Schedules to the Financial Statements for the quarter and nine months ended December 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, 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, testing and infrastructure management services. 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 and options 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

in Rs. Crore

Particulars	Quarter ended December 31, 2006	Quarter ended December 31, 2005	Nine months ended December 31, 2006	Nine months ended December 31, 2005
Salaries and bonus including overseas staff expenses	1,549	1,094	4,392	2,932
Contribution to provident and other funds	41	24	115	68
Staff welfare				
Staff welfare	12	9	31	21
Group health insurance and others	-	-	-	-
Overseas group health insurance	29	13	70	40
Overseas travel expenses	97	77	287	223
Visa charges and others	20	10	86	63
Traveling and conveyance	22	18	63	47
Technical sub-contractors - subsidiaries	159	92	446	266
Technical sub-contractors - others	73	29	170	83
Software packages				
for own use	57	34	140	98
for service delivery to clients	5	6	20	25
Professional charges	39	30	116	84
Telephone charges	30	20	85	58
Communication expenses	14	10	41	35
Power and fuel	22	16	66	45
Office maintenance	23	19	70	47
Guest house maintenance*	1	-	1	1
Commission and earnout charges	4	10	23	27
Brand building	17	14	44	36
Rent	12	8	36	26
Insurance charges	7	5	19	16
Computer maintenance	6	7	16	14
Printing and stationery	5	2	11	8
Consumables	6	4	17	12
Donations	7	4	16	13
Advertisements	2	3	8	11
Marketing expenses	10	3	18	9
Other miscellaneous expenses	-	-	-	-
Repairs to building	5	3	15	11
Repairs to plant and machinery	4	3	10	8
Rates and taxes	7	3	19	7
Professional membership and seminar participation fees	3	2	7	6
Postage and courier	2	1	6	4
Provision for post-sales client support and warranties	5	(6)	11	(9)
Books and periodicals	1	1	3	3
Provision for bad and doubtful debts	5	(4)	24	6
Provision for doubtful loans and advances	-	-	-	-
Commission to non-whole time directors	1	-	1	1
Sales promotion expenses	-	-	1	1
Freight charges	-	-	1	1
Bank charges and commission	-	-	1	1
Auditor's remuneration				
statutory audit fees	-	-	-	-
certification charges	-	-	-	-
others	-	-	-	-
out-of-pocket expenses	-	-	-	-
Research grants	2	-	7	1
Miscellaneous expenses (refer to note 22.2.15)	1	1	4	2
	2,305	**1,565**	**6,517**	**4,351**
Fringe Benefit Tax (FBT) in India included in the above	5	3	12	9

*for non training purposes

22.2.2. Capital commitments and contingent liabilities

in Rs. Crore

Particulars	As at December 31, 2006	As at March 31, 2006
Estimated amount of unexecuted capital contracts (net of advances and deposits)	746	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*	19	14
(Net of Amount Rs. 138 (Rs. 138) crore paid to statutory authorities)		
Forward contracts outstanding		
In US$	US $ 75,000,000	US $ 100,000,000
(Equivalent approximate in Rs. crore)	341	445
Range barrier options in US $	US $ 215,000,000	US $ 210,000,000
(Equivalent approximate in Rs. crore)	948	934
Range barrier options in Euro	€ 5,000,000	€ 3,000,000
(Equivalent approximate in Rs. crore)	29	16
Range barrier options in GBP	£27,000,000	£3,000,000
(Equivalent approximate in Rs. crore)	233	23

* Claims against the Company not acknowledged as debts include demands from Indian tax authorities for payment of additional tax of Rs. 135 crore (Rs. 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)

in Rs. Crore

Particulars	Quarter ended December 31, 2006	2005	Nine months ended December 31, 2006	2005
Capital goods	61	40	209	156
Software packages	-	4	3	8
	61	**44**	**212**	**164**

22.2.5. Activity in foreign currency

in Rs. Crore

Particulars	Quarter ended December 31, 2006	2005	Nine months ended December 31, 2006	2005
Earnings in foreign currency (on receipts basis)				
Income from software services and products	3,321	2,323	8,896	6,448
Interest received on deposits with banks	3	2	10	4
Expenditure in foreign currency (on payments basis)				
Travel expenses	80	61	269	216
Professional charges	16	13	48	31
Technical sub-contractors - subsidiaries	156	91	431	248
Other expenditure incurred overseas for software development	1,224	652	3,094	1,895
Net earnings in foreign currency (on the receipts and payments basi	1,848	1,508	5,064	4,062

