

## **Schedules to the Financial Statements for the quarter and nine months ended December 31, 2009**

### **23. 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 ("Infosys BPO") and wholly-owned and controlled subsidiaries, Infosys Technologies (Australia) Pty. Limited ("Infosys Australia"), Infosys Technologies (China) Co. Limited ("Infosys China"), Infosys Consulting Inc. ("Infosys Consulting"), Infosys Technologies S. de R. L. de C. V. ("Infosys Mexico"), Infosys Technologies (Sweden) AB. ("Infosys Sweden"), Infosys Tecnologia DO Brasil LTDA. ("Infosys Brasil") and Infosys Public Services, Inc, USA ("Infosys Public Services") is a leading global technology services corporation. The Company provides end-to-end business solutions that leverage cutting-edge technology, thereby enabling clients to enhance business performance. The Company provides solutions that span the entire software lifecycle encompassing technical consulting, design, development, re-engineering, maintenance, systems integration, package evaluation and implementation, testing and infrastructure management services. In addition, the Company offers software products for the banking industry.

#### **23.1. Significant accounting policies**

##### **23.1.1. 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 accrual basis except for certain financial instruments which are measured at fair values. GAAP comprises mandatory accounting standards as prescribed by the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India (SEBI). These financial statements should be read in conjunction with the annual financial statements for the year ended March 31, 2009. 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.

##### **23.1.2. 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 liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates include computation of percentage of completion which requires the Company to estimate the efforts expended to date as a proportion of the total efforts to be expended, provisions for doubtful debts, future obligations under employee retirement benefit plans, income taxes, post-sales customer support and the useful lives of fixed assets and intangible assets.

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

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

### **23.1.3. Revenue recognition**

Revenue is primarily derived from software development and related services and from the licensing of software products. Arrangements with customers for software development and related services are either on a fixed-price, fixed-timeframe or on a time-and-material basis.

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

Annual Technical Services revenue and revenue from fixed-price maintenance contracts are recognized ratably over the period in which services are rendered. Revenue from the sale of user licenses for software applications is recognized on transfer of the title in the user license, except in case of multiple element contracts, which require significant implementation services, where revenue for the entire arrangement is recognized over the implementation period based upon the percentage-of-completion. Revenue from client training, support and other services arising due to the sale of software products is recognized as the related services are performed.

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

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

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

#### **23.1.4. Provisions and contingent liabilities**

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

##### **23.1.4.a. Post-sales client support and warranties**

The Company provides its clients with a fixed-period warranty for corrections of errors and telephone support on all its fixed-price, fixed-timeframe contracts. Costs associated with such support services are accrued at the time when related revenues are recorded and included in cost of sales. The Company estimates such costs based on historical experience and the estimates are reviewed annually for any material changes in assumptions.

##### **23.1.4.b. Onerous contracts**

Provisions for onerous contracts are recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable costs of meeting the future obligations under the contract. The provision is measured at lower of the expected cost of terminating the contract and the expected net cost of fulfilling the contract.

#### **23.1.5. Fixed assets, intangible assets and capital work-in-progress**

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

#### **23.1.6. Depreciation and amortization**

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

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

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

### **23.1.7. Retirement benefits to employees**

#### **23.1.7.a. Gratuity**

In accordance with the Payment of Gratuity Act, 1972, the Company provides for gratuity, a defined benefit retirement plan ("the Gratuity Plan") covering eligible employees. The Gratuity Plan provides a lump-sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment with the Company.

Liabilities with regard to the Gratuity Plan are determined by actuarial valuation at each Balance Sheet date using the projected unit credit method. The Company fully contributes all 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 the law. The Company recognizes the net obligation of the gratuity plan in the Balance Sheet as an asset or liability, respectively in accordance with Accounting Standard (AS) 15, "Employee Benefits". The Company's overall expected long-term rate-of-return on assets has been determined based on consideration of available market information, current provisions of Indian law specifying the instruments in which investments can be made, and historical returns. The discount rate is based on the Government securities yield. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the Profit and Loss account in the period in which they arise.

