,720)	31,19,487	59,15,32,713
Total	–	61,94,28,527	–	61,94,28,527	–	47,02,339	(1,64,382)	48,66,721	61,45,61,806

2.7. Long-term loans and advances

in ₹

Particulars	As at December 31, 2011
Unsecured, considered good	
Capital advances	1,03,62,999
	1,03,62,999

2.8. Cash and cash equivalents

in ₹

Particulars	As at December 31, 2011
Balances with banks	
In current and deposit accounts	43,43,80,584
	43,43,80,584

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

in ₹

Particulars	As at December 31, 2011
In current accounts	
Bank of China, Shanghai (USD)	23,90,28,094
Bank of China, Shanghai (RMB)	10,518
Citibank (RMB)	10,75,014
Citibank (USD)	19,42,66,958
Total cash and cash equivalents as per Balance Sheet	43,43,80,584

2.9. Other income

in ₹

Particulars	Period ended December 31, 2011
Interest received on deposits with banks and others	1,38,021
Gains / (losses) on foreign currency, net	(1,51,44,599)
	(1,50,06,578)

2.10. Expenses

in ₹

Particulars	Period ended December 31, 2011
Employee benefit expenses	
Salaries and bonus including overseas staff expenses	46,17,165
Staff welfare	3,537
	46,20,702
Other expenses	
Office maintenance	25,39,802
Repairs to plant and machinery	58,590
Marketing expenses	62,28,965
Printing and stationery	208,691
Auditor's remuneration	
Statutory audit fees	8,13,613
Bank charges and commission	18,494
	98,68,155

2.11. Contingent liabilities and commitments (to the extent not provided for)

in ₹

Particulars	As at December 31, 2011
Commitments:	
Estimated amount of unexecuted capital contracts (net of advances and deposits)	78,95,54,626

2.12. 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 5(viii)(c) of general instructions for preparation of the Statement of Profit and Loss as per revised Schedule VI to the Companies Act, 1956.

2.13. Related party transactions

List of related parties:

Name of holding company	Country	Holding as at December 31, 2011
Infosys Limited	India	100%

Name of fellow subsidiaries	Country
Infosys BPO Limited	India
Infosys Technologies (Australia) Pty. Limited	Australia
Infosys Technologies S. de R. L. de C. V.	Mexico
Infosys Technologies (Sweden) AB	Sweden
Infosys Technologies (China) Co. Limited	China
Infosys Tecnologia do Brasil Ltda	Brazil
Infosys Public Services Inc.	U.S.
Infosys BPO s.r.o. (1)	Czech Republic
Infosys Consulting Inc.	U.S.
Infosys BPO (Poland) Sp.Z.o.o (1)	Poland
Infosys Consulting India Limited	India
McCamish Systems LLC (1)	U.S.
Portland Group Pty. Limited (1)	Australia
Portland Procurement Services Pty. Limited (1)	Australia

(1) *Wholly-owned subsidiaries of Infosys BPO.*

The details of the related party transactions entered into by the Company, for the periods ended December 31, 2011 are as follows:

in ₹

Particulars	Period ended December 31, 2011
Capital transactions:	
Financing transactions	
Infosys Limited	93,14,61,861

2.14. Segment reporting

The Company has only one operating segment and hence segment disclosures are not applicable.

2.15. Function-wise classification of the Statement of Profit and Loss

in ₹

	Period ended December 31, 2011
Income from software services and products	–
Software development expenses	43,20,203
GROSS PROFIT	(43,20,203)
Selling and marketing expenses	62,28,965
General and administration expenses	43,75,982
	1,06,04,947
OPERATING PROFIT BEFORE DEPRECIATION	(1,49,25,150)
Depreciation and amortization	47,02,339
OPERATING PROFIT	(1,96,27,489)
Other income	(1,50,06,578)
PROFIT BEFORE TAX	(3,46,34,067)
Tax expense :	
Current tax	–
Deferred tax	–
PROFIT FOR THE PERIOD	(3,46,34,067)

As per our report attached
for Shenoy & Kamath
Chartered Accountants
Firm's Registration No. 006673S

M. Rathnakar Kamath
Partner
Membership No. 202841

Ashok Vemuri
Chairman

V. R. Rangarajan.
Director

Srinath Batni
Director

Bangalore
January 6, 2012

Financial statements of Infosys Technologies (Sweden) AB

To

The Members of Infosys Technologies (Sweden) AB

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

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

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

Further, we report that:

a. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;

b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

c. The Balance Sheet and the Profit and Loss account dealt with by this report are in agreement with the books of accounts;

d. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.

   1. in the case of the Balance Sheet, of the State of affairs of the Company as at December 31, 2011; and

   2. in the case of Profit and Loss account, of the Profit of the Company for the year ended on that date.

for Shenoy & Kamath
Chartered Accountants
Firm's Registration No. 006673S

M. Rathnakar Kamath
Partner
Membership No. 202841

Bangalore
January 6, 2012

Balance Sheet

in ₹

Particulars	Note	As at December 31,	
		2011	2010
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	6,53,000	6,53,000
Reserves and surplus	2.2	1,11,81,750	66,45,898
		1,18,34,750	72,98,898
CURRENT LIABILITIES			
Trade payables	2.3	–	4,84,683
Other current liabilities	2.4	2,00,78,035	1,61,76,282
Short-term provisions	2.5	37,07,543	32,96,742
		2,37,85,578	1,99,57,707
		3,56,20,328	2,72,56,605
ASSETS			
NON-CURRENT ASSETS			
Long-term loans and advances	2.7	17,61,777	14,59,899
		17,61,777	14,59,899
CURRENT ASSETS			
Trade receivables	2.8	83,92,711	77,97,265
Cash and cash equivalents	2.9	2,03,41,255	1,69,54,680
Short-term loans and advances	2.10	51,24,585	10,44,761
		3,38,58,551	2,57,96,706
		3,56,20,328	2,72,56,605
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

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

As per our report attached
for Shenoy & Kamath
Chartered Accountants
Firm's Registration No. 006673S

M. Rathnakar Kamath
Partner
Membership No. 202841

S. D. Shibulal
Chairman

Eric S. Paternoster
Director

Rajesh Krishnamurthy
Director

Bangalore
January 6, 2012

B. G. Srinivas
Director

Statement of Profit and Loss

in ₹

Particulars	Note	Year ended December 31,	
		2011	2010
Income from software services and products	2.11	10,33,68,683	11,62,45,436
Other income	2.12	(3,87,997)	(35,637)
Total revenue		10,29,80,686	11,62,09,799
EXPENSES			
Employee benefit expenses	2.13	8,97,09,374	10,05,68,868
Travel expenses	2.13	1,65,061	79,641
Communication expenses	2.13	67,888	59,840
Professional charges		60,34,461	66,94,574
Other expenses	2.13	24,60,884	33,07,017
Total expenses		9,84,37,668	11,07,09,940
PROFIT BEFORE TAX		45,43,018	54,99,859
Tax expenses:			
Current tax	2.14	15,43,388	15,39,959
PROFIT FOR THE PERIOD		29,99,630	39,59,900
EARNINGS PER EQUITY SHARE			
Equity shares of par value SEK 100 each			
Basic		2,999.63	3,959.90
Number of shares used in computing earnings per share			
Basic		1,000	1,000
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

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

As per our report attached
for Shenoy & Kamath
Chartered Accountants
Firm's Registration No. 006673S

M. Rathnakar Kamath
Partner
Membership No. 202841

S. D. Shibulal
Chairman

Eric S. Paternoster
Director

Rajesh Krishnamurthy
Director

Bangalore
January 6, 2012

B. G. Srinivas
Director

Significant accounting policies and notes on accounts

Company overview

During March 2009, the holding company incorporated a wholly-owned subsidiary in Sweden. The subsidiary also has a branch in Norway as Infosys Technologies (Sweden) AB Norway branch. The Company provides end-to-end business solutions that leverage technology, thereby enabling its clients to enhance business performance. The Company's operations are to provide solutions that span the entire software lifecycle encompassing technical consulting, design, development, re-engineering, maintenance, systems integration, package evaluation and implementation, testing and infrastructure management services.

1. Significant accounting policies

1.1. Accounting year

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

1.2. Basis of preparation of financial statements

The financial statements of the Company have been prepared on an accrual basis. Unless otherwise stated, the measurement basis used is historical cost. Accounting policies have been consistently applied to all periods presented in the financial report.

1.3. Reporting currency

The Company's reporting currency is the Swedish Krona.

1.4. Previous period figures

The previous period's figures disclosed in these financial statements have been re-grouped / re-classified wherever necessary.

1.5. Use of estimates

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

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

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

1.6. 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 method. 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.

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 catch-up approach. The discounts are passed on to the customer either as direct payments or as a reduction of payments due from the customer.

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

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.

1.7. 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 benefit will be required to settle the obligation. Provisions are determined by the best estimate of the outflow of economic benefit 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.