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:

in Rs. Crore

Particulars	Quarter ended December 31,		Nine months ended December 31,	
	2006	2005	2006	2005
Lease rentals recognized during the period	12	8	36	26

in Rs. Crore

Lease obligations	As at December 31, 2006	As at March 31, 2006
Within one year of the balance sheet date	33	24
Due in a period between one year and five years	96	100
Due after five years	50	61
	179	**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 December 31, 2006 and *March 31, 2006* :

in Rs. Crore

Particulars	Cost	Accumulated depreciation	Net book value
Building	44	8	36
	33	*5*	*28*
Plant and machinery	20	10	10
	16	*7*	*9*
Computers	2	2	-
	2	*2*	-
Furniture & fixtures	11	9	2
	11	*8*	*3*
Total	**77**	**29**	**48**
	62	*22*	40

The aggregate depreciation charged on the above for the quarter and nine months ended December 31, 2006 amounted to Rs. 2 crore and Rs. 7 crore respectively (Rs. 2 crore and Rs. 3 crore for the quarter and nine months ended December 31, 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:

in Rs. Crore

Lease rentals	As at December 31, 2006	As at March 31, 2006
Within one year of the balance sheet date	12	11
Due in a period between one year and five years	7	17
Due after five years	-	-
	19	**28**

The rental income from Infosys BPO for the quarter and nine months ended December 31, 2006 amounted to Rs. 5 crore and Rs. 12 crore respectively (Rs 3 crore and Rs 8 crore for the quarter and nine months ended December 31, 2005 respectively).

22.2.7. Related party transactions

List of related parties:

Name of the related party	Country	Holding, as at December 31, 2006	Holding, as at March 31, 2006
Infosys BPO Limited**	India	99.91%	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	99.91%	71.74%

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

**On December 8, 2006, the shareholders of Infosys BPO Limited (“Infosys BPO”) approved a buy-back of upto 1,279,963 equity shares at a fair market value of Rs.604/- per equity share. The buy-back was in accordance with Section 77A of the Indian Companies Act, 1956. Pursuant to the buy-back offer Infosys BPO bought back 1,139,469 equity shares which were subsequently cancelled on December 29, 2006.

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 nine months ended December 31, 2006 and 2005 are as follows:

in Rs. Crore

Particulars	Quarter ended December 31, 2006	Quarter ended December 31, 2005	Nine months ended December 31, 2006	Nine months ended December 31, 2005
Capital transactions:				
Financing transactions				
Infosys China	-	9	9	9
Infosys Consulting	-	-	14	22
Rental deposit repaid				
Infosys BPO	-	-	-	2
Loans				
Infosys China	-	-	9	-
Revenue transactions:				
Purchase of services				
Infosys BPO (Including Progeon s.r.o)	3	1	8	2
Infosys Australia	97	58	272	177
Infosys China	13	3	29	6
Infosys Consulting	47	30	136	81
Purchase of shared services including facilities and personnel				
Infosys BPO (Including Progeon s.r.o)	1	-	2	1
Interest Income				
Infosys China	-	-	1	-
Sale of services				
Infosys Australia	1	1	2	4
Infosys China	1	-	2	1
Infosys Consulting	-	1	3	2
Sale of shared services including facilities and personnel				
Infosys BPO (Including Progeon s.r.o)	4	2	10	11
Infosys Consulting	1	2	2	4

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

in Rs. Crore

Particulars	As at December 31, 2006	As at March 31, 2006
Loans and advances		
Infosys China	25	20
Maximum balances of loans and advances		
Infosys BPO (Including Progeon s.r.o)	2	3
Infosys Australia	21	28
Infosys China	25	20
Infosys Consulting	13	-

During the quarter and nine months ended December 31, 2006, an amount of Rs. 5 crore and Rs. 14 crore respectively (Rs. 2 crore and Rs. 9 crore for the quarter and nine months ended December 31, 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 nine months ended December 31, 2006 and December 31, 2005 have been detailed in Schedule 22.3 since the amounts are less than a crore.

