

Schedules to the Financial Statements for the quarter and half-year ended September 30, 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, Infosys BPO Limited, India ("Infosys BPO") formerly known as Progeon Limited, and wholly owned subsidiaries, Infosys Technologies (Australia) Pty. Limited ("Infosys Australia"), Infosys Technologies (China) Co. Limited ("Infosys China"), formerly known as Infosys Technologies (Shanghai) Co. Limited 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 thereby enabling clients to enhance business performance. The Company provides solutions that span the entire software life cycle encompassing technical consulting, design, development, re-engineering, maintenance, systems integration and package evaluation and implementation. 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 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 depreciated within a year of acquisition. Intangible assets are amortized over their respective individual estimated useful lives on a straight-line basis, commencing from the date the asset is available to the company for its use. Management estimates the useful lives for the other fixed assets as follows:-

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

22.1.7 Retirement benefits to employees
22.1.7.a Gratuity

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

22.1.7.b Superannuation

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

22.1.7.c Provident fund

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

22.1.8. Research and development

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

22.1.9. Foreign currency transactions

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

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

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

22.1.10 Forward contracts 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 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

Particulars	Quarter ended		Half-year ended	
	September 30, 2006	2005	September 30, 2006	2005
Salaries and bonus including overseas staff expenses	1,498	962	2,842	1,838
Contribution to provident and other funds	41	23	75	44
Staff welfare				
Staff welfare	11	6	19	11
Group health insurance and others	-	-	-	-
Overseas group health insurance	24	13	41	25
Overseas travel expenses	92	75	189	146
Visa charges and others	16	31	66	53
Traveling and conveyance	22	17	42	31
Technical sub-contractors - subsidiaries	165	94	287	174
Technical sub-contractors - others	54	24	97	55
Software packages				
for own use	49	33	84	65
for service delivery to clients	1	8	15	18
Professional charges	44	35	77	55
Telephone charges	29	22	55	38
Communication expenses	13	12	26	25
Power and fuel	23	16	44	30
Office maintenance	25	16	46	29
Guest house maintenance*	-	-	1	1
Commission and earnout charges	11	8	19	18
Brand building	15	12	27	22
Rent	12	8	23	18
Insurance charges	7	5	12	11
Computer maintenance	5	3	10	7
Printing and stationery	3	3	7	6
Consumables	7	4	12	7
Donations	5	5	9	8
Advertisements	4	4	5	8
Marketing expenses	5	3	8	6
Other miscellaneous expenses	-	-	-	-
Repairs to building	7	5	10	8
Repairs to plant and machinery	3	3	6	5
Rates and taxes	3	3	12	5
Professional membership and seminar participation fees	3	2	4	4
Postage and courier	2	1	5	3
Provision for post-sales client support and warranties	4	(4)	6	(3)
Books and periodicals	1	1	2	2
Provision for bad and doubtful debts	8	9	19	9
Provision for doubtful loans and advances	-	-	-	-
Commission to non-whole time directors	1	1	1	1
Sales promotion expenses	1	-	1	-
Freight charges	-	-	-	-
Bank charges and commission	1	1	1	1
Auditor's remuneration				
statutory audit fees	-	-	-	-
certification charges	-	-	-	-
others	-	-	-	-
out-of-pocket expenses	-	-	-	-
Research grants	3	-	5	-
Miscellaneous expenses (refer to note 22.2.15)	1	1	2	1
	<u>2,219</u>	<u>1,465</u>	<u>4,212</u>	<u>2,785</u>
Fringe Benefit Tax (FBT) in India included in the above	4	3	8	6

*for non training purposes

22.2.2. Capital commitments and contingent liabilities

Particulars	As at	
	September 30, 2006	March 31, 2006
Estimated amount of unexecuted capital contracts (net of advances and deposits)	514	509
Outstanding guarantees and counter guarantees to various banks, in respect of the guarantees given by those banks in favour of various government authorities and others	25	20
Claims against the company, not acknowledged as debts* (Net of Amount Rs. 138 (Rs. 138) crore paid to statutory authorities)	19	14
Forward contracts outstanding		
In US\$	US \$ 80,000,000	US \$ 100,000,000
(Equivalent approximate in Rs. crore)	368	445
Range barrier options in US \$	US \$ 240,000,000	US \$ 210,000,000
(Equivalent approximate in Rs. crore)	1,103	934
Range barrier options in Euro	€ 10,000,000	€ 3,000,000
(Equivalent approximate in Rs. crore)	58	16
Range barrier options in GBP	£10,000,000	£3,000,000
(Equivalent approximate in Rs. crore)	86	23

* Claims against the Company not acknowledged as debts include demands from Indian tax authorities for payment of additional tax of Rs.135 crore (135 crore), including interest of Rs 33 crore (Rs 33 crore), 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 claimed by the company under Section 10A of the Income-tax Act. The deductible amount is determined by the ratio of "Export Turnover" to "Total Turnover". The disallowance arose from certain expenses incurred in foreign currency being reduced from Export Turnover but not reduced from Total Turnover.

The 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.

The company received the order of the appellate authority, the Commissioner of Income Tax (Appeals), Bangalore for the demand pertaining to fiscal 2002 and fiscal 2003 in April 2006 and August 2006 respectively. The position of the company has been substantially upheld by the appellate authority.