#### **23.1.7.b. Superannuation**

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

#### **23.1.7.c. Provident fund**

Eligible employees receive benefits from a provident fund, which is a defined benefit plan. Both the employee and the Company make monthly contributions to the provident fund plan equal to a specified percentage of the covered employee's salary. The Company contributes a part of the contributions to the Infosys Technologies Limited Employees' Provident Fund Trust. The remaining portion is contributed to the government administered pension fund. The rate at which the annual interest is payable to the beneficiaries by the trust is being administered 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.

#### **23.1.7.d. Compensated absences**

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

### **23.1.8. Research and development**

Research costs are expensed as incurred. Software product development costs are expensed as incurred unless technical and commercial feasibility of the project is demonstrated, future economic benefits are probable, the Company has an intention and ability to complete and use or sell the software and the costs can be measured reliably.

### **23.1.9. Foreign currency transactions**

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

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

### **23.1.10. Forward and options contracts in foreign currencies**

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

Effective April 1, 2008, the Company adopted AS 30, "Financial Instruments: Recognition and Measurement", to the extent that the adoption did not conflict with existing accounting standards and other authoritative pronouncements of the Company Law and other regulatory requirements.

Forward and options contracts are fair valued at each reporting date. The resultant gain or loss from these transactions are recognized in the profit or loss account. The Company records the gain or loss on effective hedges, if any, 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 or options contract as an effective hedge, the Management objectively evaluates and evidences with appropriate supporting documents at the inception of each contract whether the contract is effective in achieving offsetting cash flows attributable to the hedged risk. In the absence of a designation as effective hedge, a gain or loss is recognized in the Profit and Loss account. Currently hedges undertaken by the Company are all ineffective in nature and the resultant gain or loss consequent to fair valuation is recognized in the Profit and Loss account at each reporting date.

### **23.1.11. Income taxes**

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

The differences that result between the profit considered for income taxes and the profit as per the financial statements are identified, and thereafter a deferred tax asset or deferred tax liability is recorded for timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount of timing difference. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on enacted or substantively enacted regulations. Deferred tax assets in case of unabsorbed depreciation and carry forward business loss are recognized only if there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax asset can be realized. Deferred tax assets, other than in case of unabsorbed depreciation and carry forward business loss, are recognized only if there is reasonable certainty that they will be realized. Deferred tax assets are reviewed for the appropriateness of their respective carrying values at each reporting date. 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 share options in excess of compensation charged to Profit and Loss account are credited to the share premium account.

#### **23.1.12. Earnings per share**

Basic earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares outstanding during the period. Diluted earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares. The diluted potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value which is the average market value of the outstanding shares. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date. Dilutive potential equity shares are determined independently for each period presented.

The number of shares and potentially dilutive equity shares are adjusted retrospectively for all periods presented for any share splits and bonus shares issues including for changes effected prior to the approval of the financial statements by the Board of Directors.

#### **23.1.13. 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 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 translated at the exchange rate prevalent at the date of investment. Long-term investments are carried at cost less provisions recorded to recognize any decline, other than temporary, in the carrying value of each investment.

#### **23.1.14. Cash and cash equivalents**

Cash and cash equivalents comprise cash and cash on deposit with banks and corporations. The Company considers all highly liquid investments with a remaining maturity at the date of purchase of three months or less and that are readily convertible to known amounts of cash to be cash equivalents.

#### **23.1.15. Cash flow statement**

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

### 23.2. 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 23.3. All exact amounts are stated with the suffix “/-”. One crore equals 10 million.