1.8. 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.

1.9. 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 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.

1.10. 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 ₹5,000/- or less) 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
Office equipment	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.

1.11. Retirement benefits to employees

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.

1.12. 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 Statement of Profit and Loss. 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.

1.13. Income taxes

Income taxes are accrued in the same period that the related revenue and expenses arise. A provision is made for income tax annually, based on the tax liability computed, after considering tax allowances and exemptions. Provisions are recorded when it is estimated that a liability due to disallowances or other matters is probable. The Company offsets, on a year-on-year basis, the current tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

The differences that result between the profit considered for income taxes and the profit as per the financial statements are identified. Thereafter a deferred tax asset or deferred tax liability is recorded for timing differences. These are the differences that originate in one accounting period and are reversed in another accounting period, 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. Deferred tax assets and deferred tax liabilities have been offset wherever the Company has a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority. Tax benefits of deductions earned on exercise of employee share options in excess of compensation charged to the Statement of Profit and Loss are credited to the share premium account.

1.14. Earnings per share

Basic earnings per share is computed by dividing the net profit attributable to the equity holders of the Company by the weighted average number of equity shares outstanding during the period.

1.15. 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.

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

1.17. Government grants

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

2. Notes on accounts for the year ended December 31, 2011

The previous period figures have been re-grouped / re-classified, wherever necessary to conform to the current period presentation.

2.1. Share capital

in ₹

Particulars	As at December 31, 2011	2010
Authorized		
4,000 shares of 100 SEK par value	26,12,000	26,12,000
Issued, Subscribed and Paid Up		
1,000 (1,000) shares of 100 SEK par value, fully paid	6,53,000	6,53,000
	6,53,000	6,53,000

2.2. Reserves and surplus

in ₹

Particulars	As at December 31, 2011	2010
Currency translation	17,98,280	2,62,058
Surplus – Opening balance	63,83,840	24,23,940
Add: Net profit after tax transferred from Statement of Profit and Loss	29,99,630	39,59,900
Surplus – Closing balance	93,83,470	63,83,840
	1,11,81,750	66,45,898

2.3. Trade payables

in ₹

Particulars	As at December 31, 2011	2010
Trade payables	–	4,84,683
	–	4,84,683

2.4. Other current liabilities

in ₹

Particulars	As at December 31, 2011	2010
Accrued salaries and benefits		
Bonus and incentives	68,74,912	66,93,748
Other liabilities		
Provision for expenses	35,90,182	44,28,593
Withholding and other taxes payable	86,85,513	50,53,463
Other payables	9,27,428	478
	2,00,78,035	1,61,76,282

2.5. Short-term provisions

in ₹

Particulars	As at December 31, 2011	2010
Provision for employee benefits		
Unavailed leave	8,86,208	7,17,925
Others		
Provision for income taxes	28,21,335	25,78,817
	37,07,543	32,96,742

2.6. Leases

Obligations on long-term, non-cancelable operating leases:

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

in ₹

Particulars	Year ended December 31, 2011	2010
Lease rentals recognized during the period	4,26,277	4,69,231

in ₹

Lease obligations payable	As at December 31, 2011	2010
Within one year of the Balance Sheet date	10,29,777	1,01,775
Due in a period between one year and five years	10,29,777	–
Due after five years	–	–

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

2.7. Long-term loans and advances

in ₹

Particulars	As at December 31, 2011	2010
Unsecured, considered good		
Other loans and advances		
Advance income taxes	17,61,777	14,59,899
	17,61,777	14,59,899

2.8. Trade receivables

in ₹

Particulars	As at December 31, 2011	2010
Other debts		
Unsecured		
Considered good [(1)]	83,92,711	77,97,265
	83,92,711	77,97,265
[(1)] *Includes dues from holding company (Refer to Note 2.16)*	83,92,711	77,97,265

Provision for doubtful debts

Periodically, the Company evaluates all customer dues to the Company for collectability. The need for provisions is assessed based on various factors including collectability of specific dues, risk perceptions of the industry in which the customer operates, general economic factors, which could affect the customer's ability to settle. The Company normally provides for debtor dues outstanding for six months or longer from the invoice date, as at the Balance Sheet date. The Company pursues the recovery of the dues, in part or full.

2.9. Cash and cash equivalents

in ₹

Particulars	As at December 31, 2011	2010
Balances with banks		
In current and deposit accounts	2,03,41,255	1,69,54,680
	2,03,41,255	1,69,54,680

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

in ₹

Particulars	As at December 31,	
	2011	2010
In current accounts		
Nordbanken, Sweden	87,81,962	95,87,472
Svenska Handelsbanken, Sweden	9,293	6,97,208
	87,91,255	1,02,84,680
In deposit accounts		
Nordbanken, Sweden	1,15,50,000	66,70,000
	1,15,50,000	66,70,000
Total cash and cash equivalents as per Balance Sheet	2,03,41,255	1,69,54,680

2.10. Short-term loans and advances

in ₹

Particulars	As at December 31,	
	2011	2010
Unsecured, considered good		
Others		
Advances		
Prepaid expenses	6,19,040	7,03,089
Withholding and other taxes receivable	35,03,237	2,78,080
	41,22,277	9,81,169
Interest accrued but not due	3,032	1,112
Loans and advances to employees		
Salary advances	9,27,427	238
Rental deposits	71,849	62,242
	51,24,585	10,44,761

2.11. Income from software services and products

in ₹

Particulars	Year ended December 31,	
	2011	2010
Income from software services	10,33,68,683	11,62,45,436
	10,33,68,683	11,62,45,436

2.12. Other income

in ₹

Particulars	Year ended December 31,	
	2011	2010
Interest received on deposits with banks and others	2,13,579	1,094
Gains / (losses) on foreign currency, net	(6,01,576)	(36,731)
	(3,87,997)	(35,637)

2.13. Expenses

in ₹

Particulars	Year ended December 31,	
	2011	2010
Employee benefit expenses		
Salaries and bonus including overseas staff expenses	8,97,08,726	10,05,68,868
Staff welfare	648	–
	8,97,09,374	10,05,68,868
Travel expenses		
Overseas travel expenses	1,65,061	79,641
	1,65,061	79,641
Communication expenses		
Telephone charges	67,888	59,840
	67,888	59,840
Other expenses		
Office maintenance	39,788	–
Rent	4,26,277	4,69,231
Rates and taxes, excluding taxes on income	73,411	–
Insurance charges	2,83,852	5,82,431
Printing and stationery	26,646	12,398
Professional membership and seminar participation fees	3,775	24,115
Postage and courier	34,813	27,767
Auditor's remuneration		
Statutory audit fees	13,27,083	20,95,066
Bank charges and commission	2,45,239	94,173
Others	–	1,836
	24,60,884	33,07,017

2.14. Tax expense

in ₹

	Year ended December 31,	
	2011	2010
Current tax		
Income taxes	15,43,388	15,39,959
	15,43,388	15,39,959

2.15. 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 5(viii)(c) of general instructions for preparation of the Statement of Profit and Loss as per revised Schedule VI to the Companies Act, 1956.

2.16. Related party transactions

List of related parties:

Name of holding company	Country	Holding as at December 31, 2011	2010
Infosys Limited	India	100%	100%

Name of fellow subsidiaries	Country
Infosys BPO Limited	India
Infosys Technologies (Australia) Pty. Limited	Australia
Infosys Consulting Inc.	U.S.
Infosys Technologies S. de R. L. de C. V.	Mexico
Infosys Technologies (China) Co. Limited	China
Infosys Technologies (Shanghai) Co. Limited	China
Infosys Tecnologia do Brasil Ltda	Brazil
Infosys Public Services Inc.	U.S.
Infosys BPO s.r.o. (1)	Czech Republic
Infosys BPO (Poland) Sp.Z.o.o (1)	Poland
Infosys Consulting India Limited	India
McCamish Systems LLC (1)	U.S.
Portland Group Pty. Limited (1)	Australia
Portland Procurement Services Pty. Limited (1)	Australia

(1) *Wholly-owned subsidiaries of Infosys BPO.*

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

in ₹

Particulars	As at December 31, 2011	2010
Trade receivables		
Infosys Limited	83,92,711	77,97,265

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

in ₹

Particulars	Year ended December 31, 2011	2010
Revenue transactions:		
Sale of services		
Infosys Limited	10,33,68,683	11,62,45,436

2.17. Segment reporting

The Company's operations predominantly relate to providing end-to-end business solutions thereby enabling clients to enhance business performance, delivered to customers globally operating in various industry segments. Effective quarter ended June 30, 2011, the Company reorganized its business to increase its client focus. Consequent to the internal reorganization there were changes effected in the reportable segments based on the 'management approach', as laid down in AS 17, Segment reporting. The Chief Executive Officer evaluates the Company's performance and allocates resources based on an analysis of various performance indicators by industry classes and geographic segmentation of customers. Accordingly, segment information has been presented both along industry classes and geographic segmentation of customers, industry being the primary segment. The accounting principles used in the preparation of the financial statements are consistently applied to record revenue and expenditure in individual segments, and are as set out in the significant accounting policies.

