

22. Significant accounting policies and notes on accounts

Company overview

Infosys Technologies Limited ("Infosys") along with its subsidiaries Infosys Technologies (Shanghai) Co. Limited ("Infosys China") and Progeon Limited ("Progeon"), is a global technology and services organization engaged in delivering a comprehensive range of end-to-end solutions to customers. Infosys provides solutions across the entire software and process life-cycles including design, development, implementation, maintenance and management using its Global Delivery Model. Infosys offers the following services: consulting, software development, software re-engineering, systems integration, package evaluation and implementation, software maintenance, and business process management services ("BPM"). Infosys also provides proprietary software products for the banking industry.

22.1 Significant accounting policies

22.1.1. Basis of preparation of financial statements

The accompanying financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles ("GAAP") under the historical cost convention on the accruals basis. GAAP comprises mandatory accounting standards issued by the Institute of Chartered Accountants of India ("ICAI"), the provisions of the Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India. These accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted by the company. Management evaluates the effect of accounting standards issued on an on-going basis and ensures they are adopted as mandated by the ICAI. There are no recently issued accounting standards that management believes have a material impact on the financial statements of the company.

22.1.2. Use of estimates

The preparation of the financial statements in conformity with GAAP requires Infosys' management ("Management") to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates include accounting for contract costs expected to be incurred to complete software development, 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. Contingencies are recorded when it is probable that a liability will be incurred, and the amount can be reasonably estimated. Actual results could differ from those estimates.

22.1.3. Revenue recognition

Revenue from software development on fixed-price, fixed-time frame contracts is recognized as per the proportionate-completion method. On time-and-materials contracts, revenue is recognized as the related services are rendered. Annual Technical Services revenue and revenue from fixed-price maintenance contracts are recognized proportionately over the period in which services are rendered. Revenue from the sale of user licenses for software applications is recognized on transfer of the title in the user license, except in multiple arrangement contracts, where revenue is recognized as per the proportionate-completion method. Interest is recognized using the time-proportion method, based on rates implicit in the transaction. Dividend income is recognized when the company's right to receive dividend is established.

22.1.4. Expenditure

The cost of software purchased for use in the software development and services is charged to cost of revenues in the year of acquisition. Charges relating to non-cancelable, long-term operating leases are computed on the basis of the lease rentals, payable as per the relevant lease agreements. Provisions are made for all known losses and liabilities. Provisions for any estimated losses on incomplete contracts are recorded in the period in which such losses become probable, based on current contract estimates. Leave encashment liability is provided on the basis of an actuarial valuation.

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

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

22.1.6. Depreciation and amortization

Depreciation on fixed assets is applied on the straight-line basis over the useful lives of assets estimated by the Management. Depreciation for assets purchased / sold during a period is proportionately charged. Individual low cost assets (acquired for less than Rs. 5,000/-) are entirely depreciated in the year of acquisition. Intangible assets are amortized over their 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 various fixed assets as follows:

Buildings	15 years
Plant and machinery	5 years
Computer equipment	2-5 years
Furniture and fixtures	5 years
Vehicles	5 years
Intellectual property rights	1-2 years

22.1.7. Retirement benefits to employees

22.1.7.a. Gratuity

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

22.1.7.b. Superannuation

Certain employees of Infosys are also participants of a defined contribution plan. The company makes monthly contributions under the superannuation plan (the "Plan") to the Infosys Technologies Limited Employees Superannuation Fund Trust based on a specified percentage of each covered employee's salary. The company has no further obligations to the Plan beyond its monthly contributions.

22.1.7.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.

Infosys contributes a part of the contributions to the Infosys Technologies Limited Employees' Provident Fund Trust. The remainders of the contributions are made to a Government administered provident fund. The company has no further obligations under the provident fund plan beyond its monthly contributions.

22.1.8. Research and development

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

22.1.9. Foreign currency transactions

Revenue from overseas clients and collections deposited in foreign currency bank accounts are recorded at the exchange rate as of the date of the respective transactions. Expenditure in foreign currency is accounted at the exchange rate prevalent when such expenditure is incurred. Disbursements made out of foreign currency bank accounts are reported at a rate that approximates the actual monthly average 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.

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

Monetary current assets and monetary current liabilities that are denominated in foreign currency are translated at the exchange rate prevalent at the date of the balance sheet. The resulting difference is also recorded in the profit and loss account. In the case of forward contracts, the difference between the forward rate and the exchange rate on the date of the transaction is recognized as income or expense over the life of the contract.

22.1.10. 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 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 differences that result between the profit offered for income taxes and the profit as per the financial statements are identified, and thereafter a deferred tax asset or deferred tax liability is recorded for timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount being considered. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on prevailing enacted or substantially enacted regulations. Deferred tax assets are recognized only if there is reasonable certainty that they will be realized and are reviewed for the appropriateness of their respective carrying values at each balance sheet date. The income tax provision for the interim period is made based on the best estimate of the effective tax rate expected to be applicable for the full fiscal year.

22.1.11. Earnings per share

In determining earnings per share, the company considers the net profit after tax and includes the post-tax effect of any extraordinary items. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the period. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share, and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares. The diluted potential equity shares are adjusted for the proceeds receivable, had the shares been actually issued at fair value (i.e. the average market value of the outstanding shares). Dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date. The number of shares and potentially dilutive equity shares are adjusted for stock splits and bonus shares, as appropriate.

22.1.12. Investments

Trade investments are the investments made to enhance the company's business interests. Investments are either classified as current or long-term based on the Management's intention at the time of purchase. Current investments are carried at the lower of cost and fair value. Cost for overseas investments comprises the Indian Rupee value of the consideration paid for the investment.

Long-term investments are carried at cost and provisions recorded to recognize any decline, other than temporary, in the carrying value of each investment. Any dividends are recorded as income in the profit and loss account.

22.1.13. 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 regular revenue generating, financing, and investing activities of the company are segregated. Cash flows in foreign currencies are accounted at average monthly exchange rates that approximate the actual rates of exchange prevailing at the dates of the transactions.

22.2 Notes on accounts

All amounts in the financial statements are presented in Rupees crore, except for per share data and as otherwise stated. All exact amounts are stated with the suffix "/". One crore equals 10 million.

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

22.2.1. Capital commitments and contingent liabilities

	As at December 31,		As at
	2003	2002	March 31, 2003
Estimated amount of unexecuted capital contracts (net of advances and deposits)	86.03	95.34	86.49
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	11.00	7.96	7.99
Claims against the company, not acknowledged as debts	4.42	14.07	15.17
Forward contracts outstanding			
In US\$	US\$107,000,000	US\$100,000,000	US\$ 88,000,000
(Equivalent approximate in Rs. crore)	(Rs. 491.99)	(Rs. 487.83)	(Rs. 425.87)
Unamortized income	1.03	2.97	2.46

During the quarter ended September 30, 2003, Ms. Jennifer Griffith, a former employee, filed a lawsuit against the company and its former director, Mr. Phaneesh Murthy. The lawsuit was served on the company during the quarter ended December 31, 2003. Management is reviewing the allegations. Based on its present knowledge of facts, management estimates that the lawsuit will not have material impact on the result of operation or financial position of the company.