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

#### 23.2.1. Aggregate expenses

The aggregate amounts incurred on expenses are as follows :

	<i>in Rs. crore</i>			
	Quarter ended		Nine months ended	
	December 31,		December 31,	
	2009	2008	2009	2008
Salaries and bonus including overseas staff expenses	2,467	2,525	7,321	7,023
Contribution to provident and other funds	65	68	199	172
Staff welfare	9	20	22	55
Overseas group health insurance	37	35	105	110
Overseas travel expenses	102	121	291	389
Visa charges and others	42	26	76	105
Traveling and conveyance	16	22	42	67
Technical sub-contractors - subsidiaries	330	208	864	643
Technical sub-contractors - others	62	76	173	234
Software packages				
For own use	100	66	254	208
For service delivery to clients	-	5	16	27
Professional charges	53	55	170	177
Telephone charges	26	41	88	116
Communication expenses	9	12	36	42
Power and fuel	29	33	91	97
Office maintenance	30	33	101	100
Guest house maintenance	1	2	3	3
Commission charges	7	5	13	16
Brand building	11	12	41	55
Rent	15	14	47	44
Insurance charges	5	4	17	13
Computer maintenance	5	6	16	18
Printing and stationery	2	3	7	9
Consumables	5	4	16	15
Donations	11	7	34	19
Advertisements	1	1	2	4
Marketing expenses	4	5	8	13
Repairs to building	8	10	25	22
Repairs to plant and machinery	8	7	22	16
Rates and taxes	6	5	19	21
Professional membership and seminar participation fees	1	4	5	7
Postage and courier	1	1	6	6
Provision for post-sales client support and warranties	(26)	18	(10)	21
Books and periodicals	2	1	3	2
Provision for bad and doubtful debts	(21)	14	24	52
Provision for doubtful loans and advances	-	-	-	-
Commission to non-whole time directors	1	1	4	4
Sales promotion expenses	-	-	-	1
Freight charges	1	-	1	1
Bank charges and commission	-	-	1	1
Auditor's remuneration				
Statutory audit fees	1	-	1	-
Certification charges	-	-	-	-
Others	-	-	-	-
Out-of-pocket expenses	-	-	-	-
Research grants	15	1	20	3
Miscellaneous expenses	-	2	-	2
	<b>3,441</b>	<b>3,473</b>	<b>10,174</b>	<b>9,933</b>

### 23.2.2. Capital commitments and contingent liabilities

in Rs. crore

Particulars	As at			
	December 31, 2009		March 31, 2009	
Estimated amount of unexecuted capital contracts (net of advances and deposits)		248		344
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		3		3
Claims against the Company, not acknowledged as debts* [Net of amount paid to statutory authorities Rs. 328 crore (Rs. 200 crore)]		41		3
	in million	in Rs. crore	in million	in Rs. crore
Forward contracts outstanding				
In US\$	\$368	1,712	\$245	1,243
In Euro	€ 8	54	€ 20	135
In GBP	£5	38	£15	109
Options contracts outstanding				
In US\$	\$185	861	\$173	877

\* Claims against the Company not acknowledged as debts include demand from the Indian tax authorities for payment of additional tax of Rs. 315 crore (Rs. 197 crore), including interest of Rs. 57 crore (Rs. 43 crore) upon completion of their tax review for fiscal 2004, fiscal 2005 and fiscal 2006. The tax demands are 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.

For fiscal 2004 the Commissioner of Income tax (Appeals), Bangalore has given the order in favour of the company. For fiscal 2005, the matter is pending before the Commissioner of Income tax (Appeals), Bangalore whereas the company is in the process of filing the appeal before the Commissioner of Income tax (Appeals) in respect of fiscal 2006. The Company is contesting the demands and the Management, including its tax advisors, believes 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. The 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.

As of the Balance Sheet date, the company's net foreign currency exposures that are not hedged by a derivative instrument or otherwise is Rs. 155 crore. (Rs. 1,136 crore as at March 31, 2009).

