

INFOSYS TECHNOLOGIES LIMITED

Schedules to the Financial Statements for the quarter and half year ended March 31, 2006

22 Significant accounting policies and notes on accounts

Company overview

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

22.1 Significant accounting policies

22.1.1 Basis of preparation of financial statements

The financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles ("GAAP") under the historical cost convention on the 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. The company's financial year end is Mar 31, 2006 and any interim financial statements are prepared to conform to the accounting standard on "Interim Financial Reporting". Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

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

22.1.2 Use of estimates

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

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

22.1.3. Revenue recognition

Revenue from software development on fixed-price, fixed-time frame contracts, where there is no uncertainty as to measurement or collectability of consideration is recognized as per the percentage of completion method. On time-and-materials contracts, revenue is recognized as the related services are rendered. Cost and earnings in excess of billings are classified as unbilled revenue while billing in excess of cost and earnings is classified as unearned revenue. Provision for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the current estimates. Annual Technical Services revenue and revenue from fixed-price maintenance contracts are recognized proportionately over the period in which services are rendered. Revenue from the sale of user licenses for software applications is recognized on transfer of the title in the user license, except in multiple element contracts, where revenue is recognized as per the percentage of completion method.

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

22.1.4 Expenditure

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

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

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

22.1.6 Depreciation and amortization

Depreciation on fixed assets is applied on the straight-line basis over the useful lives of assets estimated by the Management. Depreciation for assets purchased / sold during a period is proportionately charged. Individual low cost assets (acquired for less than Rs. 5,000/-) are entirely depreciated in the year of acquisition. Intangible assets are amortized over their respective individual estimated useful lives on a straight-line basis, commencing from the date the asset is available to the company for its use. Management estimates the useful lives for the 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

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

22.1.7.b Superannuation

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

22.1.7.c Provident fund

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

22.1.8. Research and development

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

22.1.9. Foreign currency transactions

Revenue from overseas clients and collections deposited in foreign currency bank accounts are recorded at the exchange rate as of the date of the respective transactions. Expenditure in foreign currency is accounted at the exchange rate prevalent when such expenditure is incurred. Disbursements made out of foreign currency bank accounts are reported at the daily rates. Exchange differences are recorded when the amount actually received on sales or actually paid when expenditure is incurred, is converted into Indian Rupees. The exchange differences arising on foreign currency transactions are recognized as income or expense in the period in which they arise.

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

Monetary current assets and monetary current liabilities that are denominated in foreign currency are translated at the exchange rate prevalent at the date of the balance sheet. The resulting difference is also recorded in the profit and loss account.

22.1.10 Forward contracts in foreign currencies

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

The company records the gain or loss on effective hedges in the foreign currency fluctuation reserve until the transactions are complete. On completion, the gain or loss is transferred to the profit and loss account of that period. To designate a forward contract or option as an effective hedge, Management objectively evaluates and evidences with appropriate supporting documents at the inception of each contract whether the contract is effective in achieving offsetting cash flows attributable to the hedged risk. In the absence of a designation as effective hedge, a gain or loss is recognized in the profit and loss account.

22.1.11. Income tax

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

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

22.1.12. Earnings per share

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

22.1.13. Investments

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

22.1.14. Cash flow statement

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, investing and financing activities of the company are segregated.

22.2 Notes on accounts

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

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

22.2.1 Aggregate expenses

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

	<i>in Rs. crore</i>			
	Quarter ended		Half year ended	
	2006	2005	2006	2005
	March 31,		March 31,	
Salaries and bonus including overseas staff expenses	1,167	815	2,263	1,631
Contribution to provident and other funds	26	24	50	48
Staff welfare	8	6	17	13
Overseas group health insurance	11	10	24	20
Overseas travel expenses	78	68	156	122
Visa charges and others	15	7	24	15
Traveling and conveyance	19	15	35	26
Technical sub-contractors - others	42	32	71	62
Technical sub-contractors - subsidiaries	102	66	193	130
Software packages				
For own use	35	34	69	64
For service delivery to clients	5	2	11	6
Professional charges	36	19	65	41
Telephone charges	24	17	43	28
Communication expenses	13	12	23	22
Power and fuel	17	11	32	22
Office maintenance	20	14	38	24
Guest house maintenance*	-	-	-	-
Commission and earnout charges	(2)	9	8	16
Brand building	11	8	25	16
Rent	9	8	18	16
Insurance charges	6	8	11	15
Computer maintenance	5	3	12	7
Printing and stationery	2	2	5	4
Consumables	4	4	8	7
Donations	4	4	8	12
Advertisements	5	4	8	7
Marketing expenses	4	3	7	5
Repairs to building	5	6	8	10
Repairs to plant and machinery	3	3	6	5
Rates and taxes	2	2	4	4
Professional membership and seminar participation fees	3	2	5	3
Postage and courier	1	1	2	2
Provision for post-sales client support and warranties	3	9	(3)	3
Books and periodicals	1	1	3	1
Provision for taxation				
Provision for bad and doubtful debts	3	6	-	12
Provision for doubtful loans and advances	-	-	-	-
Commission to non-whole time directors	-	-	1	-
Sales promotion expenses	-	1	1	1
Freight charges	-	-	-	-
Bank charges and commission	-	-	1	1
Auditor's remuneration				
Statutory audit fees	-	-	-	-
Certification charges	-	-	-	-
Others	-	-	-	-
Out-of-pocket expenses	-	-	-	-
Research grants	-	-	1	1
Miscellaneous expenses (refer to note 22.2.15)	2	1	2	2
	<u>1,689</u>	<u>1,237</u>	<u>3,255</u>	<u>2,424</u>

*for non-training purposes

The above expenses for the quarter and half year ended March 31, 2006 include Fringe Benefit Tax (FBT) in India amounting to Rs. 3 crore and Rs.6 crore wherever applicable.