22.2.3 Quantitative details

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

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

Particulars	in Rs. Crore			
	Quarter ended		Half-year ended	
	September 30, 2006	September 30, 2005	September 30, 2006	September 30, 2005
Capital goods	95	70	148	116
Software packages	2	4	3	4
	97	74	151	120

22.2.5. Activity in foreign currency

Particulars	in Rs. Crore			
	Quarter ended		Half-year ended	
	September 30, 2006	September 30, 2005	September 30, 2006	September 30, 2005
Earnings in foreign currency (on receipts basis)				
Income from software services and products	3,037	2,079	5,575	4,125
Interest received on deposits with banks	4	2	7	2
Expenditure in foreign currency (on payments basis)				
Travel expenses	86	83	189	156
Professional charges	20	12	32	18
Technical Sub-Contractors - Subsidiaries	160	87	275	158
Other expenditure incurred overseas for software development	938	611	1,870	1,243
Net earnings in foreign currency (on the receipts and payments basis)				
Net earnings in foreign exchange	1,837	1,289	3,216	2,553

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

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

Particulars	Quarter ended		Half-year ended	
	September 30, 2006	September 30, 2005	September 30, 2006	September 30, 2005
Lease rentals recognized during the period	12	8	23	18

Lease obligations	As at	
	September 30, 2006	March 31, 2006
Within one year of the balance sheet date	33	24
Due in a period between one year and five years	103	100
Due after five years	57	61
	193	185

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

Fixed assets provided on operating lease to Infosys BPO, a subsidiary company, as at September 30, 2006 and March 31, 2006 :

Particulars	Cost	Accumulated depreciation	Net book
			value
Building	40	7	33
	33	5	28
Plant and machinery	19	9	10
	16	7	9
Computers	2	2	-
	2	2	-
Furniture & fixtures	11	9	2
	11	8	3
Total	72	27	45
	62	22	40

The aggregate depreciation charged on the above for the quarter and half year ended September 30, 2006 amounted to Rs. 2 crore and Rs. 5 crore respectively (Rs 1 crore and Rs 1 crore for the quarter and half year ended September 30, 2005 respectively).

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

Lease rentals	As at	
	September 30, 2006	March 31, 2006
Within one year of the balance sheet date	12	11
Due in a period between one year and five years	10	17
Due after five years	-	-
	22	28

The rental income from Infosys BPO for the quarter and half year ended September 30, 2006 amounted to Rs. 4 crore and Rs. 8 crore respectively (Rs 3 crore and Rs 5 crore for the quarter and half year ended September 30, 2005 respectively).

22.2.7. Related party transactions

List of related parties:

Name of the related party	Country	Holding, as at	
		September 30, 2006	March 31, 2006
Infosys BPO Ltd	India	96.70%	71.74%
Infosys Technologies (Australia), Pty Limited	Australia	100%	100%
Infosys Technologies (China) Co. Limited	China	100%	100%
Infosys Consulting, Inc.	USA	100%	100%
Progeon s.r.o.*	Czech Republic	96.70%	71.74%

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

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 September 30, 2006 and 2005 are as follows:

Particulars	Quarter ended		Half-year ended	
	September 30, 2006	2005	September 30, 2006	2005
<i>in Rs. Crore</i>				
Capital transactions:				
Financing transactions				
Infosys China	9	-	9	-
Infosys Consulting	-	22	14	22
Rental deposit repaid				
Infosys BPO	-	2	-	2
Loans				
Infosys China	-	-	9	-
Revenue transactions:				
Purchase of services				
Infosys BPO (Including Progeon s.r.o)	3	-	5	1
Infosys Australia	103	61	174	119
Infosys China	10	2	16	3
Infosys Consulting	47	30	89	51
Interest Income				
Infosys China	-	-	1	-
Sale of services				
Infosys Australia	1	1	2	3
Infosys China	1	-	2	1
Infosys Consulting	-	1	-	-
Sale of shared services including facilities and personnel				
Infosys BPO (Including Progeon s.r.o)	7	4	15	9
Infosys Consulting	1	1	2	2

Details of amounts due to or due from and maximum dues from subsidiaries for the quarter ended September 30, 2006 and year ended March 31, 2006 :

Particulars	As at	
	September 30, 2006	March 31, 2006
<i>in Rs. Crore</i>		
Loans and advances		
Infosys China	25	20
Maximum balances of loans and advances		
Infosys BPO (Including Progeon s.r.o)	1	3
Infosys Australia	24	28
Infosys China	25	20
Infosys Consulting	14	-

During the quarter and half year ended September 30, 2006, an amount of Rs. 5 crore and Rs 9 crore respectively (Rs 4 crore and Rs 7 crore for the quarter and half year ended September 30, 2005 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 September 30, 2006 and September 30, 2005 have been detailed in Schedule 22.3 since the amounts are less than a crore.

22.2.9. Research and development expenditure

Particulars	<i>in Rs. Crore</i>			
	Quarter ended September 30,		Half-year ended September 30,	
	2006	2005	2006	2005
Revenue	41	25	73	51
	41	25	73	51

22.2.10. Dues to small-scale industrial undertakings

As at September 30, 2006 and March 31, 2006, the company has no outstanding dues to small-scale industrial undertaking.