22.2.2. Aggregate expenses

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

	Quarter ended		Nine months ended		Year ended
	December 31, 2003	December 31, 2002	December 31, 2003	December 31, 2002	March 31, 2003
Salaries and bonus including overseas staff expenses	623.05	434.49	1693.88	1,164.80	1,631.82
Contribution to provident and other funds	14.12	9.54	41.32	24.59	36.77
Staff welfare	3.91	2.29	10.13	5.89	8.53
Overseas travel expenses	53.90	55.47	160.19	156.29	215.60
Consumables	2.66	1.84	6.51	4.33	6.46
Cost of software packages					
for own use	14.50	22.22	49.58	43.31	54.96
for service delivery to clients	2.12	2.34	14.46	9.96	12.99
Computer maintenance	3.03	2.58	8.49	6.96	9.34
Communication expenses	7.74	5.86	23.67	18.36	24.44
Consultancy charges	10.75	19.77	45.04	38.45	75.86
Provision for post-sales client support	(0.21)	(3.76)	(0.36)	(4.06)	(6.18)
Traveling and conveyance	6.33	4.84	16.44	11.95	17.95
Rent	9.25	8.04	28.39	20.90	29.30
Telephone charges	8.02	7.22	25.07	18.75	26.69
Professional charges	9.82	12.40	28.84	32.15	48.62
Printing and stationery	1.54	1.27	5.45	4.70	6.23
Advertisements	0.86	1.38	2.46	3.45	6.19
Office maintenance	7.18	6.69	19.84	15.10	22.85
Repairs to building	3.97	2.06	7.36	5.08	7.27
Repairs to plant and machinery	1.15	1.66	3.75	3.75	4.77
Power and fuel	7.49	5.70	21.91	16.79	22.60
Brand building	9.16	7.00	24.30	24.36	29.05
Insurance charges	6.10	2.37	17.33	6.86	10.03
Rates and taxes	1.65	1.35	3.83	3.85	5.41
Commission charges	3.33	3.28	6.24	9.50	10.58
Donations	3.55	1.52	10.57	4.56	6.09
Auditor's remuneration					
– audit fees	0.08	0.07	0.23	0.20	0.27
– certification charges	-	-	-	-	0.03
– out-of-pocket expenses	0.01	0.01	0.02	0.02	0.02
Provision for bad and doubtful debts	4.10	0.33	18.12	0.51	0.73
Provision for doubtful loans and advances	(0.06)	(0.02)	0.07	(0.07)	(0.07)
Bank charges and commission	0.20	0.21	0.56	0.57	0.75
Commission to non-whole time directors	0.47	0.24	1.25	0.72	1.12
Postage and courier	0.84	1.03	2.78	3.00	3.99
Books and periodicals	0.44	0.32	1.02	0.97	1.42
Research grants	0.18	-	0.36	-	-
Freight charges	0.32	0.16	0.62	0.43	0.58
Professional membership and seminar participation fees	1.19	0.86	2.46	2.51	3.55
Marketing expenses	1.88	1.65	4.49	4.96	6.72
Sales promotion expenses	0.30	0.13	0.50	0.33	0.46
Other miscellaneous expenses	0.16	0.74	7.91	6.39	6.86
	825.08	625.15	2,315.08	1,671.17	2,350.65

22.2.3. Quantitative details

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

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

	Quarter ended		Nine months ended		Year ended
	December 31, 2003	December 31, 2002	December 31, 2003	December 31, 2002	March 31, 2003
Capital goods	20.06	9.34	52.23	32.35	53.58
Software packages	0.37	0.08	4.18	3.97	4.87

22.2.5. Activity in foreign currency

	Quarter ended		Nine months ended		Year ended
	December 31, 2003	December 31, 2002	December 31, 2003	December 31, 2002	March 31, 2003
Earnings in foreign currency (on the receipts basis)					
Income from software services and products	1,109.05	904.07	3,207.69	2,392.02	3,375.82
Interest received on deposits with banks	0.22	0.14	0.74	2.01	2.05
Expenditure in foreign currency (on the payments basis)					
Travel expenses	40.72	44.89	116.44	107.57	141.87
Professional charges	4.20	8.09	23.37	18.57	33.27
Other expenditure incurred overseas for software development	408.20	361.08	1,235.99	962.58	1,360.26
Net earnings in foreign currency (on the receipts and payments basis)					
Net earnings in foreign exchange	656.15	490.15	1,832.63	1,305.31	1,842.47

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

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

	Quarter ended		Nine months ended		Year ended
	December 31, 2003	December 31, 2002	December 31, 2003	December 31, 2002	March 31, 2003
Lease rentals recognized during the period/year	9.25	8.04	28.39	20.90	29.30
Lease obligations					
	As at		As at		As at
	December 31, 2003		December 31, 2002		March 31, 2003
Within one year of the balance sheet date	27.84		17.96		17.93
Due in a period between one year and five years	65.00		40.05		36.00
Due after five years	6.60		5.40		7.00
	99.44		63.41		60.93

The operating lease arrangements extend for a maximum of ten years from their respective dates of inception and relates to rented overseas premises and car rentals.

Lease rental commitments on a contract with Progeon Limited, a subsidiary company under the same management, as at December 31, 2003 and December 31, 2002 due to Infosys within one year of the balance sheet date amounted to Rs. 8.02 and Rs. 2.46 and due in the period between one and five years amounted to Rs. 11.48 and 3.76 respectively. The lease for premises extends for a maximum period of five years from quarter ended June 30, 2002 (the period of inception).

The Sub-lease rentals received from Progeon during the quarter and nine month ended December 31, 2003 amounted to Rs. 0.39 and Rs. 0.53.

Fixed assets stated below have been provided on operating lease to Progeon, a subsidiary company under the same management, as at December 31, 2003 and December 31, 2002 and *March 31, 2003*.

Particulars	Cost	Accumulated depreciation	Net book value
Building	10.24	1.14	9.10
	10.13	0.45	9.68
	10.21	0.62	9.59
Plant and machinery	3.76	1.34	2.42
	2.06	0.40	1.66
	2.94	0.70	2.24
Computers	1.23	0.91	0.32
	0.85	0.32	0.53
	0.85	0.49	0.36
Furniture & fixtures	5.60	2.07	3.53
	1.74	0.50	1.24
	2.64	0.88	1.76
Total	20.83	5.46	15.37
	14.78	1.67	13.11
	16.64	2.69	13.95

The aggregate depreciation charged on the above during the quarter and nine months ended December 31, 2003, amounted to Rs. 1.03 and Rs. 2.77 (for the quarter and nine months ended December 31, 2002 was Rs. 0.75 and Rs. 1.67 and for the year ended March 31, 2003 was Rs. 2.69). The rental income from Progeon for the quarter and nine months ended December 31, 2003 amounted to Rs. 1.61 and Rs. 4.43 (for the quarter and nine months ended December 31, 2002 was Rs. 0.61 and Rs. 1.16 and for the year ended March 31, 2003 was Rs. 1.96).