22.2.2 Capital commitments and contingent liabilities

	<i>in Rs. crore</i>	
	As at March 31,	
	2006	2005
Estimated amount of unexecuted capital contracts (net of advances and deposits)	509	273
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	20	13
Claims against the company, not acknowledged as debts	14*	16
(Net of Amount Rs. 138 crore paid to statutory authorities)		
Forward contracts outstanding		
In US\$	US \$ 100,000,000	US\$ 349,000,000
(Equivalent approximate in Rs. crore)	445	1,539
Range barrier options in US \$	US \$ 210,000,000	-
(Equivalent approximate in Rs. crore)	934	-
Range barrier options in Euro	€ 3,000,000	-
(Equivalent approximate in Rs. crore)	16	-
Range barrier options in GBP	£3,000,000	-
(Equivalent approximate in Rs. crore)	23	-

* Claims against the Company not acknowledged as debts include demands from the Indian tax authorities for payment of additional tax of Rs. 135 crore (Rs. Nil), including interest of Rs. 33 crore (Rs. Nil), upon completion of their tax review for fiscal 2002 and 2003. The tax demand is mainly on account of disallowance of a portion of the deduction to its taxable income under Indian law claimed by the company under Section 10A of the Income-tax Act. Deduction under Section 10A of the Income-tax Act is determined by the ratio of "Export Turnover" to "Total Turnover". The disallowance arose from certain expenses incurred in foreign currency being reduced from Export Turnover but not reduced from Total Turnover.

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

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)

	<i>in Rs. crore</i>				
	Quarter ended March 31,		Half year ended March 31,		
	2006	2005	2006	2005	
Capital goods	55	37	95	69	
Software packages	-	5	4	6	
	55	42	99	75	

22.2.5. Activity in foreign currency

	<i>in Rs. crore</i>			
	Quarter ended March 31,		Half year ended March 31,	
	2006	2005	2006	2005
Earnings in foreign currency (on receipts basis)				
Income from software services and products	2,201	1,564	4,524	3,255
Interest received on deposits with banks	2	1	4	1
Expenditure in foreign currency (on payments basis)				
Travel expenses	68	56	129	95
Professional charges	16	7	29	16
Technical Sub-Contractors - Subsidiaries	101	62	191	129
Other expenditure incurred overseas for software development	751	521	1,404	1,150
Net earnings in foreign currency (on the receipts and payments basis)				
Net earnings in foreign exchange	1,267	919	2,775	1,866

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:-

	<i>in Rs. crore</i>			
	Quarter ended March 31,		Half year ended March 31,	
	2006	2005	2006	2005
Lease rentals recognized during the period	9	8	18	16
Lease obligations			As at	
			March 31, 2006	March 31, 2005
Within one year of the balance sheet date			24	20
Due in a period between one year and five years			100	65
Due after five years			61	24
			185	109

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

Fixed assets provided on operating lease to Progeon, a subsidiary company, as at March 31, 2006 and 2005:-

Particulars	Cost	Accumulated depreciation	Net book value
Building	33	5	28
	13	3	10
Plant and machinery	16	7	9
	6	4	2
Computers	2	2	-
	1	1	-
Furniture & Fixtures	11	8	3
	9	7	2
Total	62	22	40
	29	15	14

The aggregate depreciation charged on the above during the quarter and half year ended March 31, 2006 amounted to Rs. 4 crore and Rs. 6 crore (the quarter and half year ended March 31, 2005 amounted to Rs. 1 crore and Rs. 1 crore).

The company has non-cancelable operating leases on equipped premises leased to Progeon. The leases extend for periods between 36 months and 70 months from the date of inception. The lease rentals received are included as a component of Sale of shared services (Refer Note 22.2.7). Lease Rental commitments from Progeon:-

Lease rentals	<i>in Rs. crore</i>	
	As at March 31, 2006	March 31, 2005
Within one year of the balance sheet date	11	6
Due in a period between one year and five years	17	4
Due after five years	-	-
	28	10

The rental income from Progeon for the quarter and half year ended March 31, 2006 amounted to Rs. 3 crore and Rs. 6 crore respectively (Rs. 2 crore and Rs. 4 crore for the quarter and half year ended March 31, 2005 respectively).

22.2.7. Related party transactions

List of the related parties:

Name of the related party	Country	Holding, as at	
		March 31, 2006	March 31, 2005
Progeon Limited	India	71.74%	99.54%
Infosys Technologies (Australia), Pty Limited	Australia	100%	100%
Infosys Technologies (Shanghai) Co. Limited	China	100%	100%
Infosys Consulting, Inc.	USA	100%	100%
Progeon s. r. o *	Czech Republic	71.74%	99.54%

* Progeon s.r.o is a wholly owned subsidiary of Progeon Limited.