Industry segments for the Company are primarily financial services and insurance (FSI) comprising enterprises providing banking, finance and insurance services, manufacturing enterprises (MFG), enterprises in the energy, utilities and telecommunication services (ECS) and retail, logistics, consumer packaged goods, life sciences and healthcare enterprises (RCL). Geographic segmentation is based on business sourced from that geographic region and delivered from both onsite and offshore. North America comprises the U.S., Canada and Mexico, Europe includes continental Europe (both the east and the west), Ireland and the U.K., and the Rest of the World comprising all other places except those mentioned above and India. Consequent to the above change in the composition of reportable segments, the prior year comparatives have been restated.

Revenue and identifiable operating expenses in relation to segments are categorized based on items that are individually identifiable to that segment. Allocated expenses of segments include expenses incurred for rendering services from the Company's offshore software development centers and onsite expenses, which are categorized in relation to the associated turnover of the segment. Certain expenses such as depreciation, which form a significant component of total expenses, are not specifically allocable to specific segments as the underlying assets are used interchangeably. The Management believes that it is not practical to provide segment disclosures relating to those costs and expenses, and accordingly these expenses are separately disclosed as 'unallocated' and adjusted against the total income of the Company.

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

Industry segments

For the years ended December 31, 2011 and *December 31, 2010* :

in ₹

Particulars	FSI	MFG	ECS	RCL	Total
Income from software services and products	–	–	28,22,098	10,05,46,585	10,33,68,683
	–	*3,36,76,018*	*–*	*8,25,69,418*	*11,62,45,436*
Identifiable operating expenses	–	–	19,63,341	5,42,44,673	5,62,08,014
	–	*1,98,23,417*	*–*	*5,74,63,677*	*7,72,87,094*
Allocated expenses	–	–	11,52,923	4,10,76,731	4,22,29,655
	–	*1,03,10,308*	*–*	*2,31,12,538*	*3,34,22,846*
Segmental operating income	–	–	(2,94,166)	52,25,181	49,31,015
	–	*35,42,293*	*–*	*19,93,203*	*55,35,496*
Unallocable expenses					–
					–
Other income					(3,87,997)
					(35,637)
Profit before tax					45,43,018
					54,99,859
Tax expenses					15,43,388
					15,39,959
Profit for the period					29,99,630
					39,59,900

Geographic segments

For the years ended December 31, 2011 and *December 31, 2010* :

in ₹

Particulars	North America	Europe	India	Rest of the World	Total
Income from software services and products	–	10,33,68,683	–	–	10,33,68,683
	–	*11,62,45,436*	*–*	*–*	*11,62,45,436*
Identifiable operating expenses	–	5,62,08,014	–	–	5,62,08,014
	–	*7,72,87,094*	*–*	*–*	*7,72,87,094*
Allocated expenses	–	4,22,29,654	–	–	4,22,29,654
	–	*3,34,22,846*	*–*	*–*	*3,34,22,846*
Segmental operating income	–	49,31,015	–	–	49,31,015
	–	*55,35,496*	*–*	*–*	*55,35,496*
Unallocable expenses					–
					–
Other income, net					(3,87,997)
					(35,637)
Profit before tax					45,43,018
					54,99,859
Tax expenses					15,43,388
					15,39,959
Profit for the period					29,99,630
					39,59,900

2.18. Function-wise classification of the Statement of Profit and Loss

in ₹

	Year ended December 31,	
	2011	2010
Income from software services and products	10,33,68,683	11,62,45,436
Software development expenses	8,85,14,847	10,11,03,591
GROSS PROFIT	1,48,53,836	1,51,41,845
Selling and marketing expenses	–	14,150
General and administration expenses	99,22,821	95,92,199
	99,22,821	96,06,349
OPERATING PROFIT	49,31,015	55,35,496
Other income	(3,87,997)	(35,637)
PROFIT BEFORE TAX	45,43,018	54,99,859
Tax expense :		
Current tax	15,43,388	15,39,959
PROFIT FOR THE PERIOD	29,99,630	39,59,900

As per our report attached
for Shenoy & Kamath
Chartered Accountants
Firm's Registration No. 006673S

M. Rathnakar Kamath
Partner
Membership No. 202841

S. D. Shibulal
Chairman

Eric S. Paternoster
Director

Rajesh Krishnamurthy
Director

Bangalore
January 6, 2012

B. G. Srinivas
Director

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

To

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

We have audited the attached Balance Sheet of Infosys Technologies S. de R. L. de C. V., Infosys Mexico ('the Company') as at December 31, 2011, the Profit and Loss account ('Financial Statement') of the Company for the year ended on that date. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Further, we report that:

a. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;

b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

c. The Balance Sheet and the Profit and Loss account dealt with by this report are in agreement with the books of accounts;

d. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.

   5. in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2011; and

   6. in the case of Profit and Loss account, of the profit of the Company for the year ended on that date.

for Shenoy & Kamath
Chartered Accountants
Firm's Registration No. 006673S

M. Rathnakar Kamath
Partner
Membership No. 202841

Bangalore
January 6, 2012

Balance Sheet

in ₹

Particulars	Note	As at December 31, 2011	As at December 31, 2010
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	54,67,99,999	54,67,99,999
Reserves and surplus	2.2	(5,02,69,702)	(15,99,42,664)
		49,65,30,297	38,68,57,335
NON-CURRENT LIABILITIES			
Other long-term liabilities	2.4	28,28,788	–
		28,28,788	–
CURRENT LIABILITIES			
Trade payables	2.5	74,93,233	1,08,96,360
Other current liabilities	2.6	13,06,38,180	10,87,91,529
Short-term provisions	2.7	3,05,70,207	4,08,60,465
		16,87,01,620	16,05,48,354
		66,80,60,705	54,74,05,689
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	2.8	4,87,81,187	7,70,79,103
		4,87,81,187	7,70,79,103
Deferred tax assets (net)	2.3	7,74,09,390	–
Long-term loans and advances	2.10	3,60,97,470	2,57,81,167
		16,22,88,047	10,28,60,270
CURRENT ASSETS			
Trade receivables	2.11	28,78,84,897	13,79,78,402
Cash and cash equivalents	2.12	11,58,83,650	22,31,27,784
Short-term loans and advances	2.13	10,20,04,111	8,34,39,233
		50,57,72,658	44,45,45,419
		66,80,60,705	54,74,05,689
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

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

As per our report attached
for Shenoy & Kamath
Chartered Accountants
Firm's Registration No. 006673S

M. Rathnakar Kamath
Partner
Membership No. 202841

Balashankar
Legal Administrator

Bangalore
January 6, 2012

Statement of Profit and Loss

in ₹

Particulars	Note	Year ended December 31,	
		2011	2010
Income from software services and products	2.14	114,51,83,588	90,31,47,070
Other income	2.15	3,22,82,660	(15,05,495)
Total revenue		117,74,66,248	90,16,41,575
EXPENSES			
Employee benefit expenses	2.16	87,54,31,867	67,17,61,868
Cost of technical sub-contractors	2.16	4,94,92,304	51,55,600
Travel expenses	2.16	4,29,21,722	8,05,81,389
Cost of software packages and others	2.16	2,39,389	–
Communication expenses	2.16	3,75,35,304	2,94,33,609
Professional charges		2,49,55,859	3,20,25,891
Depreciation and amortization expenses	2.8	4,25,98,938	4,33,13,894
Other expenses	2.16	9,59,53,675	5,79,49,596
Total expenses		116,91,29,058	92,02,21,847
PROFIT BEFORE TAX		83,37,190	(1,85,80,272)
Tax expense :			
Current tax	2.17	(34,40,269)	2,26,23,388
Deferred tax	2.17	(7,76,13,099)	–
PROFIT FOR THE PERIOD		8,93,90,558	(4,12,03,660)
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

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

As per our report attached
for Shenoy & Kamath
Chartered Accountants
Firm's Registration No. 006673S

M. Rathnakar Kamath
Partner
Membership No. 202841

Balashankar
Legal Administrator

Bangalore
January 6, 2012

Significant accounting policies and notes on accounts

Company overview

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

1. Significant accounting policies

1.1. Accounting year

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

1.2. Basis of preparation of financial statements

The financial statements of the Company have been prepared on an accrual basis. Unless otherwise stated, the measurement basis used is historical cost. Accounting policies have been consistently applied to all periods presented in the financial report.

1.3. Reporting currency

The Company's reporting currency is the Mexican Peso.

1.4. Previous period figures

The previous period's figures disclosed in these financial statements have been re-grouped / re-classified wherever necessary.

1.5. Use of estimates

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

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

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

1.6. 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 method. 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.

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 catch-up approach. The discounts are passed on to the customer either as direct payments or as a reduction of payments due from the customer.