22.2.9. Research and development expenditure

in Rs. Crore

Particulars	Quarter ended December 31, 2006	2005	Nine months ended December 31, 2006	2005
Revenue	43	25	116	77
	43	**25**	**116**	**77**

22.2.10. Dues to small-scale industrial undertakings

As at December 31, 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 December 31, 2006	2005	Nine months ended December 31, 2006	2005
Options outstanding, beginning of period	37,33,549	54,93,464	45,46,480	61,08,580
Granted	-	-	-	-
Less: exercised	(346,993)	(547,296)	(1,022,564)	(1,094,756)
forfeited	(25,446)	(50,840)	(162,806)	(118,496)
Options outstanding, end of period	**33,61,110**	**48,95,328**	**33,61,110**	**48,95,328**

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 December 31, 2006	2005	Nine months ended December 31, 2006	2005
Options outstanding, beginning of period	1,51,26,339	2,42,48,376	1,91,79,074	2,81,09,874
Granted	-	-	-	-
Less: exercised	(1,716,474)	(3,184,006)	(5,715,944)	(6,814,472)
forfeited	(23,875)	(63,180)	(77,140)	(294,212)
Options outstanding, end of period	**1,33,85,990**	**2,10,01,190**	**1,33,85,990**	**2,10,01,190**

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 also has operations in a Special Economic Zone ("SEZs"). 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.

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:-

in Rs. crore

Balances with non-scheduled banks	As at December 31, 2006	As at March 31, 2006
In current accounts		
ABN Amro Bank , Taipei, Taiwan	-	1
Bank of America, Palo Alto, USA	176	229
Bank of China, Beijing, China	-	-
Citibank NA, Melbourne, Australia	70	39
Citibank NA, Hongkong	-	-
Citibank NA, Singapore	-	-
Citibank NA, Tokyo, Japan	-	1
Citibank NA, Sharjah, UAE	-	-
Citibank NA, Thailand	-	-
Deutsche Bank, Brussels, Belgium	5	8
Deutsche Bank, Frankfurt, Germany	11	21
Deutsche Bank, Amsterdam, Netherlands	2	4
Deutsche Bank, Paris, France	6	1
Deutsche Bank, Spain	1	-
Deutsche Bank, Zurich, Switzerland	7	6
HSBC Bank PLC, Croydon, UK	20	60
ICICI Bank UK Ltd., London, UK	-	-
Nordbanken, Stockholm, Sweden	1	-
Nova Scotia Bank, Toronto, Canada	-	-
Royal Bank of Canada, Toronto, Canada	4	4
Svenska Handels Bank, Stockholm, Sweden	-	1
UFJ Bank, Tokyo, Japan	-	-
ICICI Bank - Toronto, Canada	-	-
	303	**375**

in Rs. crore

Maximum balance with non-scheduled banks during the period	Quarter ended December 31, 2006	Quarter ended December 31, 2005	Nine months ended December 31, 2006	Nine months ended December 31, 2005
In current accounts				
ABN Amro Bank , Taipei, Taiwan	1	2	1	2
Bank of America, Palo Alto, USA	501	391	614	391
Bank of China, Beijing, China	-	-	-	-
Citibank NA, Melbourne, Australia	199	36	199	54
Citibank NA, Hongkong	-	-	-	-
Citibank NA, Singapore	-	-	-	-
Citibank NA, Tokyo, Japan	18	9	23	36
Citibank NA, Sharjah, UAE	-	-	-	-
Citibank NA, Thailand	-	-	-	-
Deutsche Bank, Brussels, Belgium	65	18	65	31
Deutsche Bank, Frankfurt, Germany	40	35	62	38
Deutsche Bank, Amsterdam, Netherlands	6	2	10	2
Deutsche Bank, Paris, France	15	5	19	5
Deutsche Bank, Spain	1	-	1	-
Deutsche Bank, Zurich, Switzerland	11	11	30	13
HSBC Bank PLC, Croydon, UK	163	78	236	78
ICICI Bank UK Ltd., London, UK	-	17	-	35
Nordbanken, Stockholm, Sweden	2	-	2	-
Nova Scotia Bank, Toronto, Canada	-	-	-	-
Royal Bank of Canada, Toronto, Canada	17	13	37	13
Svenska Handels Bank, Stockholm, Sweden	1	2	1	2
UFJ Bank, Tokyo, Japan	5	-	34	28
ICICI Bank - Toronto, Canada	-	8	-	11

The cash and bank balances include interest accrued but not due on fixed deposits amounting to Rs. 11 crore as at December 31, 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:-

in Rs. crore

Particulars	As at December 31, 2006	As at March 31, 2006
Deposits with financial institutions:		
Housing Development Finance Corporation Limited ("HDFC")	502	500
GE Capital Services India Limited	241	-
Life Insurance Corporation of India	121	80
	864	**580**
Interest accrued but not due (included above	3	-