The details of the related party transactions entered into by the company, in addition to the lease commitments described in note 22.2.6, for the quarter and half year ended March 31, 2006 and 2005 are as follows:-

Particulars	Quarter ended		Half year ended	
	2006	March 31, 2005	2006	March 31, 2005
<i>in Rs. crore</i>				
Capital transactions:				
Financing transactions				
Progeon (Including Progeon s.r.o)	-	-	-	-
Infosys Australia	-	-	-	-
Infosys China	-	-	-	-
Infosys Consulting	9	-	9	23
Loans				
Infosys China	5	-	14	-
Revenue transactions:				
Purchase of services				
Progeon (Including Progeon s.r.o)	2	1	3	2
Infosys Australia	63	53	121	112
Infosys China	4	2	7	3
Infosys Consulting	34	10	64	13
Purchase of shared services including facilities and personnel				
Progeon (Including Progeon s.r.o)	-	-	-	-
Infosys Australia	-	-	-	-
Infosys China	-	-	-	-
Infosys Consulting	-	-	-	-
Sale of services				
Progeon (Including Progeon s.r.o)	1	-	11	-
Infosys Australia	-	-	1	-
Infosys China	1	-	1	-
Infosys Consulting	1	-	2	1
Sale of shared services including facilities and personnel				
Progeon (Including Progeon s.r.o)	3	3	6	7
Infosys Australia	-	-	-	-
Infosys China	-	-	-	-
Infosys Consulting	2	-	4	-

Details of amounts due to or due from and maximum dues from subsidiaries for the period ended March 31, 2006 and 2005:

Particulars	As at	
	March 31, 2006	March 31, 2005
<i>in Rs. crore</i>		
Sundry Debtors		
Progeon (Including Progeon s.r.o)	-	-
Infosys Australia	-	-
Infosys China	-	-
Infosys Consulting	-	-
Sundry Creditors		
Progeon (Including Progeon s.r.o)	-	-
Infosys Australia	-	-
Infosys China	-	1
Infosys Consulting	-	-
Loans and advances		
Progeon (Including Progeon s.r.o)	-	-
Infosys Australia	-	-
Infosys China	20	2
Infosys Consulting	-	-
Maximum balances of loans and advances		
Progeon (Including Progeon s.r.o)	3	-
Infosys Australia	28	-
Infosys China	20	3
Infosys Consulting	-	1

During the quarter and half year ended March 31, 2006, an amount of Rs. 4 crore and Rs. 6 crore respectively (for the quarter and half year ended March 31, 2005 Rs. 4 crore and Rs. 7 crore respectively) was donated to Infosys Foundation, a not-for-profit foundation, in which certain directors of the company are trustees.

22.2.8. Transactions with key management personnel

Key Management personnel comprise directors and statutory officers.

Particulars of remuneration and other benefits paid to key management personnel during the quarter and half year ended March 31, 2006 and 2005 have been detailed in Schedule 22.3 since the amounts are less than a crore.

22.2.9. Research and development expenditure

	<i>in Rs. crore</i>			
	Quarter ended March 31,		Half year ended March 31,	
	2006	2005	2006	2005
Capital Revenue	-	-	-	-
	<u>25</u>	<u>25</u>	<u>51</u>	<u>44</u>
	25	25	51	44

22.2.10. Dues to small-scale industrial undertakings

As at March 31, 2006 and March 31, 2005, the company has no outstanding dues to small-scale industrial undertaking.

22.2.11. Stock option plans

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

1998 Stock Option Plan ("the 1998 Plan")

The 1998 Plan was approved by the board of directors in December 1997 and by the shareholders in January 1998, and is for issue of 58,80,000 ADSs representing 58,80,000 equity shares. The 1998 Plan automatically expires in January 2008, unless terminated earlier. All options under the 1998 Plan are exercisable for ADSs representing equity shares. A compensation committee comprising independent members of the board of directors administers the 1998 Plan. All options have been granted at 100% of fair market value.

Number of options granted, exercised and forfeited during †	Quarter ended March 31,		Half year ended March 31,	
	2006	2005	2006	2005
Options outstanding, beginning of period	24,47,664	33,20,447	27,46,732	37,02,050
Granted	-	-	-	-
Less: exercised	(1,38,324)	(2,14,153)	(4,11,972)	(5,02,032)
forfeited	(36,100)	(52,004)	(61,520)	(1,45,728)
Options outstanding, end of period	22,73,240	30,54,290	22,73,240	30,54,290

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 2,64,00,000 equity shares to the employees. The compensation committee administers the 1999 Plan. Options were issued to employees at an exercise price that is not less than the fair market value.

Number of options granted, exercised and forfeited during †	Quarter ended March 31,		Half year ended March 31,	
	2006	2005	2006	2005
Options outstanding, beginning of period	1,05,00,595	1,50,61,470	1,21,24,188	1,65,78,897
Granted	-	-	-	-
Less: exercised	(891,493)	(9,00,092)	(2,483,496)	(2,207,847)
forfeited	(19,565)	(1,06,441)	(51,155)	(3,16,113)
Options outstanding, end of period	95,89,537	1,40,54,937	95,89,537	1,40,54,937

The aggregate options considered for dilution are set out in note 22.2.20

22.2.12. Income taxes

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

Most of Infosys' operations are conducted through Software Technology Parks ("STPs"). Income from STPs are tax exempt for the earlier of 10 years commencing from the fiscal year in which the unit commences software development, or March 31, 2009.