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

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.

1.7. 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.

1.8. 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.

1.9. 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.

1.10. 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 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.

1.11. 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 ₹5,000/- or less) 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
Office equipment	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.

1.12. Provision for impairment

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

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

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

1.13. Retirement benefits to employees

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.

1.14. 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 Statement of Profit and Loss. 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.

1.15. Income taxes

Income taxes are accrued in the same period that the related revenue and expenses arise. A provision is made for income tax annually, based on the tax liability computed, after considering tax allowances and exemptions. Provisions are recorded when it is estimated that a liability due to disallowances or other matters is probable. The Company offsets, on a year-on-year basis, the current tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

The Mexican income tax law provides that companies must comply with Maquiladoras provisions regarding transfer pricing. Therefore, requiring the Company to comply with a minimum taxable income, the Company has to choose between the two procedures i.e. method of transfer pricing (APA) or the Safe Harbor method. For 2011 and 2010, the Company selected the method of transfer pricing (APA) method to pay Income Tax.

According to the procedures applied by the Company to determine the income tax there are temporary difference that give rise to deferred taxes for 2011 and 2010. The differences that result between the profit offered for income taxes and the profit as per the financial statements are identified. Thereafter a deferred tax asset or deferred tax liability is recorded for timing differences. These are the differences that originate in one accounting period and are reversed in another accounting period, based on the tax effect of the aggregate amount of timing difference. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on enacted or substantively enacted regulations. Deferred tax assets, in a situation where unabsorbed depreciation and carry forward business loss exists, are recognized only if there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax asset can be realized. Deferred tax assets, other than in situation of unabsorbed depreciation and carry forward business loss, are recognized only if there is reasonable certainty that they will be realized. Deferred tax assets are reviewed for the appropriateness of their respective carrying values at each reporting date.

For the year 2011 and 2010, 32% and 55% of the total revenue is recognized through related companies including parent company, which is arrived at after adding a percentage to the cost and expense of operations, except those required in the contract. These revenues are adjusted annually to meet the provisions relating to transfer pricing, according to the Mexican Income Tax Law.

The income tax rate applicable is 30% for the year 2011.

1.16. 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.

1.17. Leases

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

1.18. Government grants

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

2. Notes on accounts for the year ended December 31, 2011

The previous period figures have been re-grouped / re-classified, wherever necessary to conform to the current period presentation.

2.1. Share capital

in ₹, except as otherwise stated

Particulars	As at December 31, 2011	As at December 31, 2010
Authorized		
14,99,99,990 (14,99,99,990) equity shares of MXN 1/- par value	54,67,99,999	54,67,99,999
Issued, Subscribed and Paid Up		
14,99,99,990 (14,99,99,990) equity shares of MXN 1/- par value, fully paid	54,67,99,999	54,67,99,999
	54,67,99,999	54,67,99,999

2.2. Reserves and surplus

in ₹

Particulars	As at December 31, 2011	As at December 31, 2010
Currency translation	2,26,94,270	24,11,866
Surplus – Opening balance	(16,23,54,530)	(12,11,50,870)
Add : Net profit / (loss) after tax transferred from Statement of Profit and Loss	8,93,90,558	(4,12,03,660)
Surplus – Closing balance	(7,29,63,972)	(16,23,54,530)
	(5,02,69,702)	(15,99,42,664)

2.3. Deferred tax assets

in ₹

Particulars	As at December 31, 2011	As at December 31, 2010
Fixed assets	3,65,83,417	–
Other assets	3,42,06,373	–
Unavailed leave	66,19,600	–
	7,74,09,390	–

2.4. Other long-term liabilities

in ₹

Particulars	As at December 31, 2011	As at December 31, 2010
Others		
Termination benefits	28,28,788	–
	28,28,788	–

2.5. Trade payables

in ₹

Particulars	As at December 31, 2011	As at December 31, 2010
Trade payables [1]	74,93,233	1,08,96,360
	74,93,233	1,08,96,360
[1] *Includes dues to holding company and fellow subsidiaries (Refer to Note 2.20)*	38,73,847	1,08,86,984

2.6. Other current liabilities

in ₹

Particulars	As at December 31, 2011	As at December 31, 2010
Accrued salaries and benefits		
Salaries and benefits	62,087	27,98,299
Bonus and incentives	2,35,45,391	1,58,46,352
Other liabilities		
Provision for expenses	2,30,60,413	2,12,70,057
Withholding and other taxes payable	5,38,72,509	4,13,17,741
Other payables	1,20,69,291	1,28,59,261
Advances received from clients	7,96,650	–
Unearned revenue	1,72,31,839	1,46,99,819
	13,06,38,180	10,87,91,529

2.7. Short-term provisions

in ₹

Particulars	As at December 31, 2011	As at December 31, 2010
Provision for employee benefits		
Unavailed leave	1,65,48,997	1,19,97,817
Others		
Provision for income taxes	1,40,21,210	2,88,62,648
	3,05,70,207	4,08,60,465

2.8. Fixed assets

in ₹

Particulars	Original cost				Depreciation and amortization				Net book value	
	As at January 1, 2011	Additions during the period	Deductions / retirement during the period	As at December 31, 2011	As at January 1, 2011	For the period	Deductions / adjustments during the period	As at December 31, 2011	As at December 31, 2011	As at December 31, 2010
Tangible assets:										
Plant and equipment	1,37,31,450	20,42,421	–	1,57,73,871	49,90,607	35,95,606	(2,86,414)	88,72,627	69,01,244	87,40,843
Office equipment	1,08,21,914	7,64,271	–	1,15,86,185	40,11,344	16,28,522	(2,23,473)	58,63,339	57,22,846	68,10,570
Computer equipment	8,50,22,682	13,366,456	–	9,83,89,138	6,30,36,416	2,08,39,574	(33,80,380)	8,72,56,370	1,11,32,768	2,19,86,266
Furniture and fixtures	11,03,50,455	57,29,834	–	11,60,80,289	7,08,09,031	1,65,35,236	(37,11,693)	9,10,55,960	2,50,24,329	3,95,41,424
Total	21,99,26,501	2,19,02,982	–	24,18,29,483	14,28,47,398	4,25,98,938	(76,01,960)	19,30,48,296	4,87,81,187	7,70,79,103
Previous year	15,63,80,667	6,35,45,834	–	21,99,26,501	9,84,65,624	4,33,13,894	(10,67,879)	14,28,47,397	7,70,79,104	–

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

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

in ₹

Particulars	Year ended December 31,	
	2011	2010
Lease rentals recognized during the period	5,39,10,797	3,16,53,534

in ₹

Lease obligations payable	As at December 31,	
	2011	2010
Within one year of the Balance Sheet date	4,09,84,566	4,91,98,181
Due in a period between one year and five years	2,74,48,404	7,81,13,723
Due after five years	–	–

The operating lease arrangements are renewable on a periodic basis and extend up to a maximum of five years from their respective dates of inception and relate to rented premises. Some of these lease agreements have price escalation clauses.

2.10. Long-term loans and advances

in ₹

Particulars	As at December 31,	
	2011	2010
Unsecured, considered good		
Capital advances	10,736,234	1,96,812
Other loans and advances		
Advance income taxes	2,53,61,236	2,55,84,355
	3,60,97,470	2,57,81,167

2.11. Trade receivables

in ₹

Particulars	As at December 31,	
	2011	2010
Debts outstanding for a period exceeding six months		
Unsecured		
Considered doubtful	35,79,074	10,43,495
Less: Provision for doubtful debts	35,79,074	10,43,495
	–	–
Other debts		
Unsecured		
Considered good [(1)]	28,78,84,897	13,79,78,402
Considered doubtful	1,05,99,254	–
	29,84,84,151	13,79,78,402
Less: Provision for doubtful debts	1,05,99,254	–
	28,78,84,897	13,79,78,402
	28,78,84,897	13,79,78,402
[(1)] *Includes dues from holding company and fellow subsidiaries (Refer to Note 2.20)*	(3,20,60,140)	2,33,71,744

Provision for doubtful debts

Periodically, the Company evaluates all customer dues to the Company for collectability. The need for provisions is assessed based on various factors including collectability of specific dues, risk perceptions of the industry in which the customer operates, general economic factors, which could affect the customer's ability to settle. The Company normally provides for debtor dues outstanding for six months or longer from the invoice date, as at the Balance Sheet date. The Company pursues the recovery of the dues, in part or full.