Maximum balance held as deposits with financial institutions:

in Rs. crore

	Quarter ended December 31, 2006	Quarter ended December 31, 2005	Nine months ended December 31, 2006	Nine months ended December 31, 2005
Deposits with financial institutions:				
Housing Development Finance Corporation Limited ("HDFC")	502	201	502	202
GE Capital Services India Limited	241	225	241	225
Life Insurance Corporation of India	121	103	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 nine months ended December 31, 2006 and December 31, 2005 are less than Rs. 1 crore an 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.

in Rs. crore

	Quarter ended December 31, 2006	Quarter ended December 31, 2005	Nine months ended December 31, 2006	Nine months ended December 31, 2005
Charged during the perioc	8	17	14	27

The company has entered into lease-cum-sale agreements to acquire certain properties. In accordance with the terms of these agreements, the company has the option to purchase the properties on expiry of the lease period. The company has already paid 99% of the value of the properties at the time of entering into the lease-cum-sale agreements. These amounts are disclosed as "Land - leasehold" under "Fixed assets" in the financial statements. Additionally, certain land has been purchased for which the company has possession certificate for which sale deeds are yet to be executed as at December 31, 2006.

22.2.16. Details of Investments

in Rs. crore

Particulars	As at December 31, 2006	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 value US$	-	-
44,00,000 (44,00,000) Series A non-voting convertible preferred stock at US$ 0.4348 each, fully paid, par value	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	2	2
216 (216) redeemable preference shares of Singapore $ 1, fully paid, par value Singapore $ 1 each	-	-
Illumina Inc.		
Nil (758) common stock at USD 0.01 per share	-	-
	11	**16**
Less: Provision for investment	11	14
	-	**2**

Current investments - Liquid Mutual Funds

in Rs. crore

Particulars	Number of units as at December 31, 2006	Number of units as at March 31, 2006	Amount as at December 31, 2006	Amount as at March 31, 2006
Birla Cash Plus - Institutional Premium	19,86,72,276	9,94,77,727	200	100
CanLiquid Fund - Institutional Plan	-	5,97,28,831	-	60
DBS Chola Liquid Institutional Plus	-	4,63,08,937	-	54
DWS Insta Cash Plus Fund - Institutional Plan	13,50,18,330	-	135	-
DSP Merill Lynch Liquidity Fund Weekly - Institutional Plan	7,48,316	-	75	-
DSP Merill Lynch Liquidity Plus Weekly - Institutional Plan	7,49,850		75	
HSBC Cash Fund - Institutional Plus	14,97,01,909	-	150	-
HSBC Liquid Plus - Institutional Plus	4,98,28,590		50	
ING Vysya Liquid Fund Institutional Plan	-	7,88,74,225	-	79
Kotak Liquid Institutional Plan	17,92,67,234	-	180	-
Principal Cash Management Fund Liquid Option-Institutional Plan	19,97,77,898	-	200	-
Prudential ICICI Institutional Liquid Plan - Super Institutional Plan	17,94,26,871	-	179	-
Sundaram BNP Paribas Money Fund Super Institutional Plan	-	2,96,83,287	-	30
UTI Liquid Cash Plan Institutional Plan	6,81,732	14,77,424	70	150
TATA Liquid Super High Investment Fund	13,09,379	13,31,587	150	150
ABN Amro Cash Fund - Institutional Plan	3,50,00,000	-	35	-
Reliance Liquidity Fund	18,78,00,878	-	200	-
Standard Chartered Liquidity Manager Plus	14,95,898	-	150	-
LICMF Liquid Fund	18,30,57,139	55,451,349	201	61
			2,050	**684**
At cost			1,521	624
At fair value			529	60
			2,050	**684**

Details of investments in and disposal of securities during the quarter and nine months ended December 31, 2006 and 2005:-

in Rs. crore

Particulars	Quarter ended December 31, 2006	Quarter ended December 31, 2005	Nine months ended December 31, 2006	Nine months ended December 31, 2005
Investment in securities				
Subsidiaries	-	-	553	22
Long-term investments	-	-	-	-
Liquid Mutual funds	590	191	3,480	1,749
	590	**191**	**4,033**	**1,771**
Redemption / Disposal of Investment in securities				
Long-term investments	-	-	6	-
Liquid Mutual funds	1,241	321	2,121	791
	1,241	**321**	**2,127**	**791**
Net movement in investments	**(651)**	**(130)**	**1,906**	**980**