22.2.7. Related party transactions

The company entered into related party transactions with the Progeon Limited, the subsidiary company under the same management. The transactions are set out below.

Particulars	Quarter ended		Nine months ended		Year ended
	December 31, 2003	December 31, 2002	December 31, 2003	December 31, 2002	March 31, 2003
<u>Capital transactions:</u>					
Financing transactions - amount paid to Progeon for issue of 1,22,49,993 fully paid equity shares of Rs 10/- each at par	-	-	-	12.25	12.25
Rental deposit placed	-	-	1.61	-	-
<u>Revenue transactions:</u>					
Purchase of services	-	-	0.14	2.08	2.08
	-	-	0.14	2.08	2.08
<u>Sale of services</u>					
Business consulting services	0.04	1.83	0.08	2.94	3.56
Shared services including facilities and personnel	3.08	2.95	9.49	5.32	9.61
	3.12	4.78	9.57	8.26	13.17

The company entered into related party transactions with Infosys China, the subsidiary company, under the same management. The transactions are set out below.

Particulars	Quarter ended		Nine months ended		Year ended
	December 31, 2003	December 31, 2002	December 31, 2003	December 31, 2002	March 31, 2003
Capital transactions:					
Financing transactions - amount remitted towards capital	4.54	-	4.54	-	-

The company has an alliance with Supplychainge Inc., USA to jointly market and deliver lead-time optimization solutions. Prof. Marti G. Subrahmanyam, an external director of the company, is also a director on the board of Supplychainge Inc. During the quarter, nine months ended December 31, 2003 and year ended March 31, 2003, the company paid Rs. nil, Rs 0.71 and Rs. nil respectively to Supplychainge Inc. towards marketing services under this alliance. Additionally, amount receivable from Supplychainge Inc. as at December 31, 2003 amounted to Rs. nil (as at December 31, 2002 Rs. 0.03 and March 31, 2003 Rs. 0.03) an amount that has been outstanding for a period exceeding six months and fully provided.

During the quarter and nine months ended December 31, 2003 an amount of Rs. 3.50 and Rs. 10.50 respectively has been donated to Infosys Foundation a not-for-profit trust, in which certain directors of the company are trustees. Donation to the foundation for the quarter and nine months ended December 31, 2002 and year ended March 31, 2003 were Rs. 1.50, Rs. 4.03 and Rs. 5.53 respectively.

22.2.8. Transactions with key management personnel

Key management personnel comprise our directors and statutory officers.

Particulars of remuneration and other benefits provided to key management personnel:

Particulars of remuneration and other benefits provided to key management personnel during the quarters ended December 31, 2003, 2002, nine months ended December 31, 2003, 2002 and the year ended March 31, 2003, are set out below.

Name	Salary	Contributions to provident and other funds	Perquisites and incentives	Total remuneration
Chairman and Chief Mentor				
N R Narayana Murthy	0.02	0.01	0.03	0.06
	0.02	0.01	0.03	0.06
	0.06	0.03	0.07	0.16
	0.06	0.02	0.07	0.15
	0.08	0.03	0.08	0.19
Chief Executive Officer, President and Managing Director				
Nandan M Nilekani	0.02	0.01	0.03	0.06
	0.02	0.01	0.03	0.06
	0.06	0.03	0.08	0.17
	0.06	0.02	0.07	0.15
	0.08	0.03	0.08	0.19
Chief Operating Officer and Deputy Managing Director				
S Gopalakrishnan	0.02	0.01	0.03	0.06
	0.02	0.01	0.03	0.06
	0.06	0.03	0.07	0.16
	0.06	0.02	0.07	0.15
	0.08	0.03	0.08	0.19
Whole-time Directors				
K Dinesh	0.02	0.01	0.03	0.06
	0.02	0.01	0.03	0.06
	0.06	0.03	0.08	0.17
	0.06	0.02	0.07	0.15
	0.08	0.03	0.08	0.19
S D Shibulal	0.16	-	0.11	0.27
	0.30	-	0.12	0.42
	0.60	-	0.23	0.83
	0.82	-	0.15	0.97
	1.10	-	0.15	1.25
T V Mohandas Pai	0.03	0.01	0.05	0.09
	0.02	0.01	0.02	0.05
	0.08	0.03	0.11	0.22
	0.07	0.02	0.05	0.14
	0.10	0.03	0.05	0.18

Name	Salary	Contributions to provident and other funds	Perquisites and incentives	Total remuneration
Srinath Batni	0.03	0.01	0.05	0.09
	0.02	0.01	0.02	0.05
	0.08	0.03	0.10	0.21
	0.06	0.02	0.04	0.12
	0.09	0.03	0.05	0.17
Phaneesh Murthy (Until July 23, 2002)	-	-	-	-
	-	-	1.60	1.60
	-	-	-	-
	1.00	-	2.72	3.72
	1.00	-	2.73	3.73
	Commission	Sitting fees	Reimbursement of expenses	Total remuneration
Non-Wholetime Directors				
Deepak M Satwalekar	-	0.01	-	0.01
	-	-	-	-
	0.12	0.01	0.01	0.14
	0.12	0.01	0.01	0.14
	0.12	0.01	0.02	0.15
Marti G Subrahmanyam	-	-	0.02	0.02
	-	0.01	0.03	0.04
	0.12	-	0.05	0.17
	0.12	0.01	0.07	0.20
	0.12	0.01	0.08	0.21
Philip Yeo	-	-	-	-
	-	-	-	-
	0.12	-	-	0.12
	0.12	-	-	0.12
	0.12	-	-	0.12
Jitendra Vir Singh	0.08	-	-	0.08
	-	-	0.02	0.02
	0.37	-	-	0.37
	0.12	0.01	0.09	0.22
	0.12	0.01	0.09	0.22
Omkar Goswami	-	-	-	-
	-	0.01	0.01	0.02
	0.12	-	0.02	0.14
	0.12	0.01	0.02	0.15
	0.12	0.01	0.02	0.15
Larry Pressler	-	-	-	-
	-	-	0.02	0.02
	0.12	-	-	0.12
	0.12	-	0.09	0.21
	0.12	-	0.09	0.21
Rama Bijapurkar	-	0.01	-	0.01
	-	-	0.01	0.01
	0.12	0.01	0.01	0.14
	0.12	-	0.02	0.14
	0.12	-	0.02	0.14
Claude Smadja	-	-	-	-
	-	-	0.02	0.02
	0.12	-	0.06	0.18
	0.05	-	0.07	0.12
	0.05	0.01	0.10	0.16
Sridar A Iyengar	-	-	0.04	0.04
	-	-	-	-
	-	-	0.11	0.11
	-	-	-	-
	-	-	-	

Other Senior Management Personnel

Particulars of remuneration and other benefits provided to other senior management personnel during the quarters ended December 31, 2003, 2002, nine months ended December 31, 2003, 2002 and the year ended March 31, 2003, are set out below.