22.2.11. Stock option plans

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

1998 Stock Option Plan ("the 1998 Plan")

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

Number of options granted, exercised and forfeited during the	Quarter ended September 30,		Half-year ended September 30,	
	2006	2005	2006	2005
Options outstanding, beginning of period	42,49,610	59,08,936	45,46,480	61,08,580
Granted	-	-	-	-
Less: exercised	(495,021)	(376,496)	(675,571)	(547,460)
forfeited	(21,040)	(38,976)	(137,360)	(67,656)
Options outstanding, end of period	37,33,549	54,93,464	37,33,549	54,93,464

1999 Stock Option Plan ("the 1999 Plan")

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

Number of options granted, exercised and forfeited during the	Quarter ended September 30,		Half-year ended September 30,	
	2006	2005	2006	2005
Options outstanding, beginning of period	1,67,52,788	2,64,62,242	1,91,79,074	2,81,09,874
Granted	-	-	-	-
Less: exercised	(1,603,628)	(2,096,794)	(3,999,470)	(3,630,466)
forfeited	(22,821)	(117,072)	(53,265)	(231,032)
Options outstanding, end of period	1,51,26,339	2,42,48,376	1,51,26,339	2,42,48,376

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 is 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 is fully tax exempt for the first 5 years, 50% exempt for the next 5 years and 50% exempt for another 5 years subject to fulfilling certain conditions.

22.2.13. Cash and bank balances

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

Balances with non-scheduled banks	<i>in Rs. crore</i>	
	September 30, 2006	As at March 31, 2006
In current accounts		
ABN Amro Bank , Taipei, Taiwan	1	1
Bank of America, Palo Alto, USA	139	229
Bank of China, Beijing, China	-	-
Citibank NA, Melbourne, Australia	52	39
Citibank NA, Hongkong	-	-
Citibank NA, Singapore	-	-
Citibank NA, Tokyo, Japan	-	1
Citibank NA, Sharjah, UAE	-	-
Deutsche Bank, Brussels, Belgium	9	8
Deutsche Bank, Frankfurt, Germany	4	21
Deutsche Bank, Amsterdam, Netherlands	1	4
Deutsche Bank, Paris, France	1	1
Deutsche Bank, Spain	1	-
Deutsche Bank, Zurich, Switzerland	1	6
HSBC Bank PLC, Croydon, UK	69	60
ICICI Bank UK Ltd., London, UK	-	-
Nordbanken, Stockholm, Sweden	1	-
Nova Scotia Bank, Toronto, Canada	-	-
Royal Bank of Canada, Toronto, Canada	6	4
Svenska Handels Bank, Stockholm, Sweden	-	1
UFJ Bank, Tokyo, Japan	-	-
ICICI Bank - Toronto, Canada	-	-
	285	375

Maximum balance with non-scheduled banks during the period	<i>in Rs. crore</i>			
	Quarter ended September 30,		Half-year ended September 30,	
	2006	2005	2006	2005
In current accounts				
ABN Amro Bank , Taipei, Taiwan	1	1	1	1
Bank of America, Palo Alto, USA	614	264	614	271
Bank of China, Beijing, China	-	-	-	-
Citibank NA, Melbourne, Australia	52	37	52	54
Citibank NA, Hongkong	-	-	-	-
Citibank NA, Singapore	-	-	-	-
Citibank NA, Tokyo, Japan	9	36	13	36
Citibank NA, Sharjah, UAE	-	-	-	-
Deutsche Bank, Brussels, Belgium	23	22	24	31
Deutsche Bank, Frankfurt, Germany	31	33	31	33
Deutsche Bank, Amsterdam, Netherlands	4	1	5	1
Deutsche Bank, Paris, France	5	5	6	5
Deutsche Bank, Spain	1	-	1	-
Deutsche Bank, Zurich, Switzerland	26	13	26	13
HSBC Bank PLC, Croydon, UK	237	41	237	41
ICICI Bank UK Ltd., London, UK	-	14	-	33
Nordbanken, Stockholm, Sweden	1	-	1	-
Nova Scotia Bank, Toronto, Canada	-	-	-	-
Royal Bank of Canada, Toronto, Canada	37	9	37	13
Svenska Handels Bank, Stockholm, Sweden	1	1	1	1
UFJ Bank, Tokyo, Japan	34	28	34	28
ICICI Bank - Toronto, Canada	-	5	-	7

The cash and bank balances include interest accrued but not due on fixed deposits amounting to Rs. 5 crore as at September 30, 2006 (as at March 31, 2006 Rs. 25 crore).

22.2.14. Loans and advances

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

Deposits with financial institutions:-

Particulars	As at		<i>in Rs. crore</i>	
	September 30, 2006	March 31, 2006	September 30, 2006	March 31, 2006
Deposits with financial institutions:				
Housing Development Finance Corporation Limited ("HDFC")	502	500		
Life Insurance Corporation of India	121	80		
	<u>623</u>	<u>580</u>		
Interest accrued but not due (included above)	2	-		

Maximum balance held as deposits with financial institutions:

Particulars	Quarter ended		Half-year ended		<i>in Rs. crore</i>	
	September 30, 2006	September 30, 2005	September 30, 2006	September 30, 2005	September 30, 2006	September 30, 2005
Deposits with financial institutions:						
Housing Development Finance Corporation Limited ("HDFC")	502	201	502	201		
Life Insurance Corporation of India	130	105	130	105		

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 during the quarter and half year ended September 30, 2006 and September 30, 2005 are less than Rs. 1 crore and accordingly disclosed in note 22.3

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

Particulars	Quarter ended		Half-year ended		<i>in Rs. crore</i>	
	September 30, 2006	September 30, 2005	September 30, 2006	September 30, 2005	September 30, 2006	September 30, 2005
Charged during the period	5	8	6	9		

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 September 30, 2006.