Investment purchased and sold during the nine months ended ended December 31, 2006:-

in Rs. crore

Name of the fund	Face value Rs /-	Units	Cost
Reliance Liquidity Fund - Treasury Plan	10	14,22,48,023	150
Canliquid Fund - Institutional Plan	10	10,94,65,609	110
Chola Liquid Fund Institutional Plus	10	4,21,87,329	50
Deustsche Insta Cash Plus Fund	10	10,94,19,305	110
Deutsche Money Plus Fund - Monthly Dividend Options	10	3,96,41,247	40
DSP Merrill Lynch Liquid Fund	1,000	7,49,850	75
HDFC Liquid Fund - Premium Plus Plan	10	14,12,38,691	175
HSBC Liquid Fund	10	9,51,03,549	95
ING VYSYA Liquid Fund	10	6,94,02,003	70
JM High Liquidity Fund - Super institutional Plan	10	2,47,76,516	25
Kotak Liquid Institutional Premium	10	7,47,17,568	75
SBI -Magnum Institutional Income Saving	10	13,72,38,413	145
Sundaram Money Fund	10	4,92,60,113	50
Templeton India Treasury Mang Acct Inst Plan	1,000	26,61,991	270
UTI Liquid Cash Plan - Institutional Plan	1,000	14,64,979	150

Particulars of investments made during the quarter and nine months ended December 31, 2006 and 2005:-

in Rs. crore

Particulars of investee companies	Quarter ended December 31, 2006	Quarter ended December 31, 2005	Nine months ended December 31, 2006	Nine months ended December 31, 2005
Infosys Consulting Inc., USA	-	-	14	22
Infosys China	-	-	9	-
Infosys BPO Ltd	-	-	530	-
	-	-	553	22

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 nine months ended December 31, 2006 amounted to Rs. Nil and Rs. 2 crore respectively (for the quarter and nine months ended December 31, 2005 Rs. Nil and Rs. Nil respectively).

The company provided Rs. 0.19 crore and Rs. 1 crore during the quarter and nine months ended on December 31, 2006 (Rs. Nil crore and and Rs. Nil crore for the quarter and nine months ended December 31, 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 December 31, 2006 and 2005:-

in Rs. crore

	Financial services	Manufacturing	Telecom	Retail	Others	Total
Revenues	1,344	455	592	379	684	3,454
	848	*349*	*362*	*257*	*582*	*2,398*
Identifiable operating expenses	555	198	257	149	282	1,441
	362	*154*	*144*	*103*	*235*	*998*
Allocated expenses	336	114	148	95	171	864
	201	*82*	*85*	*61*	*138*	*567*
Segmental operating income	453	143	187	135	231	1,149
	285	*113*	*133*	*93*	*209*	*833*
Unallocable expenses						129
						109
Operating income						1,020
						724
Other income (expense), net						60
						(2)
Net profit before tax and exceptional items						1,080
						722
Provision for taxation						122
						80
Net profit after tax and before exceptional items						958
						642
Income on sale of investments (net of taxes)						-
						-
Net profit after tax and exceptional items						958
						642

Nine months ended December 31, 2006 and 2005:-

in Rs. crore

	Financial services	Manufacturing	Telecom	Retail	Others	Total
Revenues	3,622	1,334	1,667	983	1,988	9,594
	2,313	*924*	*1,028*	*692*	*1,578*	*6,535*
Identifiable operating expenses	1,569	578	703	420	839	4,109
	979	*414*	*421*	*285*	*666*	*2,765*
Allocated expenses	909	335	418	247	499	2,408
	563	*223*	*248*	*168*	*384*	*1,586*
Segmental operating income	1,144	421	546	316	650	3,077
	771	*287*	*359*	*239*	*528*	*2,184*
Unallocable expenses						336
						274
Operating income						2,741
						1,910
Other income (expense), net						252
						73
Net profit before tax and exceptional items						2,993
						1,983
Provision for taxation						340
						226
Net profit after tax and before exceptional items						2,653
						1,757
Income on sale of investments (net of taxes)						6
						-
Net profit after tax and exceptional items						2,659
						1,757

Geographic segments

Quarter ended December 31, 2006 and 2005:-

in Rs. crore

	North America	Europe	India	Rest of the World	Total
Revenues	2,198	906	65	285	3,454
	1,577	*590*	*35*	*196*	*2,398*
Identifiable operating expenses	940	337	12	152	1,441
	663	*223*	*18*	*94*	*998*
Allocated expenses	550	227	16	71	864
	373	*140*	*8*	*46*	*567*
Segmental operating income	708	342	37	62	1,149
	541	*227*	*9*	*56*	*833*
Unallocable expenses					129
					109
Operating income					1,020
					724
Other income (expense), net					60
					(2)
Net profit before tax and exceptional items					1,080
					722
Provision for taxation					122
					80
Net profit after tax and before exceptional items					958
					642
Income on sale of investments (net of taxes)					-
					-
Net profit after tax and exceptional items					958
					642