Name	Salary	Contributions to provident and other funds	Perquisites and incentives	Total remuneration	Total loans granted	Outstanding loans and advances
V Balakrishnan, Company Secretary	0.03	0.01	0.08	0.12	-	-
	0.01	-	0.04	0.05	-	-
	0.09	0.03	0.17	0.29	-	-
	0.04	0.01	0.08	0.13	-	-
	0.06	0.02	0.09	0.17	-	-

In addition, the details of the options granted to non-whole-time directors and other senior officers during the quarters ended December 31, 2003, 2002, nine months ended December 31, 2003, 2002 and the year ended March 31, 2003 are as follows:

Name	Date of Grant	Option plan	Number of options granted	Exercise price (in Rs.)	Expiration of options
Non-Wholetime Directors					
Claude Smadja	July 10, 2002	1999	2,000	3,333.65	July 09, 2012
Sridar A Iyengar	April 10, 2003	1999	2,000	3,049.75	April 09, 2013

22.2.9. Exchange differences

Other income includes exchange differences of Rs. 19.52 for the quarter ended December 31, 2003 and Rs. 46.26 for the nine months ended December 31, 2003, the corresponding amounts for the quarter and nine months ended December 31, 2002 and Year ended March 31, 2003 were Rs. 8.87, Rs 13.74 and Rs. 17.67 respectively. Of this amount, the losses on translation of foreign currency deposits amount to Rs. nil in the quarter ended December 31, 2003 and Rs. nil for nine months ended December 31, 2003 (Rs. nil, Rs. 0.97 and Rs. (0.97) for the quarter and nine months ended December 31, 2002 and for the year ended March 31, 2003 respectively).

22.2.10. Research and development expenditure

	Quarter ended		Nine months ended		Year ended
	December 31, 2003	December 31, 2002	December 31, 2003	December 31, 2002	March 31, 2003
Revenue	15.08	0.20	31.66	0.47	0.67
Capital	0.41	3.52	0.73	10.01	13.77
	15.49	3.72	32.39	10.48	14.44

22.2.11. Unearned revenue

Unearned revenue as at December 31, 2003 amounting to Rs. 84.32 (as at December 31, 2002 Rs 55.56 and as at March 31, 2003 Rs. 61.85) primarily consists of client billings on fixed-price, fixed-time-frame contracts for which the related costs have not yet been incurred.

22.2.12. Dues to small-scale industrial undertakings

As at December 31, 2003 the company had no outstanding dues to small-scale industrial undertakings (as at December 31, 2002 - Rs. nil and as at March 31, 2003 - Rs. nil).

22.2.13. Stock option plans

The company currently has three stock option plans. These are summarized below.

1994 Stock Option Plan (“the 1994 Plan”)

As of December 31, 2003 the options to acquire 3,52,400 shares are outstanding with the Employee Welfare Trust. There are 3,17,600 outstanding options to acquire shares under the 1994 plan. The 1994 plan elapsed in fiscal year 2000 and, consequently, no further grants will be made under this plan.

1998 Stock Option Plan (“the 1998 Plan”)

The 1998 Plan provides for the grant of stock options to employees. The 1998 Plan was approved by the board of directors in December 1997 and by the shareholders in January 1998. The Government of India approved 29,40,000 ADSs representing 14,70,000 equity shares for issue under the Plan. The options may be issued at an exercise price that is not less than 90% of the fair market value of the underlying equity share on the date of the grant. The 1998 Plan automatically expires in January 2008, unless terminated earlier. All options under the 1998 Plan are exercisable for ADSs representing equity shares. A compensation committee comprising independent members of the board of directors administers the 1998 Plan. All options have been granted at 100% of fair market value.

Number of options granted, exercised and forfeited	Quarter ended		Nine months ended		Year ended
	December 31, 2003	December 31, 2002	December 31, 2003	December 31, 2002	March 31, 2003
Options granted, beginning of period/year	24,04,211	23,50,978	25,03,406	22,62,494	22,62,494
Granted during the period/year	500	1,66,100	95,900	4,43,800	5,80,200
Exercised during the period/year	(99,874)	(35,674)	(135,034)	(73,774)	(89,540)
Forfeited during the period/year	(99,504)	(17,894)	(258,939)	(1,69,010)	(2,49,748)
Options granted, end of period/year	22,05,333	24,63,510	22,05,333	24,63,510	25,03,406

1999 Stock Option Plan (“the 1999 Plan”)

In fiscal 2000, the company instituted the 1999 Plan. The shareholders and the board of directors approved the plan in June 1999, which provides for the issue of 66,00,000 equity shares to the employees. The compensation committee administers the 1999 Plan. Options will be issued to employees at an exercise price that is not less than the fair market value.

Fair market value is the closing price of the company’s shares in the stock exchange, where there is the highest trading volume on a given date and if the shares are not traded on that day, the closing price on the next trading day.

Number of options granted, exercised and forfeited	Quarter ended		Nine months ended		Year ended
	December 31, 2003	December 31, 2002	December 31, 2003	December 31, 2002	March 31, 2003
Options granted, beginning of period/year	50,63,340	49,00,296	50,61,171	46,68,815	46,68,815
Granted during the period/year	6,600	1,39,300	192,800	4,78,050	6,16,850
Exercised during the period/year	(137,083)	(6,472)	(145,397)	(6,472)	(12,178)
Forfeited during the period/year	(127,961)	(50,692)	(303,678)	(1,57,961)	(2,12,316)
Options granted, end of period/year	48,04,896	49,82,432	48,04,896	49,82,432	50,61,171

The aggregate options considered for dilution are set out in note 22.2.25

22.2.14. Pro forma disclosures relating to the Employee Stock Option Plans (“ESOPs)

The Securities and Exchange Board of India (“SEBI”) issued the Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines in 1999, which is applicable to all stock option schemes established on or after June 19, 1999. In accordance with these guidelines, the excess of the market price of the underlying equity shares as of the date of the grant of the options over the exercise price of the options, including up-front payments, if any, is to be recognized and amortized on a straight-line basis over the vesting period. All options under the 1998 and 1999 stock option plans have been issued at fair market value, hence there are no compensation costs.

The company’s 1994 stock option plan was established prior to the SEBI guidelines on stock options.

Had the stock compensation costs for this stock option plan been determined as per the guidelines issued by SEBI, the company’s reported net profit would have been reduced to the pro forma amounts indicated below.

	Quarter ended		Nine months ended		Year ended
	December 31, 2003	December 31, 2002	December 31, 2003	December 31, 2002	March 31, 2003
Net profit:					
- As reported	328.14	256.31	906.42	698.93	957.93
- Adjusted pro forma	325.07	250.31	893.42	680.80	934.76

22.2.15. Income taxes

The provision for taxation includes tax liabilities in India on the company's global income as reduced by exempt incomes and any tax liabilities arising overseas on income sourced from those countries.