2.12. Cash and cash equivalents

in ₹

Particulars	As at December 31,	
	2011	2010
Cash on hand	–	–
Balances with banks		
In current and deposit accounts	11,58,83,650	22,31,27,784
	11,58,83,650	22,31,27,784

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

in ₹

Particulars	As at December 31,	
	2011	2010
In current accounts		
Bank of America	9,68,83,650	8,33,75,660
Banamex	–	1,30,52,124
	9,68,83,650	9,64,27,784
In deposit accounts		
Bank of America	1,90,00,000	12,67,00,000
	1,90,00,000	12,67,00,000
Total cash and cash equivalents as per Balance Sheet	11,58,83,650	22,31,27,784

2.13. Short-term loans and advances

in ₹

Particulars	As at December 31,	
	2011	2010
Unsecured, considered good		
Others		
Advances		
Prepaid expenses	1,52,37,844	88,43,510
Withholding and other taxes receivable	283	–
Others	29,52,992	62,16,371
	1,81,91,119	1,50,59,881
Unbilled revenues	6,68,07,619	6,45,00,358
Interest accrued but not due	3,906	14,430
Loans and advances to employees		
Salary advances	1,27,47,739	4,70,788
Electricity and other deposits	37,757	33,93,776
Rental deposits	40,31,389	–
	10,18,19,529	8,34,39,233
Unsecured, considered doubtful		
Loans and advances to employees	1,84,582	–
	10,20,04,111	8,34,39,233

2.14. Income from software services and products

in ₹

Particulars	Year ended December 31,	
	2011	2010
Income from software services	102,75,34,477	76,12,93,038
Income from software products	11,76,49,111	14,18,54,032
	114,51,83,588	90,31,47,070

2.15. Other income

in ₹

Particulars	Year ended December 31,	
	2011	2010
Interest received on deposits with banks and others	33,77,075	2,03,918
Miscellaneous income, net	81,23,811	68,77,806
Gains / (losses) on foreign currency, net	2,07,81,774	(85,87,219)
	3,22,82,660	(15,05,495)

2.16. Expenses

in ₹

Particulars	Year ended December 31,	
	2011	2010
Employee benefit expenses		
Salaries and bonus including overseas staff expenses	87,24,63,774	66,69,37,993
Contribution to provident and other funds	1,10,104	12,89,991
Staff welfare	28,57,989	35,33,884
	87,54,31,867	67,17,61,868
Cost of technical sub-contractors		
Technical sub-contractors – subsidiaries	3,86,19,133	–
Technical sub-contractors – others	1,08,73,171	51,55,600
	4,94,92,304	51,55,600
Travel expenses		
Overseas travel expenses	3,26,32,795	6,56,32,826
Traveling and conveyance	1,02,88,927	1,49,48,563
	4,29,21,722	8,05,81,389
Cost of software packages and others		
For own use	2,39,389	–
	2,39,389	–
Communication expenses		
Telephone charges	1,49,23,733	1,65,73,564
Communication expenses	2,26,11,571	1,28,60,045
	3,75,35,304	2,94,33,609
Other expenses		
Office maintenance	1,42,88,210	1,04,43,338
Power and fuel	69,06,673	64,35,627
Brand building	14,946	10
Rent	5,39,10,797	3,16,53,534
Rates and taxes, excluding taxes on income	9,698	–
Repairs to plant and machinery	17,96,210	10,66,574
Computer maintenance	3,70,947	30,58,980
Consumables	10,82,084	3,52,886
Insurance charges	9,60,358	7,95,151
Marketing expenses	71,826	4,15,737
Commission charges	217	–
Printing and stationery	5,87,694	8,18,697
Professional membership and seminar participation fees	1,61,914	2,09,220
Postage and courier	4,31,044	2,46,821
Advertisements	–	85,204
Provision for post-sales client support and warranties	(1,61,549)	–
Freight charges	49,398	2,53,274
Provision for bad and doubtful debts and advances	1,31,93,850	3,60,599
Books and periodicals	6,59,796	4,38,321

in ₹

Particulars	Year ended December 31,	
	2011	2010
Auditor's remuneration	–	–
Statutory audit fees	11,98,076	10,29,364
Bank charges and commission	4,21,790	2,80,314
Others	(304)	5,945
	9,59,53,675	5,79,49,596

2.17. Tax expense

in ₹

	Year ended December 31,	
	2011	2010
Current tax		
Income taxes	(34,40,269)	2,26,23,388
Deferred taxes	(7,76,13,099)	–
	(8,10,53,368)	2,26,23,388

2.18. Contingent liabilities and commitments (to the extent not provided for)

in ₹

Particulars	As at December 31,	
	2011	2010
Commitments:		
Estimated amount of unexecuted capital contracts (net of advances and deposits)	3,02,01,672	26,53,343

2.19. 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 5(viii)(c) of general instructions for preparation of the Statement of Profit and Loss as per revised Schedule VI to the Companies Act, 1956.

2.20. Related party transactions

List of related parties:

Name of holding company	Country	Holding as at December 31,	
		2011	2010
Infosys Limited	India	100%	100%

Name of fellow subsidiaries	Country
Infosys BPO Limited	India
Infosys Technologies (Australia) Pty. Limited	Australia
Infosys Technologies (China) Co. Limited	China
Infosys Technologies (Sweden) AB	Sweden
Infosys Technologies (Shanghai) Co. Limited	China
Infosys Tecnologia do Brasil Ltda	Brazil
Infosys Public Services Inc.	U.S.
Infosys BPO s.r.o. (1)	Czech Republic
Infosys BPO (Poland) Sp.Z.o.o (1)	Poland
Infosys Consulting Inc.	U.S.
Infosys Consulting India Limited	India
McCamish Systems LLC (1)	U.S.
Portland Group Pty. Limited (1)	Australia
Portland Procurement Services Pty. Limited (1)	Australia

(1) *Wholly-owned subsidiaries of Infosys BPO.*

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

in ₹

Particulars	As at December 31,	
	2011	2011
Trade receivables		
Infosys Limited	(3,20,60,140)	2,12,60,664
Infosys BPO Limited	–	21,11,080
Trade payables		
Infosys Limited	38,73,847	1,07,27,100
Infosys BPO Limited	–	1,59,884

The details of the related party transactions entered into by the Company, in addition to the lease commitments described in note 2.9, for the years ended December 31, 2011 and December 31, 2010 are as follows:

in ₹

Particulars	Year ended December 31,	
	2011	2010
Capital transactions:		
Financing transactions		
Infosys Limited	–	14,40,00,000
Revenue transactions:		
Purchase of services		
Infosys Limited	3,86,19,133	–
Sale of services		
Infosys Limited	35,81,71,391	48,16,67,090
Infosys BPO Limited	1,15,96,965	1,60,41,265

2.21. Segment reporting

The Company's operations predominantly relate to providing end-to-end business solutions thereby enabling clients to enhance business performance, delivered to customers globally, operating in various industry segments. Effective quarter ended June 30, 2011, the Company reorganized its business to increase its client focus. Consequent to the internal reorganization there were changes effected in the reportable segments based on the 'management approach', as laid down in AS 17, segment reporting. The Chief Executive Officer evaluates the Company's performance and allocates resources based on an analysis of various performance indicators by industry classes and geographic segmentation of customers. Accordingly, segment information has been presented both along industry classes and geographic segmentation of customers, industry being the primary segment. The accounting principles used in the preparation of the financial statements are consistently applied to record revenue and expenditure in individual segments, and are as set out in the significant accounting policies.

Industry segments for the Company are primarily financial services and insurance (FSI) comprising enterprises providing banking, finance and insurance services, manufacturing enterprises (MFG), enterprises in the energy, utilities and telecommunication services (ECS) and retail, logistics, consumer packaged goods, life sciences and healthcare enterprises (RCL). Geographic segmentation is based on business sourced from that geographic region and delivered from both onsite and offshore. North America comprises the U.S., Canada and Mexico, Europe includes continental Europe (both the east and the west), Ireland and the U.K., and the Rest of the World comprising all other places except those mentioned above and India. Consequent to the above change in the composition of reportable segments, the prior year comparatives have been restated.

Revenue and identifiable operating expenses in relation to segments are categorized based on items that are individually identifiable to that segment. Allocated expenses of segments include expenses incurred for rendering services from the Company's offshore software development centers and onsite expenses, which are categorized in relation to the associated turnover of the segment. Certain expenses such as depreciation, which form a significant component of total expenses, are not specifically allocable to specific segments as the underlying assets are used interchangeably. The Management believes that it is not practical to provide segment disclosures relating to those costs and expenses, and accordingly these expenses are separately disclosed as 'unallocated' and adjusted against the total income of the Company.