22.2.16. Details of Investments

Particulars	<i>in Rs. crore</i>	
	September 30, 2006	As at March 31, 2006
Long- term investments		
CiDRA Corporation, USA		
Nil (14,124) Series D convertible preferred stock at US\$ 90 each, fully paid, par value US\$ 0.01 each	-	5
Nil (72,539) Class A common stock, par value US\$ 0.001 each	-	-
Nil (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	-	-
44,00,000 (44,00,000) Series A non-voting convertible preferred stock at US\$ 0.4348 each, fully paid,	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 \$	2	2
216 (216) redeemable preference shares of Singapore \$ 1, fully paid, par value Singapore \$ 1 each	-	-
llumina Inc.		
Nil (758) common stock at USD 0.01 per share	-	-
	<u>11</u>	<u>16</u>
Less: Provision for investment	<u>11</u>	<u>14</u>
	-	<u>2</u>

Current investments - Liquid Mutual Funds

Particulars	<i>in Rs. crore</i>			
	Number of units as at		Amount as at	
	September 30, 2006	March 31, 2006	September 30, 2006	March 31, 2006
Birla Cash Plus - Institutional Premium - Fortnightly Dividend Payout	14,90,89,761	9,94,77,727	150	100
CanLiquid Fund - Institutional Weekly Dividend	14,43,13,867	5,97,28,831	145	60
DBS Chola Liquid Institutional Plus - Weekly Dividend	42,187,329	4,63,08,937	50	54
DWS Insta Cash Plus Fund - Institutional Plan - Monthly Dividend	10,94,19,305	-	110	-
DSP Merrill Lynch Liquidity Fund Weekly - Institutional Plan - Dividend	14,98,166	-	150	-
HDFC Liquid Fund - Premium Plus Plan - Dividend	121,089,913	-	150	-
HSBC Cash Fund - Institutional Plus - Monthly Dividend	149,701,909	-	150	-
ING Vysya Liquid Fund Institutional - Weekly Dividend Option	148,276,228	7,88,74,225	149	79
Kotak Liquid (Institutional) - Weekly Dividend	149,384,077	-	150	-
Principal Cash Management Fund Liquid Option - Institutional Plan - Dividend P	149,908,556	-	150	-
Prudential ICICI Institutional Liquid Plan - Super Institutional Monthly Dividend	-	-	-	-
Sundaram BNP Paribas Money Fund Super Institutional Monthly Dividend	49,260,113	2,96,83,287	50	30
UTI Liquid Cash Plan Institutional - Monthly Income Option - Payout	1,464,979	14,77,424	150	150
TATA Liquid Super High Investment Fund - Monthly Dividend	1,309,379	13,31,587	150	150
ABN Amro Cash Fund - Institutional Monthly Dividend	35,000,000	-	35	-
DWS Money Plus Fund Regular Plan Monthly Dividend	39,641,247	-	40	-
Templeton India Treasury Management Account Super Institutional Plan Weekly Dividend Payout	1,475,293	-	150	-
Prudential ICICI Institutional Liquid Plan - Super Institutional Monthly Dividend	149,552,344	-	150	-
JM High Liquidity Fund - Super Institutional Plan - Weekly Dividend	24,776,516	-	25	-
Reliance Liquidity Fund - Monthly Dividend Option	140,952,815	-	150	-
SBI Mangnum Institutional Income - Savings - Weekly Dividend	137,238,413	-	145	-
Standard Chartered Liquidity Manager - Plus - Monthly Dividend	1,495,898	-	150	-
LICMF Liquid Fund - Dividend Plan	137,520,214	5,54,51,349	151	61
			<u>2,699</u>	<u>684</u>
At cost			1,955	624
At fair value			<u>744</u>	<u>60</u>
			<u>2,699</u>	<u>684</u>

Details of investments in and disposal of securities during the quarter and half year ended September 30, 2006 and 2005:-

Particulars	<i>in Rs. crore</i>			
	Quarter ended		Half-year ended	
	2006	2005	2006	2005
Investment in securities				
Subsidiaries	9	22	553	22
Long-term investments	-	-	-	-
Liquid Mutual funds	1,240	1,320	2,890	1,558
	<u>1,249</u>	<u>1,342</u>	<u>3,443</u>	<u>1,580</u>
Redemption / Disposal of Investment in securities				
Subsidiaries	-	-	-	-
Long-term investments	-	-	6	-
Liquid Mutual funds	75	330	880	470
	<u>75</u>	<u>330</u>	<u>886</u>	<u>470</u>
Net movement in investments	1,174	1,012	2,557	1,110

Investment purchased and sold during the half year ended September 30, 2006:

Name of the fund	Face value Rs /-	Units	<i>in Rs. crore</i>	
			Cost	
Templeton India Treasury Management Fund, Super IF	1000	1,186,698		121
HSBC Cash Fund - Institutional Plus	10	95,103,550		95
Kotak Liquid - Institutional Premium	10	74,717,568		75
HDFC Liquid Fund - Premium Plus Plar	10	20,148,779		25
Reliance Liquidity Func	10	142,248,023		150