Most of Infosys' operations are conducted through 100% Export Oriented Units ("EOU"). Income from EOUs are tax exempt for the earlier of 10 years commencing from the fiscal year in which the unit commences software development, or March 31, 2009. The Finance Act 2002, states that the exempt income from EOUs for the year commencing April 1, 2002, is restricted to 90% of its aggregate income. However, this restriction is not applicable for the year commencing from April 01, 2003, and accordingly, 100% of the income derived from EOUs are exempt from taxation. Additionally, non-EOU exports are partly exempt from tax and such tax deductions are being phased out by fiscal 2004.

22.2.16. Cash and bank balances

Details of balances kept with non-scheduled banks as on balance sheet dates and the maximum balances kept with non-schedule banks during the period/year are as follows:

Balances with non-scheduled banks	As at		As at
	December 31, 2003	December 31, 2002	March 31, 2003
In current accounts			
ABN Amro Bank , Taipei, Taiwan	0.94	0.14	0.14
Bank of America, Palo Alto, USA	123.28	73.63	124.83
Bank of America (Nations bank) , Dallas, USA	-	1.75	2.92
Bank of China , Beijing China	0.06	-	-
Bank of Melbourne, Melbourne, Australia	0.68	0.24	0.16
Citibank NA, Melbourne, Australia	1.98	0.29	0.86
Citibank NA, Hong Kong	0.04	0.31	0.24
Citibank NA, Singapore	0.52	0.20	0.07
Citibank NA, Tokyo	0.81	0.11	0.70
Citibank NA, Sharjah UAE	0.08	-	-
Deutsche Bank, Brussels, Belgium	2.02	2.04	1.02
Deutsche Bank, Frankfurt, Germany	17.84	3.91	5.88
Deutsche Bank – Netherlands	0.23	0.02	0.29
Deutsche Bank, Paris, France	0.64	0.06	0.22
Deutsche Bank, Zurich, Switzerland	4.23	0.12	0.04
Fleet Bank (Bank of Boston) , Boston, USA	-	0.98	0.97
HSBC Bank PLC – Croydon, UK	13.25	7.36	12.86
National Bank of Sharjah, UAE	-	0.07	0.08
Nordbanken, Stockholm, Sweden	0.12	0.13	0.19
Nova Scotia Bank, Toronto, Canada	2.60	1.65	3.60
Royal Bank of Canada, Canada	5.90	-	-
Sanwa Bank, Tokyo, Japan	0.14	0.66	0.43
Svenska Handeb Bank, Sweden	0.55	0.01	0.43
	175.91	93.68	155.93

Maximum balance held in non-scheduled banks during the period/year	Quarter ended		Nine months ended		Year ended
	December 31, 2003	December 31, 2002	December 31, 2003	December 31, 2002	March 31, 2003
in current accounts					
ABN Amro Bank, Brussels, Belgium	-	0.09	-	0.12	0.12
ABN Amro Bank, Taipei, Taiwan	0.94	0.14	0.94	0.14	0.14
Bank of America, Concord, USA	-	-	-	3.47	3.47
Bank of America, Hong Kong	-	0.26	-	0.38	0.38
Bank of America, Palo Alto, USA	263.45	216.27	263.45	216.27	271.39
Bank of America, Singapore	-	0.13	-	0.38	0.38
Bank of America (Nations Bank), Dallas, USA	6.69	4.41	6.98	4.41	4.41
Bank of China, Beijing China	0.07	-	0.07	-	-
Bank of Melbourne, Melbourne, Australia	3.20	1.92	3.20	2.39	2.82
Citibank NA, Melbourne, Australia	4.26	0.29	4.26	0.29	1.35
Citibank NA, Hong Kong	0.41	0.40	0.41	0.40	0.40
Citibank NA, Singapore	0.57	0.24	0.57	0.24	0.24
Citibank NA, Tokyo	5.74	3.77	5.74	3.77	5.38
Citibank NA, Sharjah UAE	0.08	-	0.10	-	-
Deutsche Bank, Brussels, Belgium	18.24	7.23	18.24	24.38	24.38
Deutsche Bank, Frankfurt, Germany	17.98	7.83	22.37	7.83	7.83
Deutsche Bank – Netherlands	0.74	0.12	0.74	0.12	1.05
Deutsche Bank, Paris, France	2.02	1.53	2.97	1.53	1.53
Deutsche Bank, Zurich, Switzerland	5.22	0.24	5.49	0.24	0.35
Fleet Bank (Bank of Boston), Boston, USA	-	1.41	0.97	2.19	2.19
Fleet Bank (Summit Bank), New Jersey, USA	-	0.32	-	2.03	2.03
HSBC Bank PLC – Croydon, UK	21.52	36.58	21.52	36.58	36.58
National Bank of Sharjah, UAE	-	0.11	0.08	0.11	0.11
Nordbanken, Stockholm, Sweden	0.24	0.27	0.41	0.41	0.41
Nova Scotia Bank, Toronto, Canada	7.73	2.90	8.69	4.78	4.78
Royal bank of Canada, Canada	6.83	-	6.83	-	-
Sanwa Bank, Tokyo, Japan	2.05	7.82	2.67	7.82	7.82
Svenska Handels Bank, Sweden	2.87	0.01	2.87	0.01	0.93
Bank One, Columbus, USA	-	4.84	-	4.90	4.90

The cash and bank balances include interest accrued but not due on fixed deposits amounting to Rs.8.64 for the nine months ended December 31, 2003 (for the nine months ended December 31, 2002 Rs.8.78 and for the year ended March 31, 2003, Rs 7.56).

22.2.17. Loans and advances

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

Deposits with financial institutions and a body corporate comprise:

	As at		As at
	December 31, 2003	December 31, 2002	March 31, 2003
Deposits with financial institutions:			
Housing Development Finance Corporation Limited	201.37	151.16	151.16
Deposit with body corporate:			
GE Capital Services India Limited	88.76	151.18	151.12
	290.13	302.34	302.28
Interest accrued but not due (included above)	2.12	2.34	2.28

Maximum balance held in non-scheduled banks during the period/year

	Quarter ended		Nine months ended		Year ended
	December 31, 2003	December 31, 2002	December 31, 2003	December 31, 2002	March 31, 2003
Deposits with financial institutions:					
Housing Development Finance Corporation Limited	201.65	151.29	201.70	151.29	151.29
ICICI Bank Limited	-	-	-	52.83	52.83
Deposit with body corporate:					
GE Capital Services India Limited	105.94	152.02	151.82	152.02	152.02

The financial institutions and the body corporate have superior credit ratings from a premier credit rating agency in the country. Mr. Deepak M Satwalekar, Director, is also Director of HDFC. Prof. Marti G. Subrahmanyam, Director, is also a director in ICICI Bank Limited. Except as directors in these financial institutions, these persons have no direct interest in these transactions.