Infosys now also has operations in a Special Economic Zone ("SEZ"). Income from SEZs are 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.

During the year ended March 31, 2006, the tax authorities in an overseas tax jurisdiction completed the assessment of income upto fiscal year 2004. Based on the assessment order, management has re-estimated its tax liabilities and written back an amount of Rs. 20 crore. The tax provision for the year is net of the write-back.

22.2.13 Cash and bank balances

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

Balances with non-scheduled banks	As at		in Rs. crore	
	March 31, 2006	March 31, 2005		
In current accounts				
ABN Amro Bank , Taipei, Taiwan	1	-		
Bank of America, Palo Alto, USA	229	125		
Bank of China, Beijing, China	-	-		
Citibank NA, Melbourne, Australia	39	3		
Citibank NA, Singapore	-	-		
Citibank NA, Tokyo, Japan	1	2		
Citibank NA, Sharjah, UAE	-	-		
Deutsche Bank, Brussels, Belgium	8	1		
Deutsche Bank, Frankfurt, Germany	21	6		
Deutsche Bank, Amsterdam, Netherlands	4	-		
Deutsche Bank, Paris, France	1	1		
Deutsche Bank, Zurich, Switzerland	6	4		
HSBC Bank PLC, Croydon, UK	60	5		
ICICI Bank UK Ltd., London, UK	-	30		
ICICI Bank - Toronto, Canada	-	2		
Nordbanken, Stockholm, Sweden	-	-		
Royal Bank of Canada, Toronto, Canada	4	11		
UFJ Bank, Tokyo, Japan	-	-		
Svenska Handels Bank, Stockholm, Sweden	1	-		
	375	190		

in Rs. crore

Maximum balance with non-scheduled banks during the	Quarter ended		Half year ended	
	2006	2005	2006	2005
In current accounts				
ABN Amro Bank, Taipei, Taiwan	2	-	2	-
Bank of America, Palo Alto, USA	318	221	391	221
Bank of China, Beijing, China	-	-	-	-
Bank of Melbourne, Melbourne, Australia	-	-	-	-
Citibank NA, Melbourne, Australia	39	73	39	75
Citibank NA, Hong Kong	-	-	-	-
Citibank NA, Singapore	-	-	-	-
Citibank NA, Sydney, Australia	-	-	-	-
Citibank NA, Tokyo, Japan	8	10	9	10
Citibank NA, Sharjah, UAE	-	-	-	-
Deutsche Bank, Brussels, Belgium	23	19	23	33
Deutsche Bank, Frankfurt, Germany	30	37	35	48
Deutsche Bank, Amsterdam, Netherlands	8	-	8	1
Deutsche Bank, Paris, France	6	3	6	4
Deutsche Bank, Zurich, Switzerland	11	6	12	6
HSBC Bank PLC, Croydon, UK	60	26	91	33
ICICI Bank, Uk Limited, London, UK	9	29	17	29
ICICI Bank - Toronto, Canada	-	2	8	2
Merrill Lynch Esop A/c	-	16	-	29
Nordbanken, Stockholm, Sweden	-	-	-	-
Nova Scotia Bank, Toronto, Canada	-	-	-	1
Royal Bank of Canada, Toronto, Canada	15	16	16	16
Svenska Handels Bank, Stockholm, Sweden	1	1	2	2
UFJ Bank, Tokyo, Japan	1	-	1	-

The cash and bank balances include interest accrued but not due on fixed deposits amounting to Rs. 25 crore for the year ended March 31, 2006 (Rs.10 crore for the year ended March 31, 2005)

22.2.14 Loans and advances

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

Deposits with financial institutions:-

Deposits with financial institutions and body corporate:	As at		in Rs. crore	
	March 31, 2006	March 31, 2005		
Housing Development Finance Corporation Limited ("HDFC")	500	202		
Life Insurance Corporation of India	80	66		
	580	268		
Interest accrued but not due (included above)	-	2		

Maximum balance held as deposits with financial institutions and body corporate:

	Quarter ended		Half year ended	
	2006	March 31, 2005	2006	March 31, 2005
Deposits with financial institutions:				
Housing Development Finance Corporation Limited	503	202	503	202
Life Insurance Corporation of India ("LIC")	80	66	80	66
Deposit with body corporate:				
GE Capital Services India Limited	227	-	227	-

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

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

22.2.15. Fixed assets

Profit / (loss) on disposal of fixed assets

	Quarter ended		Half year ended	
	2006	March 31, 2005	2006	March 31, 2005
Profit on disposal of fixed assets, included in miscellaneous income	-	-	-	-
(Loss) on disposal of fixed assets, included in miscellaneous expenses	-	(1)	-	(1)
Profit / (loss) on disposal of fixed assets, net	-	(1)	-	(1)

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

	Quarter ended		Half year ended	
	2006	March 31, 2005	2006	March 31, 2005
Charged during the period	39	25	56	36

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 March 31, 2006.