Particulars of investments made during the quarter and half year ended September 30, 2006 and 2005:

Particulars of investee companies	<i>in Rs. crore</i>			
	Quarter ended		Half-year ended	
	2006	2005	2006	2005
Infosys Consulting Inc., USA	-	22	14	22
Infosys China	9	-	9	-
Infosys BPO Ltd	-	-	530	-
	<u>9</u>	<u>22</u>	<u>553</u>	<u>22</u>

Conversion of Cumulative Preference shares in Infosys BPO Ltd

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

Provisions for investments

The Company evaluates all investments for any diminution in their carrying values that is other than temporary. The amount of provision made on trade investments during the quarter and half year ended September 30, 2006 amounted to Rs. Nil and Rs. 2 crore respectively (for the quarter and half year ended September 30, 2005 Rs. Nil and Rs. Nil respectively).

The company provided Rs. 0.03 crore and Rs. 1 crore during the quarter and half year ended on September 30, 2006 (Rs. 1 crore and Rs. 1 crore for the quarter and half year ended September 30, 2005) on revision of the carrying amount of non-trade current investments to fair value.

22.2.17. Segment reporting

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

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

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

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

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

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

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

Industry segments

Quarter ended September 30, 2006 and 2005:-

	<i>in Rs. crore</i>					
	Financial services	Manufacturing	Telecom	Retail	Others	Total
Revenues	1,230	465	592	312	674	3,273
	762	303	345	238	522	2,170
Identifiable operating expenses	529	201	251	142	281	1,404
	318	134	139	97	229	917
Allocated expenses	306	116	147	78	168	815
	193	76	87	60	132	548
Segmental operating income	395	148	194	92	225	1,054
	251	93	119	81	161	705
Unallocable expenses						110
						90
Operating income						944
						615
Other income (expense), net						66
						44
Net profit before taxes and exceptional items						1,010
						659
Income taxes						114
						67
Net profit after taxes and before exceptional items						896
						592
Income on sale of investments (net of taxes)						-
						-
Net profit after taxes and exceptional items						896
						592

Half-year ended September 30, 2006 and 2005:-

	<i>in Rs. crore</i>					
	Financial services	Manufacturing	Telecom	Retail	Others	Total
Revenues	2,278	879	1,075	604	1,304	6,140
	1,465	575	666	435	996	4,137
Identifiable operating expenses	1,014	380	446	271	557	2,668
	617	260	277	182	431	1,767
Allocated expenses	573	221	270	152	328	1,544
	361	141	163	107	246	1,018
Segmental operating income	691	278	359	181	419	1,928
	487	174	226	146	319	1,352
Unallocable expenses						207
						165
Operating income						1,721
						1,187
Other income (expense), net						192
						75
Net profit before taxes and exceptional items						1,913
						1,262
Income taxes						218
						146
Net profit after taxes and before exceptional items						1,695
						1,116
Income on sale of investments (net of taxes)						6
						-
Net profit after taxes and exceptional items						1,701
						1,116

Geographic segments

Quarter ended September 30, 2006 and 2005:-

	<i>in Rs. crore</i>				
	North America	Europe	India	Rest of the World	Total
Revenues	2,103	828	53	289	3,273
	1,437	510	33	190	2,170
Identifiable operating expenses	908	327	9	160	1,404
	602	201	18	96	917
Allocated expenses	524	206	13	72	815
	363	129	8	48	548
Segmental operating income	671	295	31	57	1,054
	472	180	7	46	705
Unallocable expenses					110
					90
Operating income					944
					615
Other income (expense), net					66
					44
Net profit before taxes and exceptional items					1,010
					659
Income taxes					114
					67
Net profit after taxes and before exceptional items					896
					592
Income on sale of investments (net of taxes)					-
					-
Net profit after taxes and exceptional items					896
					592

Half-year ended September 30, 2006 and 2005:-

	<i>in Rs. crore</i>				
	North America	Europe	India	Rest of the World	Total
Revenues	3,953	1,566	94	527	6,140
	2,703	975	82	377	4,137
Identifiable operating expenses	1,730	623	32	283	2,668
	1,155	389	38	185	1,767
Allocated expenses	995	394	23	132	1,544
	665	240	20	93	1,018
Segmental operating income	1,228	549	39	112	1,928
	883	346	24	99	1,352
Unallocable expenses					207
					165
Operating income					1,721
					1,187
Other income (expense), net					192
					75
Net profit before taxes and exceptional items					1,913
					1,262
Income taxes					218
					146
Net profit after taxes and before exceptional items					1,695
					1,116
Income on sale of investments (net of taxes)					6
					-
Net profit after taxes and exceptional items					1,701
					1,116

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 September 30, 2006 the company has provided for doubtful debts of Rs. 1 crore (Rs 2 crore as at March 31, 2006) on dues from certain customers although the outstanding amounts were less than 180 days old, since the amounts were considered doubtful of recovery. The company pursues the recovery of the dues, in part or full.