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

Industry segments

For the years ended December 31, 2011 and *December 31, 2010*:

in ₹

Particulars	FSI	MFG	ECS	RCL	Total
Income from software services and products	51,11,69,255	17,19,37,746	54,26,879	45,66,49,708	114,51,83,588
	48,03,37,679	*17,18,77,768*	*1,57,57,256*	*23,51,74,367*	*90,31,47,070*
Identifiable operating expenses	32,26,68,291	8,32,90,622	27,93,205	24,12,57,199	65,00,09,317
	28,71,00,326	*8,07,86,393*	*85,41,599*	*13,95,81,615*	*51,60,09,933*
Allocated expenses	21,27,01,952	7,15,44,784	22,58,171	19,00,15,896	47,65,20,803
	19,19,43,176	*6,86,82,442*	*62,96,607*	*9,39,75,795*	*36,08,98,020*
Segmental operating income	(2,42,00,988)	1,71,02,340	3,75,503	2,53,76,613	1,86,53,468
	12,94,177	*2,24,08,933*	*9,19,050*	*16,16,957*	*2,62,39,117*
Unallocable expenses					4,25,98,938
					4,33,13,894
Other income					3,22,82,660
					(15,05,495)
Profit before tax					83,37,190
					(1,85,80,272)
Tax expense					(8,10,53,368)
					2,26,23,388
Profit for the period					8,93,90,558
					(4,12,03,660)

Geographic segments

For the years ended December 31, 2011 and *December 31, 2010* :

in ₹

Particulars	North America	Europe	India	Rest of the World	Total
Income from software services and products	96,86,28,654	3,68,42,850	–	13,97,12,084	114,51,83,588
	75,71,31,992	*2,06,40,041*	*–*	*12,53,75,037*	*90,31,47,070*
Identifiable operating expenses	56,99,23,104	1,62,15,123	–	6,38,71,090	65,00,09,317
	43,61,09,423	*1,62,39,613*	*–*	*6,36,60,897*	*51,60,09,933*
Allocated expenses	40,30,54,767	1,53,30,629	–	5,81,35,407	47,65,20,803
	30,25,50,321	*82,47,771*	*–*	*5,00,99,928*	*36,08,98,020*
Segmental operating income	(43,49,217)	52,97,098	–	1,77,05,587	1,86,53,468
	1,84,72,248	*(38,47,343)*	*–*	*1,16,14,212*	*2,62,39,117*
Unallocable expenses					4,25,98,938
					4,33,13,894
Other income, net					3,22,82,660
					(15,05,495)
Profit before tax					83,37,190
					(1,85,80,272)
Tax expense					(8,10,53,368)
					2,26,23,388
Profit for the period					8,93,90,558
					(4,12,03,660)

2.22. Function-wise classification of the Statement of Profit and Loss

in ₹

Particulars	Year ended December 31,	
	2011	2010
Income from software services and products	114,51,83,588	90,31,47,070
Software development expenses	93,55,25,418	72,87,77,506
GROSS PROFIT	20,96,58,170	17,43,69,564
Selling and marketing expenses	2,22,11,348	1,15,50,512
General and administration expenses	16,87,93,354	13,65,79,935
	19,10,04,702	14,81,30,447
OPERATING PROFIT BEFORE DEPRECIATION	1,86,53,468	2,62,39,117
Depreciation and amortization	4,25,98,938	4,33,13,894
OPERATING PROFIT	(2,39,45,470)	(1,70,74,777)
Other income	3,22,82,660	(15,05,495)
PROFIT BEFORE TAX	83,37,190	(1,85,80,272)
Tax expense :		
Current tax	(34,40,269)	2,26,23,388
Deferred tax	(7,76,13,099)	–
PROFIT FOR THE PERIOD	8,93,90,558	(4,12,03,660)

As per our report attached
for Shenoy & Kamath
Chartered Accountants
Firm's Registration No. 006673S

M. Rathnakar Kamath
Partner
Membership No. 202841

Balashankar
Legal Administrator

Bangalore
January 6, 2012

Financial statements of Infosys Tecnologia do Brasil Ltda

To

The Members of Infosys Tecnologia do Brasil Ltda

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

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

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

Further, we report that:

a. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;

b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

c. The Balance Sheet and the Profit and Loss account dealt with by this report are in agreement with the books of accounts;

d. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.

  1. in the case of the Balance Sheet, of the State of affairs of the Company as at December 31, 2011; and

  2. in the case of Profit and Loss account, of the Loss of the Company for the year ended on that date.

for Shenoy & Kamath
Chartered Accountants
Firm's Registration No. 006673S

M. Rathnakar Kamath
Partner
Membership No. 202841

Bangalore
January 6, 2012

Balance Sheet

in ₹

Particulars	Note	As at December 31, 2011	As at December 31, 2010
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2.1	39,46,39,561	38,08,69,146
Reserves and surplus	2.2	(27,94,50,691)	(19,69,37,812)
		11,51,88,870	18,39,31,334
NON-CURRENT LIABILITIES			
Unsecured loan		13,95,92,652	–
		13,95,92,652	–
CURRENT LIABILITIES			
Trade payables	2.3	13,32,186	2,21,20,740
Other current liabilities	2.4	10,62,34,142	5,03,12,772
Short-term provisions	2.5	3,29,02,085	1,12,93,252
		14,04,68,413	8,37,26,764
		39,52,49,935	26,76,58,098
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	2.6	1,90,67,476	5,39,93,558
		1,90,67,476	5,39,93,558
Long-term loans and advances	2.8	5,64,05,085	–
		7,54,72,561	5,39,93,558
CURRENT ASSETS			
Trade receivables	2.9	15,53,34,306	12,93,72,379
Cash and cash equivalents	2.10	8,35,97,080	4,72,31,571
Short-term loans and advances	2.11	8,08,45,988	3,70,60,590
		31,97,77,374	21,36,64,540
		39,52,49,935	26,76,58,098
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

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

As per our report attached
for Shenoy & Kamath
Chartered Accountants
Firm's Registration No. 006673S

M. Rathnakar Kamath
Partner
Membership No. 202841

Puneet Singh Gill
Legal Administrator

Bangalore
January 6, 2012

Statement of Profit and Loss

in ₹

Particulars	Note	Year ended December 31, 2011	Year ended December 31, 2010
Income from software services and products	2.12	72,08,33,618	33,64,14,717
Other income	2.13	(59,67,289)	(49,62,517)
Total revenue		71,48,66,329	33,14,52,200
EXPENSES			
Employee benefit expenses	2.14	59,25,52,160	28,18,43,880
Cost of technical sub-contractors	2.14	(1,05,95,735)	2,09,49,696
Travel expenses	2.14	5,41,14,177	6,24,27,244
Communication expenses	2.14	2,22,44,260	1,96,84,534
Professional charges		2,47,48,293	2,23,22,277
Depreciation and amortization expenses	2.6	4,01,68,576	4,75,60,853
Interest expenses		49,10,150	–
Other expenses	2.14	8,18,26,280	3,39,00,128
Total expenses		80,99,68,161	48,86,88,612
PROFIT BEFORE TAX		(9,51,01,832)	(15,72,36,412)
Tax expense :			
Current tax	2.15	(8,23,914)	–
PROFIT FOR THE PERIOD		(9,42,77,918)	(15,72,36,412)
EARNINGS PER EQUITY SHARE			
Shares of 1 BRL par value each			
Basic		(6.48)	(16.09)
Number of shares used in computing earnings per share			
Basic		1,45,52,726	97,72,047
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1 & 2		

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

As per our report attached
for Shenoy & Kamath
Chartered Accountants
Firm's Registration No. 006673S

M. Rathnakar Kamath
Partner
Membership No. 202841

Puneet Singh Gill
Legal Administrator

Bangalore
January 6, 2012

Significant accounting policies and notes on accounts

Company overview

Infosys Tecnologia do Brasil Ltda (Infosys Brasil) provides end-to-end business solutions that leverage technology, thereby enabling its clients to enhance business performance. The Company's operations are to provide solutions that span the entire software lifecycle encompassing technical consulting, design, development, re-engineering, maintenance, systems integration, package evaluation and implementation, testing and infrastructure management services. In addition, the Company also offers business process management services.

1. Significant accounting policies

1.1. Accounting year

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

1.2. Basis of preparation of financial statements

The financial statements of the Company have been prepared on an accrual basis. Unless otherwise stated, the measurement basis used is historical cost. Accounting policies have been consistently applied to all periods presented in the financial report.

1.3. Reporting currency

The Company's reporting currency is the Brazilian Real.

1.4. Previous period figures

The previous period's figures disclosed in these financial statements have been re-grouped / re-classified wherever necessary.

1.5. Use of estimates

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

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

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

1.6. 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 method. 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.

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 catch-up approach. The discounts are passed on to the customer either as direct payments or as a reduction of payments due from the customer.

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

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.

1.7. 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.

1.8. 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.

1.9. 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.

1.10. 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 of 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.

1.11. 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 ₹5,000/- or less) 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
Office equipment	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.

1.12. Retirement benefits to employees

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.

1.13. 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 Statement of Profit and Loss. 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.

1.14. 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. Thereafter a deferred tax asset or deferred tax liability is recorded for timing differences. These are the differences that originate in one accounting period and are reversed in another accounting period, 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. Deferred tax assets and deferred tax liabilities have been offset wherever the Company has a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority. Tax benefits of deductions earned on exercise of employee share options in excess of compensation charged to Statement of Profit and Loss are credited to the share premium account.

1.15. 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 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.