22.2.16 Details of Investments

in Rs. crore

	As at	
	March 31, 2006	March 31, 2005
Long- term investments		
CiDRA Corporation, USA		
14,124 (12,752) Series D convertible preferred stock at US\$ 90 each, fully paid, par value US\$ 0.01 each	5	5 *
72,539 (72,539) Class A common stock, par value US\$ 0.001 each	-	-
2,139 (2,139) Non voting redeemable preferred stock, par value US\$ 0.01 each	-	-
CyVera Corporation, USA		
Nil (25,641) , Series A preferred stock par value US\$0.001	-	-
OnMobile Systems Inc., (formerly Onscan Inc.) USA		
1,00,000 (1,00,000) common stock at US\$ 0.4348 each, fully paid, par value US\$ 0.001 each	-	-
1,00,000 (1,00,000) Series A voting convertible preferred stock at US\$ 0.4348 each, fully paid, par value US\$ 0.001 each	-	-
44,00,000 (44,00,000) Series A non-voting convertible preferred stock at US\$ 0.4348 each, fully paid, par value US\$ 0.001 each	9	9 *
M-Commerce Ventures Pte Ltd, Singapore		
100 (100) ordinary shares of Singapore \$ 1 each, fully paid, par value Singapore \$ 1 each	-	-
684 (684) redeemable preference shares of Singapore \$ 1, fully paid, at a premium of Singapore \$ 1,110 per redeemable preferred stock	2	2
216 (216) redeemable preference shares of Singapore \$ 1, fully paid, par value Singapore \$ 1 each	-	-
Software Services Support Education Center Limited		
Nil (1) equity share of Rs. 10 each, fully paid, par value Rs. 10	-	-
Illumina Inc.		
758 (nil) common stock at USD 0.01 per share	-	-
The Saraswat Co-operative Bank Limited, India		
Nil (1,035) equity shares of Rs. 10 each, fully paid, par value Rs. 10	-	-
Less: Provision for investment	16	16
	14	14
	<u>2</u>	<u>2</u>

* Investments that are provided for in whole

Current investments - Liquid Mutual Funds, India

in Rs. crore

	Number of units		Amount	
	March 31, 2006	March 31, 2005	March 31, 2006	March 31, 2005
ABN Amro Cash Fund	-	-	-	-
Birla Cash Plus Institutional Premium Fund	9,94,77,727	9,24,76,122	100	100
CanLiquid Institutional Fund	5,97,28,831	-	60	-
Chola Liquid Fund Institutional Plus	4,63,08,937	-	54	-
Deutsche Bank Insta-Cash Plus Fund	-	4,99,57,408	-	50
DSP Merrill Lynch Liquidity Fund	-	6,05,17,461	-	75
Grindlays Cash Fund - Super Institutional Plan C	-	7,07,47,373	-	75
HDFC Liquid Fund - Premium Plus	-	8,36,11,057	-	100
HSBC Cash Fund - Institutional Plus	-	7,48,98,088	-	75
ING Vysya Liquid Fund - Super Institutional	7,88,74,225	-	79	-
JM High Liquidity Fund	-	7,69,31,305	-	77
Kotak Mahindra Liquid Fund- Institutional Premium	-	8,97,41,740	-	90
Principal Cash Management Fund	-	5,49,75,911	-	55
Prudential ICICI Liquid Plan - Institutional Plus	-	8,37,14,699	-	100
Reliance Liquid Fund Treasury Plan - Institutional Option	-	5,30,22,669	-	86
SBI Magnum Institutional Income - Savings	-	2,38,20,119	-	25
Sundaram Money Fund - Institutional	2,96,83,287	-	30	-
Templeton India Treasury Management Account	-	9,49,782	-	95
UTI Liquid Cash Plan - Institutional	14,77,424	4,94,901	150	50
TLSM Tata Liquid Super High Inv Fund	13,31,587	6,24,358	150	70
LICMF Liquid Fund - Dividend Plan	5,54,51,349	4,15,28,325	61	45
			<u>684</u>	<u>1,168</u>
At cost			624	733
At fair value			<u>60</u>	<u>435</u>
			<u>684</u>	<u>1,168</u>

Details of investments in and disposal of securities during the quarter and half year ended March 31, 2006 and 2005:-

	<i>in Rs. crore</i>			
	Quarter ended March 31,		Half year ended March 31,	
	2006	2005	2006	2005
Investment in securities				
Subsidiaries	9	-	9	23
Long-term investments	-	-	-	-
Liquid Mutual funds	-	151	191	241
	<u>9</u>	<u>151</u>	<u>200</u>	<u>264</u>
Redemption / Disposal of Investment in securities				
Subsidiaries	-	-	-	-
Long-term investments	-	-	-	-
Liquid Mutual funds	1,443	-	1,763	-
	<u>1,443</u>	<u>-</u>	<u>1,763</u>	<u>-</u>
Net movement in investments	<u>(1,434)</u>	<u>151</u>	<u>(1,563)</u>	<u>264</u>

Investment purchased and sold during the half year ended March 31, 2006:-

Name of the fund	Face value Rs /-	Units	<i>in Rs. crore</i>
			Cost
ABN Amro Cash Fund	10	14,959,161	15
RLF - Treasury Plan - Institutional Option	10	118,231,753	121

Particulars of investments made during the quarter and half year ended March 31, 2006 and 2005:-

Particulars of investee companies	<i>in Rs. crore</i>			
	Quarter ended March 31,		Half year ended March 31,	
	2006	2005	2006	2005
Infosys Consulting Inc., USA	9	-	9	23
	<u>9</u>	<u>-</u>	<u>9</u>	<u>23</u>