22.2.18. Fixed assets

Profit / loss on disposal of fixed assets

	Quarter ended		Nine months ended		Year ended
	December 31, 2003	December 31, 2002	December 31, 2003	December 31, 2002	March 31, 2003
Profit on disposal of fixed assets	0.01	0.08	0.02	0.19	0.26
Loss on disposal of fixed assets	-	-	-	(0.24)	(0.25)
Profit/(loss) on disposal of fixed assets, net	0.01	0.08	0.02	(0.05)	0.01

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

	Quarter ended		Nine months ended		Year ended
	December 31, 2003	December 31, 2002	December 31, 2003	December 31, 2002	March 31, 2003
Charged during the period/year	2.12	3.48	8.36	6.40	14.25

The company has entered into lease-cum-sale agreements to acquire certain properties. In accordance with the terms of these agreements, the company has the option to purchase the properties on expiry of the lease period. The company has already paid 99% of the value of the properties at the time of entering into the lease-cum-sale agreements. These amounts are disclosed as "Land - leasehold" under "Fixed assets" in the financial statements. Additionally, certain land has been purchased for which the company has possession certificate for which sale deeds are yet to be executed as at December 31, 2003.

During the year ended March 31, 2003, the company entered into several arrangements to purchase Intellectual Property Rights ("IPR"). These primarily included:

The purchase of IPR in the Trade IQ, a treasury management product, from IQ Financial Systems Inc., USA ("IQFS") for a consideration of Rs. 16.97 (US\$ 3.47 million).

An agreement to purchase IPR in AUTOLAY, a commercial software application product, with the Aeronautical Development Agency, India ("ADA"). The company has a firm commitment to share revenues with ADA for a maximum of US\$ 5 million (Rs. 24.50) payable by 10 years from the contract date after which the ownership of intellectual property in AUTOLAY will transfer to the company.

Purchase of a non-exclusive global license in ILink, a signature display software, from Integra Microsystems Private Limited, for Rs. 0.65.

During the nine months ended December 31, 2003, management reduced the remaining estimated useful life of the intellectual property in a commercial software application product to three months, effective August 2003 and treasury management product to two months, effective November 2003. The revised estimation represents management's present evaluation of the expected future commercial benefits from these products. The revision has resulted in an increased charge to the profit-and-loss account of Rs. 8.57 crore and Rs. 20.28 crore in the quarter and nine months ended December 31, 2003.

22.2.19. Details of Investments

	As at December 31 2003	2002	As at March 31, 2003
Long- term investments			
Yantra Corporation, USA,			
20,00,000 (20,00,000; 20,00,000) common stock at US\$ 0.20 each, fully paid, par value US\$ 0.01 each	1.42	1.42	1.42
1 (1,1) Fully paid warrant to purchase 55,00,000 common stock, at US \$ 0.19 each, exercise price of US\$ 0.01 each	3.91	3.91	3.91
6,36,363 (6,36,363; 6,36,363) Series A convertible preferred stock, at US\$ 0.75 each, fully paid, par value US\$ 0.01 each	1.73	1.73	1.73
EC Cubed Inc., USA			
Nil (nil; nil) Series D convertible preferred stock at US\$ 2.3075 each, fully paid, par value US\$ 0.001 each	-	-	-
CiDRA Corporation, USA			
33,333 (33,333; 33,333) Series D convertible preferred stock at US\$ 90 each, fully paid, par value US\$ 0.01 each	13.40	13.40	13.40
Alpha Thinx Mobile Phone Services AG, Austria			
Nil (27,790; 27,790) bearer shares at € 20 each, fully paid, par value € 1 each	-	2.21	2.21
JASDIC Park Company, Japan			
Nil (480; 480) common stock at ¥ 50,000 each, fully paid, par value ¥ 50,000 each	-	0.75	0.75
Asia Net Media (BVI) Ltd., the British Virgin Islands			
3,00,00,000 (3,00,00,000; 3,00,00,000) ordinary shares at US\$ 0.05 each, fully paid, par value US\$ 0.01 each	6.85	6.85	6.85
OnMobile Systems Inc., (formerly Onscan Inc.) USA			
1,00,000 (1,00,000; 1,00,000) common stock at US\$ 0.4348 each, fully paid, par value US\$ 0.001 each	0.20	0.20	0.20
1,00,000 (1,00,000; 1,00,000) Series A voting convertible preferred stock at US\$ 0.4348 each, fully paid, par value US\$ 0.001 each	0.20	0.20	0.20
44,00,000 (44,00,000; 44,00,000) Series A non-voting convertible preferred stock at US\$ 0.4348 each, fully paid, par value US\$ 0.001 each	8.55	8.55	8.55
Stratify Inc. (formerly PurpleYogi Inc.), USA			
Nil (2,76,243; 2,76,243) Series D convertible preferred stock at US\$ 1.81 each fully paid, par value US\$ 0.001 each	-	2.33	2.33
Workadia Inc. USA			
Nil (22,00,000; 22,00,000) Series B convertible preferred stock at US\$ 1.00 each, fully paid, par value US \$ 0.0002 each (adjusted for stock splits)	-	10.32	10.32
Software Services Support Education Center Limited			
1 (1; 1) equity share of Rs. 10 each, fully paid, par value Rs. 10	-	-	-
The Saraswat Co-operative Bank Limited, India			
1,035 (1,035; 1,035) equity shares of Rs. 10 each, fully paid, par value Rs. 10	-	-	-
M-Commerce Ventures Pte Ltd, Singapore			
Units in the company, each unit representing 1 ordinary share of Singapore \$ 1 each, fully paid, par value Singapore \$ 1 and 9 redeemable preferred shares of Singapore \$ 1, fully paid, at a premium of Singapore \$ 1,110 per redeemable preferred stock			
100 (80; 80) ordinary shares	-	-	-
774 (720; 720) redeemable preference shares	2.30	2.11	2.11
126 (nil; nil) redeemable preference shares	-	-	-
	38.56	53.98	53.98