Nine months ended December 31, 2006 and 2005:-

in Rs. crore

	North America	Europe	India	Rest of the World	Total
Revenues	6,151	2,472	159	812	9,594
	4,280	*1,565*	*117*	*573*	*6,535*
Identifiable operating expenses	2,670	960	44	435	4,109
	1,818	*612*	*56*	*279*	*2,765*
Allocated expenses	1,545	621	39	203	2,408
	1,039	*380*	*28*	*139*	*1,586*
Segmental operating income	1,936	891	76	174	3,077
	1,423	*573*	*33*	*155*	*2,184*
Unallocable expenses					336
					274
Operating income					2,741
					1,910
Other income (expense), net					252
					73
Net profit before tax and exceptional items					2,993
					1,983
Provision for taxation					340
					226
Net profit after tax and before exceptional items					2,653
					1,757
Income on sale of investments (net of taxes)					6
					-
Net profit after tax and exceptional items					2,659
					1,757

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 December 31, 2006 the company has provided for doubtful debts of Rs. 3 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 depositary bank purchases the foreign currencies and remits dividends to the ADS holders.

Particulars of dividends remitted:-

in Rs. crore

Particulars	Number of shares to which the dividends relate	Quarter ended December 31,		Nine months ended December 31,	
		2006	2005	2006	2005
Final dividend for Fiscal 2005*	7,55,32,654	-	-	-	25
Final dividend for Fiscal 2006*	7,70,94,270	-	-	33	-
Silver Jubilee special dividend*	7,70,94,270	-	-	116	-
Interim dividend for fiscal 2006*	7,61,02,422	-	25	-	25
Interim dividend for fiscal 2007	7,76,06,280	39	-	39	-

* Adjusted for bonus issue

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 December 31,		Nine months ended December 31,	
	2006	2005	2006	2005
Number of shares considered as basic weighted average shares outstanding	55,70,34,398	54,75,42,952	55,48,77,140	54,45,78,758
Add: Effect of dilutive issues of shares/stock options	1,26,82,686	1,56,66,954	1,32,95,919	1,59,08,234
Number of shares considered as weighted average shares and potential shares outstanding	**56,97,17,084**	**56,32,09,906**	**56,81,73,059**	**56,04,86,992**

22.2.21 Intellectual Property Rights

Infosys was liable to pay Aeronautical Development Agency (ADA) a maximum amount of Rs. 20 crore (US$ 4.4 million) by June 12, 2012 through a revenue sharing arrangement towards acquisition of Intellectual Property Rights in AUTOLAY, a commercial software application product used in designing high performance structural systems. During the quarter Infosys foreclosed the arrangement by paying the net present value of the future revenue share amounting to Rs. 13.5 crore (US$ 3 million). The remainder of the liability in books amounts to Rs. 6.5 crore (US$ 1.4 million) has been written back and disclosed in Other Income.

22.2.22 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 nine months ended December 31, 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 nine months ended December 31, 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.

22.2.23 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

in Rs. crores

Particulars	As at December 31, 2006
Obligations at period beginning	180
Service Cost	34
Interest cost	10
Actuarial (gain)/loss	(1)
Benefits paid	(11)
Obligations at period end	**212**
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	12
Actuarial gain/(loss)	1
Contributions	43
Benefits paid	(11)
Plans assets at period end, at fair value	**212**
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	212
Present value of the defined benefit obligations at the end of the period	212
Asset recognized in the balance sheet	**0**
Gratuity cost for the period	
Service cost	34
Interest cost	10
Expected return on plan assets	(12)
Actuarial (gain)/loss	(3)
Net gratuity cost	**30**
Investment details of plan assets	
100% of the plan assets are invested in debt instruments.	
Actual return on plan assets	13
Assumptions	
Interest rate	7.60%
Estimated rate of return on plan assets	7.60%

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.