Conversion of Cumulative Preference shares in Progeon

Progeon had issued an aggregate of 87,50,000 0.005% Cumulative Convertible Preference shares of par value Rs. 100 each to Citicorp International Finance Corporation ("CIFIC") for an aggregate consideration of Rs. 94 crore as per the shareholder's agreement as of March 31, 2005. Each preference share was convertible to one equity share of par value Rs. 10/-. On June 30, 2005 CIFIC exercised its rights under the shareholder's agreement and converted the preference shares to equity shares. Pursuant to the conversion, the equity share capital of Progeon increased by Rs 9 crore to Rs 33 crore and the share premium increased by Rs. 79 crore to Rs. 85 crore. As of March 31, 2006, Infosys' equity holding in Progeon was 71.74%.

22.2.17. 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 March 31, 2006 and 2005:

	<i>in Rs. crore</i>					
	Financial services	Manufacturing	Telecom	Retail	Others	Total
Revenues	884	373	386	264	586	2,493
	636	270	356	181	457	1,900
Identifiable operating expenses	401	165	152	108	249	1,075
	264	114	147	78	177	780
Allocated expenses	218	92	95	65	144	614
	153	65	85	43	110	456
Segmental operating income	265	116	139	91	193	804
	219	91	124	60	170	664
Unallocable expenses						134
						93
Operating income						670
						571
Other income (expense), net						71
						32
Net profit before taxes						741
						603
Income taxes						77
						89
Net profit after taxes						664
						514

Half year ended March 31, 2006 and 2005:

	<i>in Rs. crore</i>					
	Financial services	Manufacturing	Telecom	Retail	Others	Total
Revenues	1,732	722	748	521	1,168	4,891
	1,261	536	674	357	871	3,699
Identifiable operating expenses	763	319	296	211	484	2,073
	517	229	294	149	344	1,533
Allocated expenses	420	174	180	126	282	1,182
	304	129	162	86	210	891
Segmental operating income	549	229	272	184	402	1,636
	440	178	218	122	317	1,275
Unallocable expenses						243
						162
Operating income						1,393
						1,113
Other income (expense), net						70
						79
Net profit before taxes						1,463
						1,192
Income taxes						157
						182
Net profit after taxes						1,306
						1,010

Geographic Segments

Quarter ended March 31, 2006 and 2005:-

	North America	Europe	India	Rest of the World	Total
Revenues	1,641	622	47	183	2,493
	1,230	439	40	191	1,900
Identifiable operating expenses	707	245	16	107	1,075
	512	162	12	94	780
Allocated expenses	404	154	11	45	614
	296	105	9	46	456
Segmental operating income	530	223	20	31	804
	422	172	19	51	664
Unallocable expenses					134
					93
Operating income					670
					571
Other income (expense), net					71
					32
Net profit before taxes					741
					603
Income taxes					77
					89
Net profit after taxes					664
					514

Half year ended March 31, 2006 and 2005:-

	North America	Europe	India	Rest of the World	Total
Revenues	3,218	1,212	82	379	4,891
	2,436	838	80	345	3,699
Identifiable operating expenses	1,370	468	34	201	2,073
	998	319	23	193	1,533
Allocated expenses	778	294	19	91	1,182
	587	202	19	83	891
Segmental operating income	1,070	450	29	87	1,636
	851	317	38	69	1,275
Unallocable expenses					243
					162
Operating income					1,393
					1,113
Other income (expense), net					70
					79
Net profit before taxes					1,463
					1,192
Income taxes					157
					182
Net profit after taxes					1,306
					1,010

22.2.18. Provision for doubtful debts

Periodically, the company evaluates all customer dues to the company for collectibility. The need for provisions is assessed based on various factors including collectibility of specific dues, risk perceptions of the industry in which the customer operates, general economic factors, which could affect the customer's ability to settle. The company normally provides for debtor dues outstanding for 180 days or longer as at the balance sheet date. As at March 31, 2006 the company has provided for doubtful debts of Rs. 2 crore (Rs 8 crore as at March 31, 2005) on dues from certain customers although the outstanding amounts were less than 180 days old, since the amounts were considered doubtful of recovery. The company pursues the recovery of the dues, in part or full.

22.2.19. Dividends remitted in foreign currencies

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

Particulars of dividends remitted:		<i>in Rs. crore</i>			
Particulars	Number of shares to which the dividends relate	Quarter ended		Half year ended	
		March 31,		March 31,	
		2006	2005	2006	2005
Interim dividend for fiscal 2005	2,12,44,988	-	-	-	11
Final dividend for fiscal 2005	3,77,66,327	-	-	-	-
Interim dividend for fiscal 2006	3,80,51,211	-	-	25	-

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

	Quarter ended		Half year ended	
	2006	2005	2006	2005
Number of shares considered as basic weighted average shares outstanding	27,51,09,907	27,00,94,432	27,44,40,691	26,94,34,087
Add: Effect of dilutive issues of shares/stock options	72,07,386	83,01,987	75,32,420	83,42,941
Number of shares considered as weighted average shares and potential shares outstanding	28,23,17,293	27,83,96,419	28,19,73,111	27,77,77,028

22.2.21 Cash flow statement

22.2.21.a

The balance of cash and cash equivalents includes Rs. 3 crore as at March 31, 2006 (Rs. 3 crore as at March 31, 2005) set aside for payment of dividends.