	As at December 31,		As at March 31,
	2003	2002	2003
Mutual Funds			
Birla Cash Plus Monthly Dividend Payout Plan , India			
2,00,00,000 (nil; nil) units of NAV of Rs. 10.0000 each, at cost	20.00	-	-
2,99,80,213 (nil; nil) units of NAV of Rs. 10.0048 each, at fair value	29.99	-	-
99,73,868 (nil; nil) units of NAV of Rs. 10.0048 each, at fair value	9.98	-	-
DSP Merrill Lynch Liquidity Fund, India			
2,02,23,638 (nil; nil) units of NAV of Rs. 12.4032 each, at cost	25.08	-	-
Grindlays Cash Fund - Institutional Plan, India			
4,71,94,744 (nil; nil) units of NAV of Rs. 10.5944 each, at cost	50.00	-	-
94,07,161 (nil; nil) units of NAV of Rs. 10.6022 each, at fair value	9.97	-	-
HDFC Liquid Fund - Premiim Plus Plan - Dividend, India			
1,67,72,754 (nil; nil) units of NAV of Rs. 11.9241 each, at cost	20.00	-	-
1,67,60,666 (nil; nil) units of NAV of Rs. 11.9327 each, at cost	20.00	-	-
83,85,182 (nil; nil) units of NAV of Rs. 11.9258 each, at cost	10.00	-	-
83,61,274 (nil; nil) units of NAV of Rs. 11.9599 each, at cost	10.00	-	-
HSBC Cash Fund, India			
2,39,58,064 (nil; nil) units of NAV of Rs. 10.4349 each, at cost	25.00	-	-
JM High Liquidity Fund - Institutional Plan - Dividend, India			
1,99,51,319 (nil; nil) units of NAV of Rs. 10.0221 each, at fair value	20.00	-	-
1,99,65,260 (nil; nil) units of NAV of Rs. 10.0174 each, at cost	20.00	-	-
99,79,542 (nil; nil) units of NAV of Rs. 10.0205 each, at cost	10.00	-	-
99,77,949 (nil; nil) units of NAV of Rs. 10.0221 each, at cost	10.00	-	-
Kotak Mahindra Liquid Institutional Premium Plan, India			
4,98,56,409 (nil; nil) units of NAV of Rs. 10.0264 each, at fair value	49.99	-	-
Principal Cash Management Fund, India			
2,49,50,598 (nil; nil) units of NAV of Rs. 10.0198 each, at cost	25.00	-	-
Prudential ICICI Liquid Plan - Institutional Monthly Dividend, India			
3,34,49,157 (nil; nil) units of NAV of Rs. 11.9598 each, at cost	40.01	-	-
83,89,051 (nil; nil) units of NAV of Rs. 11.9242 each, at cost	10.00	-	-
3,34,88,777 (nil; nil) units of NAV of Rs. 11.9443 each, at cost	40.00	-	-
Reliance Liquid Fund Treasury Plan, India			
3,93,95,110 (nil; nil) units of NAV of Rs. 15.2062 each, at cost	59.90	-	-
SBI Insta Cash Fund - Dividend Plan , India			
4,83,23,652 (nil; nil) units of NAV of Rs. 10.5317 each, at cost	25.02	-	-
Templeton India Treasury Management Account, India			
2,01,071 (nil; nil) units of NAV of Rs. 1244.4256 each, at cost	25.02	-	-
UTI Liquid Cash Plan, India			
2,49,23,733 (nil; nil) units of NAV of Rs. 10.0306 each, at cost	25.00	-	-
	589.96	-	-

The following are the particulars of strategic investments made during the quarters and nine months ended December 31, 2003 and December 31, 2002 and year ended March 31, 2003 respectively:

Particulars of investee companies	Quarter ended		Nine months ended		Year ended
	December 31, 2003	December 31, 2002	December 31, 2003	December 31, 2002	March 31, 2003
Progeon Limited, India	-	-	-	12.25	12.25
Infosys Technologies (Shanghai) Co. Limited, China	4.54	-	4.54	-	-
M-Commerce Ventures Pte. Limited, Singapore *	-	-	0.19	0.27	0.27
	4.54	-	4.73	12.52	12.52

*Net of redemptions

Progeon was incorporated on April 3, 2002, and is a majority owned and controlled subsidiary, established to provide business process management and transitioning services. As at the balance sheet date, the company has invested Rs. 12.25 in 1,22,49,993 fully paid equity shares in Progeon of face value Rs 10/- each, at par. Progeon seeks to leverage the benefits of service delivery globalization, process redesign and technology to drive efficiency and cost effectiveness in customer business processes. Progeon obtained its financial closure by securing funding of Rs 49.00 from Citicorp International Finance Corporation, USA ("CIFC") in exchange for 43,75,000 cumulative, convertible, redeemable preferred shares of face value Rs 100/- at a premium of Rs 12/- per share. The preference shares are convertible to an equal number of equity shares based on certain events as agreed between the company and CIFC.

The company received Rs.0.35 towards return of premium of S\$ 1,110 /- each on 126 redeemable preference shares of face value of S\$1/- each during the quarter ended September 30, 2003 from M-Commerce. Accordingly, the aggregate investment in M-Commerce as at December 31, 2003 amounts to Rs. 2.30.

Current liabilities include an amount of Rs. 6.02 received from CiDRA Corporation, USA on a buy back offer which is pending approval from regulatory authorities.

During the nine months ended December 31, 2003, Infosys received Rs. 3.27 from Workadia Inc. and Rs. 0.46 from Stratify Inc. towards recovery of the amounts invested. The remainder of the investment was written off in the quarter ended December 31, 2003.

22.2.20. Unbilled revenue

Unbilled revenue as at December 31, 2003 amounts to Rs. 92.16 (as at December 31, 2002 Rs. 71.13 and as at March 31, 2003 Rs. 91.64) primarily comprises the revenue recognized in relation to efforts incurred on fixed-price, fixed-time-frame contracts until the balance sheet date.

22.2.21. Segment reporting

The company's operations predominantly relate to providing IT services, delivered to customers globally operating in various industry segments. Accordingly, IT service revenues represented along industry classes comprise the primary basis of segmental information set out in these financial statements. Secondary segmental reporting is performed on the basis of the geographical location of customers.

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

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

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

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

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

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

Industry segments

Quarter ended December 31, 2003 and December 31, 2002

	Financial services	Manufacturing	Telecom	Retail	Others	Total
Revenues	457.86	178.85	183.84	151.98	262.73	1,235.26
	360.79	166.23	134.60	112.82	184.20	958.64
Identifiable operating expenses	190.06	80.49	74.24	57.44	109.49	511.72
	138.26	64.45	46.43	34.97	71.42	355.53
Allocated expenses	116.14	45.37	46.64	38.56	66.65	313.36
	104.91	45.80	37.08	31.08	50.75	269.62
Segmental operating income	151.66	52.99	62.96	55.98	86.59	410.18
	117.62	55.98	51.09	46.77	62.03	333.49
Unallocable expenses						62.23
						49.48
Operating income						347.95
						284.01
Other income (expense), net						45.19
						29.80
Net profit before taxes						393.14
						313.81
Income taxes						65.00
						57.50
Net profit after taxes						328.14
						256.31

Nine months ended December 31, 2003 and December 31, 2002

	Financial services	Manufacturing	Telecom	Retail	Others	Total
Revenues	1,295.09	522.28	511.59	413.70	709.33	3,451.99
	982.25	442.36	379.19	300.59	498.44	2,602.83
Identifiable operating expenses	546.67	228.11	204.99	154.06	292.37	1,426.20
	395.17	179.90	129.93	94.94	187.69	987.63
Allocated expenses	333.54	134.52	131.76	106.51	182.55	888.88
	267.21	113.73	97.26	77.28	128.06	683.54
Segmental operating income	414.88	159.65	174.84	153.13	234.41	1,136.91
	319.87	148.73	152.00	128.37	182.69	931.66
Unallocable expenses						168.82
						136.19
Operating income						968.09
						795.47
Other income (expense), net						115.33
						48.46
Net profit before taxes						1,083.42
						843.93
Income taxes						177.00
						145.00
Net profit after taxes						906.42
						698.93