22.2.19. Dividends remitted in foreign currencies

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

Particulars of dividends remitted:-

Particulars	Number of shares to which the dividends relate	Quarter ended September 30,		Half-year ended September 30,	
		2006	2005	2006	2005
		<i>in Rs. crore</i>			
Final dividend for Fiscal 2005	3,77,66,327	-	-	-	25
Final dividend for Fiscal 2006	3,85,47,135	-	-	33	-
Silver Jubilee special dividend	3,85,47,135	-	-	116	-

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

At the annual general meeting held on June 10, 2006, the shareholders approved a 1:1 bonus issue (stock dividend) for all shareholders including the ADR holders i.e. one additional equity share for every one existing share held by the members by capitalizing a part of the general reserves. The record date for the bonus issue was July 14, 2006 and shares were allotted on July 15, 2006. All basic and diluted shares used in determining earnings per share are after considering the effect of bonus issue.

Particulars	Quarter ended September 30,		Half-year ended September 30,	
	2006	2005	2006	2005
Number of shares considered as basic weighted average shares outstanding	55,47,72,296	54,42,02,438	55,37,98,511	54,30,96,662
Add: Effect of dilutive issues of shares/stock options	1,29,73,744	1,58,58,862	1,31,43,886	1,57,93,928
Number of shares considered as weighted average shares and potential shares outstanding	56,77,46,039	56,00,61,300	56,69,42,396	55,88,90,590

22.2.21. Exceptional items

During the year ended March 31, 2005 the company sold its entire investment in Yantra Corporation, USA (Yantra) for a total consideration of US \$12.57 million. An amount of Rs. 49 crore representing 90% of the consideration was received by the company and the balance amount was deposited in Escrow to indemnify any contractual contingencies.

During the half year ended Sep 30, 2006, the company received the balance amount of Rs. 5 crore on fulfillment of the Escrow obligations. Since the carrying value of the investment is nil, the entire proceeds of Rs. 5 crore (net of taxes, as applicable) has been recognized in the profit and loss account as an exceptional item.

During the half year ended Sep 30, 2006, the company received Rs. 1 crore from CiDRA Corporation towards redemption of shares on recapitalisation. The remainder of investment was written off against provision made earlier.

22.2.22 Gratuity Plan

Effective April 1, 2006 the company adopted the revised accounting standard on employee benefits. Pursuant to the adoption, the transitional obligations of the company amounted to Rs. 13 crore. As required by the standard, the obligation has been recorded with the transfer of Rs.13 crore to general reserves.

The following table set out the status of the gratuity plan as required under AS 15

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

Particulars	in Rs. crores	
	As at	
	September 30, 2006	
Obligations at period beginning	180	
Service Cost	22	
Interest cost	7	
Actuarial (gain)/loss	(1)	
Benefits paid	(6)	
Obligations at period end	202	
Defined benefit obligation liability as at the balance sheet is wholly funded by the company		
Change in plan assets		
Plans assets at period beginning, at fair value	167	
Expected return on plan assets	7	
Actuarial gain/(loss)	2	
Contributions	40	
Benefits paid	(6)	
Plans assets at period end, at fair value	210	
Reconciliation of present value of the obligation and the fair value of the plan assets		
Fair value of plan assets at the end of the year	210	
Present value of the defined benefit obligations at the end of the period	202	
Asset recognized in the balance sheet	8	
Gratuity cost for the period		
Service cost	22	
Interest cost	7	
Expected return on plan assets	(7)	
Actuarial (gain)/loss	(2)	
Net gratuity cost	19	
Investment details of plan assets		
100% of the plan assets are invested in debt instruments.		
Actual return on plan assets:	9	
Assumptions		
Interest rate	7.62%	
Estimated rate of return on plan assets	7.62%	

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

22.2.23 Cash flow statement

22.2.23.a

The balance of cash and cash equivalents includes Rs. 3 crore as at September 30, 2006 (Rs. 3 crore as at March 31, 2006) set aside for payment of dividends.

22.2.23.b Restricted Cash

Deposits with financial institutions and body corporate as at September 30, 2006 include an amount of Rs. 121 crore (Rs. 80 crore as at March 31, 2006) 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		<i>in Rs. crores</i>	
Schedule	Description	As at	
		September 30, 2006	March 31, 2006
3	Fixed assets		
	Additions		
	Vehicles	-	0.75
	Deductions/retirements		
	Land - free-hold	-	0.01
	Plant and Machinery	0.06	-
	Furniture and fixtures	0.05	-
	Buildings	-	0.80
	Depreciation & Amortization		
	For the period		
	Vehicles	-	0.19
	Deductions/retirements		
	Plant and Machinery	0.04	-
	Furniture and fixtures	0.05	-
8	Unsecured, considered doubtful		
	Loans and advances to employees		
	Provision for doubtful loans and advances to employees	0.53	0.44
22.2.6	Computers on operating lease to Infosys BPO		
	- Net Book Value	0.17	0.17
22.2.13	Balances with non-scheduled banks		
	- Bank of China, Beijing, China	-	0.02
	- Citibank NA, Singapore	0.14	0.19
	- Citibank NA, Tokyo, Japan	0.07	1.19
	- Citibank NA, Sharjah, UAE	0.08	0.04
	- Nordbanken, Stockholm, Sweden	0.60	0.09
	- Svenska Handels Bank, Stockholm, Sweden	0.18	0.51
	- UFJ Bank, Tokyo, Japan	0.26	0.09
22.2.14	Loans & Advances		
	Interest accrued but not due - Deposits with Financial Institutions	1.75	0.10
22.2.16	Long- term investments		
	Onmobile (common stock)	0.19	0.19
	Onmobile (Series A - voting)	0.19	0.19