1.16. Cash and cash equivalents

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

1.17. Leases

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

1.18. Government grants

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

2. Notes on accounts for the year ended December 31, 2011

2.1. Share capital

in ₹

Particulars	As at December 31,	
	2011	2010
Authorized		
Shares of 1 BRL par value 1,50,00,000 (1,50,00,000) shares	39,56,80,063	39,56,80,063
Issued, Subscribed and Paid Up		
Shares of 1 BRL par value 1,50,00,000 (1,45,16,997) equity shares fully paid-up	39,46,39,561	38,08,69,146
	39,46,39,561	38,08,69,146

2.2. Reserves and surplus

in ₹

Particulars	As at December 31,	
	2011	2010
Currency translation	1,67,25,004	49,59,965
Surplus – Opening balance	(20,18,97,777)	(4,46,61,365)
Add: Net profit / (loss) after tax transferred from Statement of Profit and Loss	(9,42,77,918)	(15,72,36,412)
Surplus – Closing balance	(29,61,75,695)	(20,18,97,777)
	(27,94,50,691)	(19,69,37,812)

2.3. Trade payables

in ₹

Particulars	As at December 31,	
	2011	2010
Trade payables [(1)]	13,32,186	2,21,20,740
	13,32,186	2,21,20,740
[(1)]*Includes dues to holding company and fellow subsidiaries (Refer to Note 2.17)*	13,39,399	2,21,20,740

2.4. Other current liabilities

in ₹

Particulars	As at December 31,	
	2011	2010
Accrued salaries and benefits		
Salaries and benefits	7,39,910	52,749
Bonus and incentives	1,13,78,899	81,08,213
Other liabilities		
Provision for expenses [(1)]	1,24,01,493	58,04,455
Withholding and other taxes payable	5,69,61,172	1,57,61,467
Other payables [(1)]	6,16,580	–
Unearned revenue	2,41,36,088	2,05,85,888
	10,62,34,142	5,03,12,772
[(1)] *Includes dues to holding company and fellow subsidiaries (Refer to Note 2.17)*	2,14,143	–

2.5. Short-term provisions

in ₹

Particulars	As at December 31,	
	2011	2010
Provision for employee benefits		
Unavailed leave	3,29,02,085	1,12,93,252
	3,29,02,085	1,12,93,252

The reconciliation of the number of shares outstanding and the amount of share capital as at December 31, 2011 and December 31, 2010 is as follows:

in ₹, except share data

Particulars	As at December 31, 2011		As at December 31, 2010	
	Number of shares	Amount	Number of shares	Amount
Number of shares at the beginning	1,45,16,997	38,08,69,146	65,04,700	17,14,11,417
Add: Shares issued during the year	4,83,003	1,37,70,415	80,12,297	20,94,57,729
Number of shares at the end	1,50,00,000	39,46,39,561	1,45,16,997	38,08,69,146

2.6. Fixed assets

in ₹

Particulars	Original cost				Depreciation and amortization				Net book value	
	As at January 1, 2011	Additions during the period	Deductions / retirement during the period	As at December 31, 2011	As at January 1, 2011	For the period	Deductions / adjustments during the period	As at December 31, 2011	As at December 31, 2011	As at December 31, 2010
Tangible assets :										
Plant and equipment	1,32,97,406	8,12,817	–	1,41,10,223	57,33,579	32,02,219	(3,58,330)	92,94,128	48,16,095	75,63,827
Office equipment	3,68,229	4,20,149	–	7,88,378	79,747	72,262	(23,951)	1,75,960	6,12,418	2,88,482
Computer equipment	5,32,31,905	56,04,212	–	5,88,36,117	3,16,95,771	2,22,15,899	(22,33,572)	5,61,45,242	26,90,875	2,15,36,134
Furniture and fixtures	4,49,19,764	24,77,071	–	4,73,96,835	2,03,14,649	1,46,78,196	(14,55,902)	3,64,48,747	1,09,48,088	2,46,05,115
Total	11,18,17,304	93,14,249	–	12,11,31,553	5,78,23,746	4,01,68,576	(40,71,755)	10,20,64,077	1,90,67,476	5,39,93,558
Previous year	9,03,89,202	2,14,28,102	–	11,18,17,304	83,14,653	4,75,60,853	(19,48,240)	5,78,23,746	5,39,93,558	

2.7. Leases

Obligations on long-term, non-cancelable operating leases:

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

in ₹

Particulars	Year ended December 31,	
	2011	2010
Lease rentals recognized during the period	2,15,53,824	1,38,71,090

in ₹

Lease obligations payable	As at December 31,	
	2011	2010
Within one year of the Balance Sheet date	2,29,12,272	1,93,76,582
Due in a period between one year and five years	1,12,12,851	2,90,64,874
Due after five years	–	–

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

2.8. Long-term loans and advances

in ₹

Particulars	As at December 31,	
	2011	2010
Unsecured, considered good		
Other loans and advances		
Advance income taxes	5,64,05,085	–
	5,64,05,085	–

2.9. Trade receivables

in ₹

Particulars	As at December 31,	
	2011	2010
Debts outstanding for a period exceeding six months		
Unsecured		
Considered doubtful	2,90,73,381	4,53,913
Less: Provision for doubtful debts	2,90,73,381	4,53,913
	–	–
Other debts		
Unsecured		
Considered good [(1)]	15,53,34,306	12,93,72,379
Considered doubtful	23,58,451	4,53,913
	15,76,92,757	12,98,26,292
Less: Provision for doubtful debts	23,58,451	4,53,913
	15,53,34,306	12,93,72,379
	15,53,34,306	12,93,72,379
[(1)] *Includes dues from subsidiaries (Refer to Note 2.17)*	32,61,573	41,42,673

Provision for doubtful debts

Periodically, the Company evaluates all customer dues to the Company for collectability. The need for provisions is assessed based on various factors including collectability of specific dues, risk perceptions of the industry in which the customer operates, general economic factors, which could affect the customer's ability to settle. The Company normally provides for debtor dues outstanding for six months or longer from the invoice date, as at the Balance Sheet date. The Company pursues the recovery of the dues, in part or full.

2.10. Cash and cash equivalents

in ₹

Particulars	As at December 31,	
	2011	2011
Cash on hand	–	–
Balances with banks		
In current and deposit accounts	8,35,97,080	4,72,31,571
	8,35,97,080	4,72,31,571

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

in ₹

Particulars	As at December 31,	
	2011	2010
In current accounts		
Citibank S.A.	8,35,97,080	3,37,21,571
	8,35,97,080	3,37,21,571
In deposit accounts		
Citibank S.A.	–	1,35,10,000
	–	1,35,10,000
Total cash and cash equivalents as per Balance Sheet	8,35,97,080	4,72,31,571

2.11. Short-term loans and advances

in ₹

Particulars	As at December 31,	
	2011	2010
Unsecured, considered good		
Others		
Advances		
Prepaid expenses	2,49,035	5,82,393
For supply of goods and rendering of services	14,56,991	2,26,016
Withholding and other taxes receivable	3,10,71,978	1,21,82,243
Others	53,60,219	19,09,347
	3,81,38,223	1,48,99,999
Unbilled revenues	4,13,51,257	2,21,29,898
Interest accrued but not due	–	30,693
Loans and advances to employees		
Salary advances	12,65,276	–
Rental deposits	91,232	–
	8,08,45,988	3,70,60,590

2.12. Income from software services and products

in ₹

Particulars	Year ended December 31,	
	2011	2010
Income from software services	72,08,33,618	33,64,14,717
	72,08,33,618	33,64,14,717

2.13. Other income

in ₹

Particulars	Year ended December 31,	
	2011	2010
Interest received on deposits with banks and others	34,53,564	30,273
Miscellaneous income, net	–	451
Gains / (losses) on foreign currency, net	(94,20,853)	(49,93,241)
	(59,67,289)	(49,62,517)

2.14. Expenses

in ₹

Particulars	Year ended December 31,	
	2011	2010
Employee benefit expenses		
Salaries and bonus including overseas staff expenses	58,90,68,627	27,86,60,018
Contribution to provident and other funds	11,770	6,08,653
Staff welfare	34,71,763	25,75,209
	59,25,52,160	28,18,43,880
Cost of technical sub-contractors		
Technical sub-contractors – subsidiaries	(1,05,95,735)	1,89,81,932
Technical sub-contractors – others	–	19,67,764
	(1,05,95,735)	2,09,49,696
Travel expenses		
Overseas travel expenses	4,77,92,217	5,93,09,684
Traveling and conveyance	63,21,960	31,17,560
	5,41,14,177	6,24,27,244
Communication expenses		
Telephone charges	1,50,03,146	1,34,90,079
Communication expenses	72,41,114	61,94,455
	2,22,44,260	1,96,84,534
Other expenses		
Office maintenance	1,60,50,412	1,36,99,704
Power and fuel	6,05,799	4,02,439
Brand building	1,94,209	3,28,637
Rent	2,15,53,824	1,38,71,090
Rates and taxes, excluding taxes on income	85,08,778	17,26,780
Repairs to plant and machinery	10,815	35,479
Computer maintenance	8,50,480	2,30,717
Consumables	8,26,390	50,674
Insurance charges	6,91,462	6,53,421
Marketing expenses	25,511	1,43,470
Printing and stationery	11,48,500	4,74,719
Postage and courier	8,41,342	4,94,150
Provision for post-sales client support and warranties	–	3,31,016
Freight charges	2,191	–
Provision for bad and doubtful debts and advances	3,04,21,484	4,47,697
Books and periodicals	712	1,236
Bank charges and commission	93,501	7,90,862
Others	870	2,18,037
	8,18,26,280	3,39,00,128

2.15. Tax expense

in ₹

	Year ended December 31,	
	2011	2010
Current tax		
Income taxes	(8,23,914)	–
	(8,23,914)	–

2.16. 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 5(viii)(c) of general instructions for preparation of the Statement of Profit and Loss as per revised Schedule VI to the Companies Act, 1956.