22.2.21.b

During the year ended March 31, 2005, Infosys issued bonus shares at the ratio of three equity shares for each equity share in India and a stock dividend of two ADSs for each ADS in USA. The ratio of shares to ADS was also changed from 1:2 to 1:1. Consequently, the share capital of the company stands increased by Rs. 100 crore. The bonus shares were issued by capitalisation of general reserves.

22.2.21.c

Deposits with financial institutions and body corporate as at March 31, 2006 include an amount of Rs. 80 crore (Rs. 66 crore as at March 31, 2005) deposited with Life Insurance Corporation of India to settle employee benefit/ leave obligations as and when they arise during the normal course of business. This amount is considered as restricted cash and is hence not considered "cash and cash equivalents".

22.3 Details of rounded off amounts

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

Balance Sheet Items

Schedule	Description	As at	
		March 31, 2006	March 31, 2005
<i>in Rs. crore</i>			
3	Fixed assets		
	Additions		
	Vehicles	0.75	0.35
	Deductions/retirements		
	Land - free-hold	0.01	-
	Vehicles	-	0.09
	Buildings	0.80	0.34
	Depreciation & Amortization		
	Vehicles	0.19	0.10
8	Unsecured, considered doubtful		
	Loans and advances to employees	0.44	0.23
	Provision for doubtful loans and advances to employees	0.44	0.23
22.2.6	Computers on operating lease to Progeon		
	- Net Book Value	0.17	0.05
22.2.7	Related party transactions		
	Maximum balances of loans and advances		
	- Progeon (Including Progeon s.r.o)	3.00	0.45
22.2.13	Balances with non-scheduled banks		
	- ABN Amro Bank , Taipei, Taiwan	0.94	0.02
	- Bank of China, Beijing, China	0.02	0.02
	- Citibank NA, Singapore	0.19	0.35
	- Citibank NA, Sharjah, UAE	0.04	0.03
	- Deutsche Bank, Amsterdam, Netherlands	3.45	0.15
	- Nordbanken, Stockholm, Sweden	0.09	0.12
	- Svenska Handels Bank, Stockholm, Sweden	0.51	0.35
	- Bank of Tokyo-Mitsubishi UFJ, Ltd., Japan	0.09	0.32
22.2.14	Loans & Advances		
	Interest accrued but not due - Deposits with Financial Institutions and Body Corporates	0.10	1.54
22.2.16	Long- term investments		
	Onmobile (common stock)	0.19	0.19
	Onmobile (Series A - voting)	0.19	0.19

Profit & Loss Items

Schedule	Description	<i>in Rs. crore</i>			
		Quarter ended		Half year ended	
		2006	2005	2006	2005
Profit & Loss account					
12	Selling & Marketing expenses				
	Contribution to Provident and other funds	0.27	0.36	0.59	0.89
	Staff welfare	0.56	0.17	1.05	0.25
	Communication expenses	0.12	0.01	0.32	0.03
	Printing and Stationary	0.37	0.47	0.65	0.74
	Office maintenance	0.05	0.09	0.08	0.14
	Sales Promotion Expenses	0.47	0.36	0.79	0.63
	Consumables	0.06	0.02	0.12	0.05
	Software packages for own use	0.14	0.15	0.14	0.15
	Insurance charges	-	0.01	0.02	0.12
13	General and Administration expenses				
	Provision for doubtful loans and advances	0.05	-0.05	0.31	-0.01
	Commission to non whole-time directors	0.44	0.08	0.77	0.46
	Freight Charges	0.24	0.15	0.39	0.35
	Bank Charges and Commission	0.25	0.24	0.53	0.52
	Research Grants	0.30	0.41	0.65	0.65
	Auditor's remuneration				
	statutory audit fees	0.10	0.09	0.25	0.18
	Certification charges	0.03	0.03	0.03	0.03
	Others	-	-	-	0.07
	Out of Pocket Expenses	0.01	-	0.02	0.01
	Provision for Investments	-0.6	0.23	-0.87	-0.16