Profit & Loss Items		<i>in Rs. crores</i>			
Schedule	Description	Quarter ended		Half-year ended	
		2006	September 30, 2005	2006	September 30, 2005
Profit & Loss account					
	Provision for investments	0.02	0.57	2.79	0.63
	Residual Dividend Paid	-	-	4.23	0.25
	Additional Dividend Tax	-	-	0.60	0.03
12	Selling & Marketing expenses				
	Contribution to Provident and other funds	0.48	0.35	0.93	0.47
	Staff welfare	-	0.31	-	0.41
	Consumables	0.09	0.07	0.18	0.13
	Software packages for own use	0.42	-	0.42	0.06
	Communication expenses	0.17	0.20	0.32	0.26
	Printing and stationery	0.30	0.44	0.70	0.92
	Advertisements	1.22	0.32	2.02	0.80
	Office maintenance	0.01	0.06	0.12	0.29
	Computer Maintenance	0.05	-	0.05	-
	Sales promotion expenses	0.61	0.22	0.91	0.45
13	General and Administration expenses				
	Provision for doubtful loans and advances	(0.08)	0.07	0.07	0.11
	Overseas group health insurance	(0.05)	0.06	(0.18)	0.19
	Visa Charges Others	0.49	30.23	1.15	52.87
	Guest house maintenance	0.43	0.49	1.02	0.99
	Commission to non-whole time directors	0.51	0.32	0.98	0.63
	Freight charges	0.23	0.23	0.45	0.41
	Bank charges and commission	0.58	0.40	0.87	0.56
	Research grants	3.29	0.12	4.98	0.21
	Auditor's remuneration				
	Statutory audit fees	0.16	0.09	0.26	0.18
	Others	-	0.84	-	1.22
	Out of Pocket Expenses	0.02	-	0.04	0.01

14	Other Income, Net				
	Exchange differences	10.71	0.46	63.72	(8.99)
22.2.1	Aggregate expenses				
	Provision for doubtful loans and advances	(0.08)	0.07	0.07	0.11
	Commission to non-whole time directors	0.51	0.32	0.98	0.63
	Sales promotion expenses	0.61	0.22	0.91	0.45
	Guesthouse maintenance	0.43	0.49	1.02	0.99
	Freight charges	0.23	0.23	0.45	0.41
	Bank charges and commission	0.58	0.40	0.87	0.56
	Auditor's remuneration				
	Statutory audit fees	0.16	0.09	0.26	0.18
	Others	-	0.84	-	1.22
	Out of Pocket Expenses	0.02	-	0.04	0.01
	Research grants	3.29	0.12	4.98	0.21
22.2.7	Related party transactions				
	Revenue transactions:				
	Interest Income - Infosys China	0.33	-	0.60	-
	Sale of services - Infosys Consulting	(0.25)	-	0.22	-
22.2.13.	Maximum balance with non-scheduled banks				
	- Bank of China, Beijing China	0.02	0.04	0.02	0.08
	- Citibank NA, Hong Kong	-	0.30	-	0.30
	- Citibank NA, Singapore	0.17	0.30	0.19	0.37
	- Citibank NA, Sharjah, UAE	0.12	0.14	0.18	0.15
	- Deutsche Bank, Amsterdam, Netherlands	3.77	1.30	5.20	1.30
	- Nordbanken, Stockholm, Sweden	0.64	0.10	0.64	0.12
	-Nova Scotia Bank, Canada	0.01	0.01	0.02	0.02
	- UFJ Bank, Tokyo, Japan	33.79	28.15	33.79	28.15
22.2.15.	Profit / (loss) on disposal of fixed assets				
	Profit on disposal of fixed assets, included in miscellaneous income	0.04	0.18	0.07	0.23
	Loss on disposal of fixed assets, included in miscellaneous expenses	(0.01)	(0.03)	(0.02)	(0.03)
	Profit/(Loss) on disposal of fixed assets,net	0.03	0.15	0.05	0.20

Cash Flow Statement Items

in Rs. crores

Schedule	Description	For the Period Ended	
		September 30, 2006	September 30, 2005
Cash flow statement	(Profit)/ loss on sale of fixed assets	(0.05)	(0.02)
	Provision for investments	2.79	0.63
	Proceeds on disposal of fixed assets	0.16	0.25

Transactions with key management personnel

Key management personnel comprise our directors and statutory officers:

Particulars of remuneration and other benefits paid to key management personnel during the quarter and half year ended September 30, 2006 and September 30, 2005 (figures in italics are corresponding to the quarter and half year ended September 30, 2005):