### 23.2.3. 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.

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

in Rs. crore

Particulars	Quarter ended			
	December 31,		December 31,	
	2009	2008	2009	2008
Capital goods	22	29	58	151
Software packages	1	2	7	3
	<b>23</b>	<b>31</b>	<b>65</b>	<b>154</b>

### 23.2.5. Activity in foreign currency

*in Rs. crore*

Particulars	Quarter ended		Nine months ended	
	December 31,		December 31,	
	2009	2008	2009	2008
Earnings in foreign currency (on receipts basis)				
Income from software services and products	5,335	5,337	15,756	14,706
Interest received from banks and others	-	2	2	19
Expenditure in foreign currency (on payments basis)				
Travel expenses (including visa charges)	115	111	289	379
Professional charges	40	32	103	89
Technical sub-contractors - subsidiaries	330	208	864	643
Overseas salaries and incentives	1,491	1,561	4,424	4,360
Other expenditure incurred overseas for software development	219	94	478	457
<b>Net earnings in foreign currency</b>	<b>3,140</b>	<b>3,333</b>	<b>9,600</b>	<b>8,797</b>

### 23.2.6. Obligations on long-term, non-cancelable operating leases

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

*in Rs. crore*

	Quarter ended		Nine months ended	
	December 31,		December 31,	
	2009	2008	2009	2008
Lease rentals recognized during the period	15	14	47	44

*in Rs. crore*

Lease obligations payable:	As at	
	December 31, 2009	March 31, 2009
Within one year of the balance sheet date	47	46
Due in a period between one year and five years	144	154
Due after five years	20	30

The operating lease arrangements extend upto a maximum of ten years from their respective dates of inception and relates to rented overseas premises. 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, 2009 and March 31, 2009 :

*in Rs. crore*

Particulars	Cost	Accumulated	Net book value
Buildings	59	20	39
	59	17	42
Plant and machinery	18	14	4
	18	12	6
Computer equipment	1	1	-
	1	1	-
Furniture and fixtures	3	2	1
	3	2	1
<b>Total</b>	<b>81</b>	<b>37</b>	<b>44</b>
	<b>81</b>	<b>32</b>	<b>49</b>

The aggregate depreciation charged on the above assets during the quarter and nine months ended December 31, 2009 amounted to Rs. 1 crore and Rs. 5 crore, respectively (Rs. 2 crore and Rs. 6 crore for the quarter and nine months ended December 31, 2008, respectively).

The rental income from Infosys BPO for the quarter and nine months ended December 31, 2009 amounted to Rs. 4 crore and Rs. 12 crore, respectively. (Rs. 4 crore and Rs. 12 crore for the quarter and nine months ended December 31, 2008, respectively.)

### 23.2.7. Related party transactions

List of related parties:

Name of subsidiaries	Country	Holding, as at	
		December 31, 2009	March 31, 2009
Infosys BPO	India	99.98%	99.98%
Infosys Australia	Australia	100%	100%
Infosys China	China	100%	100%
Infosys BPO s. r. o *	Czech Republic	99.98%	99.98%
Infosys BPO (Poland) Sp Z.o.o *	Poland	99.98%	99.98%
Infosys BPO (Thailand) Limited *	Thailand	99.98%	99.98%
Mainstream Software Pty Limited**	Australia	100%	100%
Infosys Sweden ***	Sweden	100%	-
Infosys Brasil ****	Brazil	100%	-
Infosys Consulting *****	USA	100%	100%
Infosys Mexico #	Mexico	100%	100%
Infosys Consulting India Limited ##	India	100%	-
Infosys Public Services, Inc. ###	USA	100%	-
McCamish Systems LLC ####	USA	99.98%	-

\*Infosys BPO s.r.o, Infosys BPO (Poland) Sp Z.o.o and Infosys BPO (Thailand) Limited are wholly owned subsidiaries of Infosys BPO.

\*\* Mainstream Software Pty Limited is a wholly owned subsidiary of Infosys Australia.

\*\*\* During the year ended March 31, 2009, the Company incorporated wholly-owned subsidiary, Infosys Technologies (Sweden) AB, which was capitalized on July 8, 2009.