Schedule	Description	<i>in Rs. crore</i>			
		Quarter ended March 31,		Half year ended March 31,	
		2006	2005	2006	2005
22.2.1	Aggregate expenses				
	Provision for doubtful loans and advances	0.05	-0.05	0.31	-0.01
	Commission to non whole-time directors	0.44	0.08	0.77	0.46
	Sales Promotion Expenses	0.47	0.36	0.79	0.63
	Freight Charges	0.24	0.15	0.39	0.35
	Bank Charges and Commission	0.25	0.24	0.53	0.52
	Research Grants	0.30	0.41	0.65	0.65
	Auditor's remuneration				
	statutory audit fees	0.10	0.09	0.25	0.18
	Certification charges	0.03	0.03	0.03	0.03
	Others	-	-	-	0.07
	Out of Pocket Expenses	0.01	-	0.02	0.01
22.2.4	Imports (valued on the cost, insurance and freight basis)				
	Software Packages	0.21	5.33	4.27	6.59
22.2.7	Related party transactions				
	Revenue transactions:				
	Sale of services - Progeon (including Progeon s.r.o)	1.00	0.02	11.00	0.06
	Sale of services - Infosys Consulting	0.77	0.34	1.32	1.18
22.2.9	Research and Development Expenditure - Capital	-	-	0.16	-
22.2.13	Maximum Balance with non-scheduled banks				
	- ABN Amro Bank, Taiwan	1.61	0.03	1.61	0.04
	- Bank of China, Beijing China	0.03	0.10	0.04	0.10
	- Citibank NA, Hongkong	0.26	0.35	0.47	0.35
	- Citibank NA, Singapore	0.22	0.40	0.25	0.43
	- Citibank NA, Sharjah, UAE	0.13	0.19	0.16	0.19
	- Duetsche Bank Netherlands	7.89	0.49	7.89	0.75
	- Nordbanken, Stockholm, Sweden	0.14	0.19	0.14	0.19
	- Bank of Tokyo-Mitsubishi UFJ, Ltd., Japan	0.85	0.46	0.85	0.46
22.2.15	Profit / (loss) on disposal of fixed assets				
	Profit on disposal of fixed assets, included in miscellaneous income	0.24	0.19	0.35	0.20
	(Loss) on disposal of fixed assets, included in miscellaneous expenses	-0.17	-0.88	-0.42	-0.89
	Profit / (loss) on disposal of fixed assets, net	0.07	-0.69	-0.07	-0.69

Cash Flow Statement Items

Schedule	Description	<i>in Rs. crore</i>			
		Quarter ended March 31,		Half year ended March 31,	
		2006	2005	2006	2005
Cash flow statement	(Profit)/ loss on sale of fixed assets	0.07	-0.19	(0.07)	(0.20)
	Provision for Investments	(0.60)	0.23	(0.87)	(0.16)

Transactions with key management personnel

Key management personnel comprise directors and statutory officers.

Particulars of remuneration and other benefits paid to key management personnel during the quarter and half year ended March 31, 2006 and 2005:

Name	Salary	Contributions to provident and other funds	Perquisites and incentives	<i>in Rs. crore</i>
				Total Remuneration
Chairman and Chief Mentor				
N R Narayana Murthy	0.03	0.01	0.06	0.10
	0.03	0.01	0.04	0.08
	0.06	0.02	0.11	0.19
	0.06	0.02	0.10	0.18
Chief Executive Officer, President and Managing Director				
Nandan M Nilekani	0.03	0.01	0.06	0.10
	0.03	0.01	0.04	0.08
	0.06	0.02	0.11	0.19
	0.06	0.02	0.10	0.18
Chief Operating Officer and Deputy Managing Director				
S Gopalakrishnan	0.03	0.01	0.06	0.10
	0.03	0.01	0.04	0.08
	0.06	0.02	0.11	0.19
	0.06	0.02	0.10	0.18
Whole-time Directors				
K Dinesh	0.03	0.01	0.06	0.10
	0.03	0.01	0.04	0.08
	0.06	0.02	0.11	0.19
	0.06	0.02	0.10	0.18
S D Shibulal	0.03	0.01	0.09	0.13
	0.20	-	0.07	0.27
	0.26	0.01	0.16	0.43
	0.41	-	0.21	0.62
Chief Financial officer				
T V Mohandas Pai	0.05	0.02	0.12	0.19
	0.04	0.01	0.10	0.15
	0.10	0.04	0.24	0.38
	0.08	0.02	0.24	0.34
Srinath Batni	0.04	0.02	0.11	0.17
	0.04	0.01	0.09	0.14
	0.08	0.04	0.22	0.34
	0.08	0.02	0.21	0.31
Other Senior Management Personnel				
Company Secretary				
V Balakrishnan	0.03	0.01	0.08	0.12
	0.03	0.01	0.09	0.13
	0.06	0.02	0.17	0.25
	0.06	0.02	0.21	0.29

Particulars of remuneration and other benefits provided to key management personnel during the quarter and half year ended March 31, 2006 and 2005:
in Rs. crore

Name	Commission	Sitting fees	Reimbursement of expenses	Total remuneration
Non-Whole time Directors				
Deepak M Satwalekar	0.06	-	-	0.06
	0.04	-	-	0.04
	0.11	-	-	0.11
	0.09	-	-	0.09
Marti G Subrahmanyam	0.06	-	0.03	0.09
	0.01	-	-	0.01
	0.10	-	0.05	0.15
	0.06	0.01	0.01	0.08
Philip Yeo	-	-	-	-
	(0.03)	-	-	(0.03)
	-	-	-	-
	0.02	-	-	0.02
David L Boyles	0.06	-	-	0.06
	-	-	-	-
	0.09	-	-	0.09
	-	-	-	-
Omkar Goswami	0.06	-	-	0.06
	0.01	-	-	0.01
	0.10	-	-	0.10
	0.06	-	-	0.06
Larry Pressler	0.05	-	-	0.05
	-	-	-	-
	0.09	-	-	0.09
	0.05	-	-	0.05
Rama Bijapurkar	0.05	-	-	0.05
	0.02	-	-	0.02
	0.09	-	-	0.09
	0.07	-	-	0.07
Claude Smadja	0.04	-	0.03	0.07
	0.01	-	0.03	0.04
	0.08	-	0.03	0.11
	0.06	-	0.06	0.12
Sridar A Iyengar	0.06	-	-	0.06
	0.01	-	0.04	0.05
	0.10	-	-	0.10
	0.06	-	0.06	0.12