Name	Salary	Contributions to provident and other funds	Perquisites and incentives	in Rs. crores
				Total Remuneration
Chairman and Chief Mentor				
N R Narayana Murthy *	0.02	0.01	0.10	0.13
	<i>0.03</i>	<i>0.01</i>	<i>0.05</i>	<i>0.09</i>
	<i>0.06</i>	<i>0.02</i>	<i>0.21</i>	<i>0.29</i>
	<i>0.06</i>	<i>0.02</i>	<i>0.11</i>	<i>0.19</i>
Chief Executive Officer and Managing Director				
Nandan M Nilekan	0.04	0.01	0.08	0.13
	<i>0.03</i>	<i>0.01</i>	<i>0.05</i>	<i>0.09</i>
	<i>0.08</i>	<i>0.02</i>	<i>0.19</i>	<i>0.29</i>
	<i>0.06</i>	<i>0.02</i>	<i>0.11</i>	<i>0.19</i>
President, Chief Operating Officer and Joint Managing Director				
S Gopalakrishnar	0.04	0.01	0.08	0.13
	<i>0.03</i>	<i>0.01</i>	<i>0.05</i>	<i>0.09</i>
	<i>0.08</i>	<i>0.02</i>	<i>0.20</i>	<i>0.30</i>
	<i>0.06</i>	<i>0.02</i>	<i>0.12</i>	<i>0.20</i>
Whole-time Directors				
K Dinesh	0.03	0.01	0.08	0.12
	<i>0.03</i>	<i>0.01</i>	<i>0.05</i>	<i>0.09</i>
	<i>0.06</i>	<i>0.02</i>	<i>0.19</i>	<i>0.27</i>
	<i>0.06</i>	<i>0.02</i>	<i>0.10</i>	<i>0.18</i>
S D Shibulal	0.04	0.01	0.08	0.13
	<i>0.23</i>	-	<i>0.14</i>	<i>0.37</i>
	<i>0.07</i>	<i>0.02</i>	<i>0.16</i>	<i>0.25</i>
	<i>0.45</i>	-	<i>0.14</i>	<i>0.59</i>
T V Mohandas Pai	0.06	0.01	0.14	0.21
	<i>0.05</i>	<i>0.02</i>	<i>0.11</i>	<i>0.18</i>
	<i>0.12</i>	<i>0.04</i>	<i>0.35</i>	<i>0.51</i>
	<i>0.10</i>	<i>0.04</i>	<i>0.22</i>	<i>0.36</i>
Srinath Batni	0.05	0.01	0.12	0.18
	<i>0.04</i>	<i>0.02</i>	<i>0.10</i>	<i>0.16</i>
	<i>0.10</i>	<i>0.02</i>	<i>0.30</i>	<i>0.42</i>
	<i>0.08</i>	<i>0.03</i>	<i>0.19</i>	<i>0.30</i>
Chief Financial Officer				
V Balakrishnan	0.05	0.01	0.09	0.15
	<i>0.03</i>	<i>0.01</i>	<i>0.08</i>	<i>0.12</i>
	<i>0.09</i>	<i>0.02</i>	<i>0.27</i>	<i>0.38</i>
	<i>0.06</i>	<i>0.02</i>	<i>0.22</i>	<i>0.30</i>
* Wholetime director till August 20, 2006				
Name	Commission	Sitting fees	Reimbursement of expenses	Total remuneration
Non-Whole time Directors				
Deepak M Satwalekar	0.06	-	-	0.06
	<i>0.05</i>	-	-	<i>0.05</i>
	<i>0.12</i>	-	-	<i>0.12</i>
	<i>0.09</i>	<i>0.01</i>	-	<i>0.10</i>
Prof. Marti G Subrahmanyam	0.06	-	0.02	0.08
	<i>0.04</i>	-	<i>0.02</i>	<i>0.06</i>
	<i>0.12</i>	-	<i>0.05</i>	<i>0.17</i>
	<i>0.08</i>	-	<i>0.07</i>	<i>0.15</i>
Philip Yeo	-	-	-	-
	-	-	-	-
	-	-	-	-
	<i>0.03</i>	-	-	<i>0.03</i>
David L Boyles	0.06	-	-	0.06
	<i>0.03</i>	-	-	<i>0.03</i>
	<i>0.12</i>	-	-	<i>0.12</i>
	<i>0.03</i>	-	-	<i>0.03</i>
Dr. Omkar Goswami	0.05	-	0.01	0.06
	<i>0.04</i>	<i>0.01</i>	<i>0.01</i>	<i>0.06</i>
	<i>0.10</i>	-	<i>0.01</i>	<i>0.11</i>
	<i>0.08</i>	<i>0.01</i>	<i>0.02</i>	<i>0.11</i>
Sen. Larry Pressler	0.02	-	-	0.02
	<i>0.04</i>	-	-	<i>0.04</i>
	<i>0.03</i>	-	<i>0.03</i>	<i>0.06</i>
	<i>0.08</i>	-	-	<i>0.08</i>
Rama Bijapurkar	0.06	-	-	0.06
	<i>0.04</i>	-	-	<i>0.04</i>
	<i>0.12</i>	-	<i>0.01</i>	<i>0.13</i>
	<i>0.08</i>	-	-	<i>0.08</i>
Claude Smadja	0.06	-	0.04	0.10
	<i>0.04</i>	-	<i>0.05</i>	<i>0.09</i>
	<i>0.12</i>	-	<i>0.13</i>	<i>0.25</i>
	<i>0.08</i>	-	<i>0.08</i>	<i>0.16</i>
Sridar A Iyengar	0.06	-	0.01	0.07
	<i>0.04</i>	-	<i>0.04</i>	<i>0.08</i>
	<i>0.12</i>	-	<i>0.08</i>	<i>0.20</i>
	<i>0.08</i>	-	<i>0.11</i>	<i>0.19</i>
Jeffrey Lehman	0.05	-	-	0.05
	-	-	-	-
	<i>0.10</i>	-	-	<i>0.10</i>
	-	-	-	-
N R Narayana Murthy *	0.03	-	-	0.03
	-	-	-	-
	<i>0.03</i>	-	-	<i>0.03</i>
	-	-	-	-

* Appointed as Additional Director effective August 21, 2006