Year ended March 31, 2003

	Financial services	Manufacturing	Telecom	Retail	Others	Total
Revenues	1,355.94	597.84	543.19	414.54	711.18	3,622.69
Identified operating expenses	546.77	243.93	186.18	132.45	264.64	1,373.97
Allocated expenses	377.31	157.77	143.72	109.56	188.32	976.68
Segmental operating income	431.86	196.14	213.29	172.53	258.22	1,272.04
Unallocable expenses						188.95
Operating income						1,083.09
Other income (expense), net						75.84
Net profit before taxes						1,158.93
Income taxes						201.00
Net profit after taxes						957.93

Geographic segments

Quarter ended December 31, 2003 and December 31, 2002

	North America	Europe	India	Rest of the World	Total
Revenues	891.80	253.86	7.96	81.64	1,235.26
	708.47	157.71	13.46	79.00	958.64
Identifiable operating expenses	369.54	101.98	2.80	37.40	511.72
	281.61	51.84	4.58	17.50	355.53
Allocated expenses	226.23	64.40	2.02	20.71	313.36
	198.14	41.96	7.72	21.80	269.62
Segmental operating income	296.03	87.48	3.14	23.53	410.18
	228.72	63.91	1.16	39.70	333.49
Unallocable expenses					62.23
					49.48
Operating income					347.95
					284.01
Other income (expense), net					45.19
					29.80
Net profit before taxes					393.14
					313.81
Income taxes					65.00
					57.50
Net profit after taxes					328.14
					256.31

Nine months ended December 31, 2003 and December 31, 2002

	North America	Europe	India	Rest of the World	Total
Revenues	2,535.05	647.61	50.06	219.27	3,451.99
	<i>1,909.05</i>	<i>450.15</i>	<i>49.90</i>	<i>193.73</i>	<i>2,602.83</i>
Identifiable operating expenses	1,064.33	260.44	15.70	85.73	1,426.20
	<i>758.31</i>	<i>155.01</i>	<i>17.18</i>	<i>57.13</i>	<i>987.63</i>
Allocated expenses	652.85	166.64	12.94	56.45	888.88
	<i>496.98</i>	<i>114.76</i>	<i>18.76</i>	<i>53.04</i>	<i>683.54</i>
Segmental operating income	817.87	220.53	21.42	77.09	1,136.91
	<i>653.76</i>	<i>180.38</i>	<i>13.96</i>	<i>83.56</i>	<i>931.66</i>
Unallocable expenses					168.82
					<i>136.19</i>
Operating income					968.09
					<i>795.47</i>
Other income (expense), net					115.33
					<i>48.46</i>
Net profit before taxes					1,083.42
					<i>843.93</i>
Income taxes					177.00
					<i>145.00</i>
Net profit after taxes					906.42
					<i>698.93</i>

Geographic segments

Year ended March 31, 2003

	North America	Europe	India	Rest of the World	Total
Revenues	2,637.51	641.58	79.18	264.42	3,622.69
Identifiable operating expenses	1,052.82	224.82	19.79	76.54	1,373.97
Allocated expenses	704.20	169.21	30.01	73.26	976.68
Segmental operating income	880.49	247.55	29.38	114.62	1,272.04
Unallocable expenses					188.95
Operating income					1,083.09
Other income (expense), net					75.84
Net profit before taxes					1,158.93
Income taxes					201.00
Net profit after taxes					957.93

22.2.22. Provision for doubtful debts

Periodically, the company evaluates all customer dues to the company for collectibles. The need for provisions is assessed based on various factors including collectibles of specific dues, risk perceptions of the industry in which the customer operates, general economic factors, which could effect the customer's ability to settle. The company normally provides for debtor dues outstanding for 180 days or longer as at the balance sheet date. As at December 31, 2003 the company has provided for doubtful debts of Rs. 6.22 (as at December 31, 2002 – Rs. 5.62 and as at March 31, 2003 Rs 0.22) on dues from certain customers although the outstanding amounts were less than 180 days old, since the amounts were considered doubtful of recovery. The company continues pursuing the parties for recovery of the dues, in part or full.

22.2.23. Provisions for investments

The Company evaluates all investments for any diminution in their carrying values that is other than temporary. During the quarter and nine months ended December 31, 2003, the amount of provision made on Trade investments amount to Rs. 2.46 and Rs. 8.81 respectively. The company provided Rs. (0.17) crore and Rs. 0.07 crore during the quarter and nine months ended December 31, 2003, respectively, on revision of the carrying amount of non-trade investments to fair value.

22.2.24. Dividends remitted in foreign currencies

Infosys does not make any direct remittances of dividends in foreign currency. The company remits the equivalent of the dividends payable to the holders of ADS ("ADS holders") in Indian Rupees to the depository bank, which is the registered shareholder on record for all owners of the company's ADSs. The depository bank purchases the foreign currencies and remits dividends to the ADS holders.

Particulars of dividends remitted are as follows:

Particulars	Number of shares to which the dividends relate	Quarter ended		Nine months ended		Year ended
		December 31, 2003	December 31, 2002	December 31, 2003	December 31, 2002	March 31, 2003
Final dividend for fiscal 2002	21,18,500	-	-	-	2.65	2.65
Interim dividend for fiscal 2003	21,44,047	-	2.68	-	2.68	2.68
Final dividend for Fiscal 2003	21,60,870	-	-	3.13	-	-
Interim dividend for fiscal 2004	51,78,450	7.51	-	7.51	-	-

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

	Quarter ended		Nine months ended		Year ended
	December 31, 2003	December 31, 2002	December 31, 2003	December 31, 2002	March 31, 2003
Number of shares considered as basic weighted average shares outstanding	6,63,79,862	6,62,21,577	6,62,94,021	6,62,02,947	6,62,11,068
Add: Effect of dilutive issues of shares/stock options	12,28,031	8,35,583	6,35,047	5,52,582	6,05,753
Number of shares considered as weighted average shares and potential shares outstanding	6,76,07,893	6,70,57,160	6,69,29,068	6,67,55,529	6,68,16,821

22.2.26. NOTES ON THE STATEMENT OF CASH FLOW

22.2.26.a.

The balance of cash and cash equivalents includes Rs. 2.12 as at December 31, 2003 (Rs. 1.94 as at December 31, 2002 and Rs. 1.60 as at March 31, 2003) set aside for payment of dividends. Also, an amount of Rs. 10.25 has been retained in escrow as at December 31, 2003 (Rs. nil as at December 31, 2002 and Rs. nil as at March 31, 2003).

22.2.26.b.

Long-term investments in securities include Rs. 12.25 invested in Progeon Limited, a subsidiary, in the nine months ended December 31, 2002. For the quarter and nine months ended December 31, 2003, it includes an amount of US\$ 1 million (Rs. 4.54) towards investment in capital of Infosys Technologies (Shanghai) Co. Limited, China.

During the quarter ended December 31, 2003, the company remitted Rs. 50.75 to its solicitors to be held in trust for the acquisition of shares in Expert Information Systems Pty. Limited., Australia,

22.2.26.c.

The cash flows for the year ended March 31, 2003 excludes an agreement to purchase intellectual property for Rs. 24.50, as the intellectual property and its corresponding liability are in substance a non-cash transaction.