22.2.24 Cash flow statement

22.2.24.a

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

22.2.24.b Restricted Cash

Deposits with financial institutions and body corporate as at December 31, 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

in Rs. crores

Schedule	Description	As at December 31, 2006	As at March 31, 2006
3	Fixed assets		
	Additions		
	Vehicles	-	0.75
	Deductions/retirements		
	Land - free-hold	-	0.01
	Plant and Machinery	0.33	-
	Furniture and fixtures	0.15	-
	Buildings	-	0.80
	Depreciation & Amortization		
	For the period		
	Vehicles	-	0.19
	Deductions/retirements		
	Plant and Machinery	0.23	-
	Furniture and fixtures	0.11	-
8	Unsecured, considered doubtful		
	Loans and advances to employees		
	Provision for doubtful loans and advances to employees	-	0.44
22.2.6	Computers on operating lease to Infosys BPO		
	- Net Book Value	0.11	0.17
22.2.13	Balances with non-scheduled banks		
	- ABN Amro Bank, Taipei, Taiwan	0.31	0.94
	- Bank of China, Beijing China	-	0.02
	- Citibank NA, Singapore	0.10	0.19
	- Citibank NA, Thailand	0.14	-
	- Citibank NA, Tokyo, Japan	0.35	1.19
	- Citibank NA, Sharjah, UAE	0.08	0.04
	- Nordbanken, Stockholm, Sweden	-	0.09
	- Svenska Handels Bank, Stockholm, Sweden	0.06	0.51
	- UFJ Bank, Tokyo, Japan	0.07	0.09
22.2.14	Loans & Advances		
	Interest accrued but not due - Deposits with Financial Institutions	-	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

in Rs. crores

Schedule	Description	Quarter ended December 31, 2006	Quarter ended December 31, 2005	Nine months ended December 31, 2006	Nine months ended December 31, 2005
Profit & Loss account					
	Provision for investments	0.20	(0.27)	2.98	0.30
	Residual Dividend Paid	-	-	-	0.25
	Additional Dividend Tax	-	-	-	0.03
12	Selling & Marketing expenses				
	Contribution to Provident and other funds	0.51	0.32	1.44	0.79
	Staff welfare	0.69	0.49	1.06	0.90
	Consumables	0.08	0.06	0.26	0.19
	Software packages for own use	-	-	0.42	0.06
	Communication expenses	0.18	0.20	0.50	0.46
	Printing and stationery	0.50	0.28	1.21	1.20
	Advertisements	0.34	0.30	2.36	1.10
	Office maintenance	0.10	0.03	0.22	0.32
	Computer Maintenance	0.03	-	0.08	-
	Insurance charges	-	0.02	-	0.02
	Sales promotion expenses	0.39	0.32	1.30	0.77
13	General and Administration expenses				
	Provision for doubtful loans and advances	0.05	0.26	0.12	0.37
	Overseas group health insurance	0.14	-	(0.04)	-
	Visa Charges Others	0.21	-	1.36	-
	Commission to non-whole time directors	0.47	0.33	1.45	0.96
	Freight charges	0.18	0.15	0.63	0.56
	Bank charges and commission	0.13	0.28	0.99	0.84
	Research grants	2.04	0.35	7.02	0.56
	Auditor's remuneration				
	Statutory audit fees	0.14	0.15	0.40	0.33
	Others	0.01	-	0.01	-
	Out of Pocket Expenses	-	0.01	0.04	0.02

22.2.1	Aggregate expenses				
	Provision for doubtful loans and advances	0.05	0.26	0.12	0.37
	Commission to non-whole time directors	0.47	0.33	1.45	0.96
	Sales promotion expenses	0.39	0.32	1.30	0.77
	Freight charges	0.18	0.15	0.63	0.56
	Bank charges and commission	0.13	0.28	0.99	0.84
	Auditor's remuneration				
	Statutory audit fees	0.14	0.15	0.40	0.33
	Others	0.01	-	0.01	-
	Out of Pocket Expenses	-	0.01	0.04	0.02
	Research grants	2.04	0.35	7.02	0.56
22.2.7	Related party transactions				
	Revenue transactions:				
	Purchase of shared services including facilities and personnel	0.81	0.47	1.79	1.23
22.2.9	Research and development expenditure				
	Capital expenditure	-	0.16	-	0.16
22.2.13.	Maximum balance with non-scheduled banks				
	- Bank of China, Beijing China	-	0.04	0.02	0.07
	- Citibank NA, Hongkong	-	0.47	-	0.47
	- Citibank NA, Singapore	0.14	0.25	0.19	0.37
	- Citibank NA, Thailand	0.15	-	0.15	-
	- Citibank NA, Sharjah, UAE	0.14	0.16	0.18	0.16
	- Nordbanken, Stockholm, Sweden	-	0.12	-	0.12
22.2.15.	Profit / (loss) on disposal of fixed assets				
	Profit on disposal of fixed assets, included in miscellaneous income	0.06	0.11	0.13	0.34
	Loss on disposal of fixed assets, included in miscellaneous expenses	(0.01)	(0.25)	(0.03)	(0.28)
	Profit/(Loss) on disposal of fixed assets,net	0.05	(0.14)	0.10	0.06