2.17. Related party transactions

List of related parties:

Name of holding company	Holding as at December 31,	
	2011	2010
Infosys Limited	100%	100%

Name of fellow subsidiaries	Country
Infosys BPO Limited	India
Infosys Technologies (Australia) Pty. Limited	Australia
Infosys Consulting Inc.	U.S.
Infosys Technologies S. de R. L. de C. V.	Mexico
Infosys Technologies (Sweden) AB	Sweden
Infosys Technologies (Shanghai) Co. Limited	China
Infosys Technologies (China) Co. Limited	China
Infosys Public Services Inc.	U.S.
Infosys BPO s.r.o. [1]	Czech Republic
Infosys BPO (Poland) Sp.Z.o.o [1]	Poland
Infosys Consulting India Limited	India
McCamish Systems LLC [1]	U.S.
Portland Group Pty. Limited [1]	Australia
Portland Procurement Services Pty. Limited [1]	Australia

[1] *Wholly-owned subsidiaries of Infosys BPO.*

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

in ₹

Particulars	As at December 31,	
	2011	2010
Unsecured loans		
Infosys Limited	13,95,92,652	–
Trade receivables		
Infosys Limited	32,61,573	36,25,467
Infosys BPO Limited	–	5,17,206
Trade payables		
Infosys Limited	13,39,399	15,72,674
Infosys BPO Limited	–	21,91,993
Infosys Poland	–	1,83,56,073

The details of the related party transactions entered into by the Company, in addition to the lease commitments described in note 2.7, for the year ended December 31, 2011 and December 31, 2010 are as follows:

in ₹

Particulars	Year ended December 31,	
	2011	2010
Capital transactions:		
Financing transactions		
Infosys Limited	1,37,70,416	20,94,57,729
Loans		
Infosys Limited	13,95,92,652	–
Revenue transactions:		
Purchase of services		
Infosys Limited	86,55,377	–
Interest expense		
Infosys Limited	49,10,150	–
Sale of services		
Infosys Limited	1,68,11,014	5,44,25,960

2.18. Segment reporting

The Company's operations predominantly relate to providing end-to-end business solutions thereby enabling clients to enhance business performance, delivered to customers globally operating in various industry segments. Effective quarter ended June 30, 2011, the Company reorganized its business to increase its client focus. Consequent to the internal reorganization there were changes effected in the reportable segments based on the 'management approach', as laid down in AS 17, Segment reporting. The Chief Executive Officer evaluates the Company's performance and allocates resources based on an analysis of various performance indicators by industry classes and geographic segmentation of customers. Accordingly, segment information has been presented both along industry classes and geographic segmentation of customers, industry being the primary segment. The accounting principles used in the preparation of the financial statements are consistently applied to record revenue and expenditure in individual segments, and are as set out in the significant accounting policies.

Industry segments for the Company are primarily financial services and insurance (FSI) comprising enterprises providing banking, finance and insurance services, manufacturing enterprises (MFG), enterprises in the energy, utilities and telecommunication services (ECS) and retail, logistics, consumer packaged goods, life sciences and healthcare enterprises (RCL). Geographic segmentation is based on business sourced from that geographic region and delivered from both onsite and offshore. North America comprises the U.S., Canada and Mexico, Europe includes continental Europe (both the east and the west), Ireland and the U.K., and the Rest of the World comprising all other places except those mentioned above and India. Consequent to the above change in the composition of reportable segments, the prior year comparatives have been restated.

Revenue and identifiable operating expenses in relation to segments are categorized based on items that are individually identifiable to that segment. Allocated expenses of segments include expenses incurred for rendering services from the Company's offshore software development centers and onsite expenses, which are categorized in relation to the associated turnover of the segment. Certain expenses such as depreciation, which form a significant component of total expenses, are not specifically allocable to specific segments as the underlying assets are used interchangeably. Management believes that it is not practical to provide segment disclosures relating to those costs and expenses, and accordingly these expenses are separately disclosed as 'unallocated' and adjusted against the total income of the Company.

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

Industry segments

For the years ended December 31, 2011 and *December 31, 2010* :

in ₹

Particulars	FSI	MFG	ECS	RCL	Total
Income from software services and products	–	44,33,92,003	50,28,696	27,24,12,919	72,08,33,618
	–	*26,71,15,301*	*20,40,433*	*6,72,58,983*	*33,64,14,717*
Identifiable operating expenses	–	17,35,46,580	19,71,269	23,95,07,573	41,50,25,422
	–	*20,32,33,239*	*6,83,273*	*4,39,80,377*	*24,78,96,889*
Allocated expenses	–	21,52,04,872	24,40,729	13,22,18,412	34,98,64,013
	–	*15,34,26,469*	*11,71,990*	*3,86,32,411*	*19,32,30,870*
Segmental operating income	–	5,46,40,551	6,16,698	(9,93,13,066)	(4,40,55,817)
	–	*(8,95,44,407)*	*1,85,170*	*(1,53,53,805)*	*(10,47,13,042)*
Unallocable expenses					4,50,78,726
					4,75,60,853
Other income, net					(59,67,289)
					(49,62,517)
Profit before tax					(9,51,01,832)
					(15,72,36,412)
Tax expense					(8,23,914)
					–
Profit for the period					(9,42,77,918)
					(15,72,36,412)

Geographic segments

For the years ended December 31, 2011 and *December 31, 2010*:

in ₹

Particulars	North America	Europe	India	Rest of the World	Total
Income from software services and products	7,32,11,469	13,74,31,999	–	51,01,90,150	72,08,33,618
	7,49,09,102	*7,16,18,799*	*–*	*18,98,86,816*	*33,64,14,717*
Identifiable operating expenses	5,76,54,074	10,61,10,291	–	25,12,61,057	41,50,25,422
	5,70,27,562	*4,93,40,171*	*–*	*14,15,29,156*	*24,78,96,889*
Allocated expenses	3,55,33,940	6,67,04,035	–	24,76,26,038	34,98,64,013
	4,30,26,509	*4,11,36,615*	*–*	*10,90,67,746*	*19,32,30,870*
Segmental operating income	(1,99,76,545)	(3,53,82,327)	–	1,13,03,055	(4,40,55,817)
	(2,51,44,969)	*(1,88,57,987)*	*–*	*(6,07,10,086)*	*(10,47,13,042)*
Unallocable expenses					4,50,78,726
					4,75,60,853
Other income, net					(59,67,289)
					(49,62,517)
Profit before tax					(9,51,01,832)
					(15,72,36,412)
Tax expense					(8,23,914)
					–
Profit for the period					(9,42,77,918)
					(15,72,36,412)

2.19. Function-wise classification of the Statement of Profit and Loss

in ₹

Particulars	Year ended December 31, 2011	Year ended December 31, 2010
Income from software services and products	72,08,33,618	33,64,14,717
Software development expenses	58,24,18,063	33,36,29,962
GROSS PROFIT	13,84,15,555	27,84,755
Selling and marketing expenses	1,62,24,976	81,79,087
General and administration expenses	16,62,46,396	9,93,18,710
	18,24,71,372	10,74,97,797
OPERATING PROFIT BEFORE DEPRECIATION	(4,40,55,817)	(10,47,13,042)
Interest	49,10,150	–
Depreciation and amortization	4,01,68,576	4,75,60,853
OPERATING PROFIT	(8,91,34,543)	(15,22,73,895)
Other income	(59,67,289)	(49,62,517)
PROFIT BEFORE TAX	(9,51,01,832)	(15,72,36,412)
Tax expense :		
Current tax	(8,23,914)	–
PROFIT FOR THE PERIOD	(9,42,77,918)	(15,72,36,412)

As per our report attached
for Shenoy & Kamath
Chartered Accountants
Firm's Registration No. 006673S

M. Rathnakar Kamath
Partner
Membership No. 202841

Puneet Singh Gill
Legal Administrator

Bangalore
January 6, 2012