Cash Flow Statement Items

in Rs. crores

Schedule	Description	For the Period Ended December 31, 2006	December 31, 2005
Cash flow statement	(Profit)/ loss on sale of fixed assets	(0.05)	0.14
	Provision for investments	-	0.30
	Proceeds on disposal of fixed assets	0.30	(0.14)

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 nine months ended December 31, 2006 and December 31, 2005 (figures in italics are corresponding to the quarter and nine months ended December 31, 2005) :

in Rs. crores

Name	Salary	Contributions to provident and other funds	Perquisites and incentives	Total Remuneration
Chairman and Chief Mentor				
N R Narayana Murthy *	-	-	-	-
	0.03	*0.01*	*0.06*	*0.10*
	0.06	0.02	0.21	0.29
	0.09	*0.03*	*0.17*	*0.29*
Chief Executive Officer and Managing Director				
Nandan M Nilekani	0.04	0.01	0.05	0.10
	0.03	*0.01*	*0.06*	*0.10*
	0.12	0.03	0.24	0.39
	0.09	*0.03*	*0.16*	*0.28*
President, Chief Operating Officer and Joint Managing Director				
S Gopalakrishnan	0.04	0.01	0.05	0.10
	0.03	*0.01*	*0.06*	*0.10*
	0.12	0.03	0.25	0.40
	0.09	*0.03*	*0.17*	*0.29*
Whole-time Directors				
K Dinesh	0.04	0.01	0.05	0.10
	0.03	*0.01*	*0.06*	*0.10*
	0.10	0.03	0.24	0.37
	0.09	*0.03*	*0.15*	*0.27*
S D Shibulal	0.03	0.01	0.04	0.08
	0.23	*-*	*0.07*	*0.30*
	0.10	0.03	0.20	0.33
	0.68	*-*	*0.21*	*0.89*
T V Mohandas Pai	0.06	0.02	0.09	0.17
	0.05	*0.02*	*0.11*	*0.18*
	0.18	0.06	0.44	0.68
	0.15	*0.06*	*0.34*	*0.55*
Srinath Batni	0.05	0.01	0.07	0.13
	0.04	*0.02*	*0.11*	*0.17*
	0.15	0.03	0.37	0.55
	0.13	*0.05*	*0.30*	*0.48*
Chief Financial Officer				
V Balakrishnan	0.04	0.01	0.16	0.21
	0.03	*0.01*	*0.09*	*0.13*
	0.13	0.03	0.43	0.59
	0.09	*0.03*	*0.31*	*0.43*

* 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
	0.05	*-*	*-*	*0.05*
	0.18	-	-	0.18
	0.14	*0.01*	*-*	*0.15*
Prof.Marti G Subrahmanyam	0.05	-	-	0.05
	0.04	*-*	*0.02*	*0.06*
	0.17	-	0.05	0.22
	0.12	*-*	*0.09*	*0.21*
Philip Yeo	-	-	-	-
	-	*-*	*-*	*-*
	-	-	-	-
	0.03	*-*	*-*	*0.03*
David L Boyles	0.05	-	-	0.05
	0.03	*-*	*-*	*0.03*
	0.17	-	-	0.17
	0.06	*-*	*-*	*0.06*
Dr.Omkar Goswami	0.05	-	0.01	0.06
	0.04	*-*	*-*	*0.04*
	0.15	-	0.02	0.17
	0.13	*0.02*	*0.02*	*0.17*
Sen. Larry Pressler	-	-	-	-
	0.04	*-*	*-*	*0.04*
	0.03	-	0.03	0.06
	0.12	*-*	*-*	*0.12*
Rama Bijapurkar	0.05	-	-	0.05
	0.04	*-*	*-*	*0.04*
	0.17	-	0.01	0.18
	0.12	*-*	*-*	*0.12*
Claude Smadja	0.05	-	0.04	0.09
	0.04	*-*	*-*	*0.04*
	0.17	-	0.17	0.34
	0.12	*-*	*0.08*	*0.20*
Sridar A Iyengar	0.05	-	-	0.05
	0.04	*-*		*0.04*
	0.17	-	0.08	0.25
	0.12	*-*	*0.11*	*0.23*
Jeffrey Lehman	0.05	-	-	0.05
	-	*-*	*-*	*-*
	0.15	-	-	0.15
	-	*-*	*-*	*-*
N R Narayana Murthy *	0.06	-	-	0.06
	-	*-*	*-*	*-*
	0.09	-	-	0.09
	-	*-*	*-*	*-*

* Appointed as Additional Director effective August 21, 2006