\*\*\*\* On August 7, 2009 the Company incorporated wholly-owned subsidiary, Infosys Tecnologia DO Brasil LTDA. Additionally during the quarter ended December 31, 2009 the Company invested Rs. 10 crore (BRL 4 million) in the subsidiary. As of December 31, 2009 the company has invested an aggregate of Rs. 17 crore (BRL 7 million) in the subsidiary

\*\*\*\*\* During the nine months ended December 31, 2009 the Company made an additional investment of Rs. 50 crore (USD 10 million) in Infosys Consulting, which is a wholly owned subsidiary. As of December 31, 2009 and March 31, 2009, the Company has invested an aggregate of Rs. 243 crore (USD 55 million) and Rs.193 crore (USD 45 million), respectively in the subsidiary.

# During the nine months ended December 31, 2009 the Company made an additional investment of Rs 18 crore (Mexican Peso 50 million) in Infosys Mexico, which is a wholly owned subsidiary. As of December 31, 2009 and March 31, 2009 the Company has invested an aggregate of Rs. 40 crore (Mexican Peso 110 million) and Rs. 22 crore (Mexican Peso 60 million), respectively in the subsidiary.

## On August 19, 2009 Infosys Consulting incorporated wholly-owned subsidiary, Infosys Consulting India Limited. As of December 31, 2009 the company has invested Rs. 1 crore in the subsidiary.

### On October 9, 2009 the Company incorporated wholly-owned subsidiary, Infosys Public Services, Inc. Additionally during the quarter ended December 31, 2009 the Company invested Rs. 24 crore (USD 5 million) in the subsidiary.

#### On December 4, 2009, Infosys BPO acquired 100% of the voting interests in McCamish Systems LLC (McCamish), a business process solutions provider based in Atlanta, Georgia, in the United States. The business acquisition was conducted by entering into Membership Interest Purchase Agreement for a cash consideration of Rs. 171 crore and a contingent consideration of Rs. 67 crore. The acquisition was completed during the quarter and accounted as a business combination which resulted in goodwill of Rs. 225 crore.

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

Details of amounts due to or due from as at December 31, 2009 and March 31, 2009 :

*in Rs. crore*

Particulars	As at	
	December 31, 2009	March 31, 2009
<b>Loans and advances</b>		
Infosys China	47	51
<b>Sundry debtors</b>		
Infosys China	14	-
Infosys Australia	4	4
Infosys Mexico	1	1
Infosys Brazil	1	-
Infosys BPO (Including subsidiaries)	5	-
<b>Sundry creditors</b>		
Infosys China	12	4
Infosys Australia	41	16
Infosys BPO (Including subsidiaries)	11	1
Infosys Consulting	5	-
Infosys Consulting India	3	-
Infosys Mexico	5	-
Infosys Sweden	1	-
<b>Deposit taken for shared services</b>		
Infosys BPO	3	3

The details of the related party transactions entered into by the company and maximum dues from subsidiaries, in addition to the lease commitments described in note 23.2.6, for the quarter and nine months ended December 31, 2009 and December 31, 2008 are as follows:

*in Rs. crore*

Particulars	Quarter ended		Nine months ended	
	December 31,		December 31,	
	2009	2008	2009	2008
<b>Capital transactions:</b>				
<b>Financing transactions</b>				
Infosys Consulting	-	-	50	22
Infosys Mexico	-	-	18	-
Infosys Brasil	10	-	17	-
Infosys Public Services	24	-	24	-
<b>Loans/Advances</b>				
Infosys China	-	-	-	10
<b>Revenue transactions:</b>				
Purchase of services				
Infosys Australia	172	113	464	356
Infosys China	32	25	89	57
Infosys Consulting	106	59	267	206
Infosys Sweden	3	-	8	-
Infosys BPO (Including subsidiaries)	1	1	1	1
Infosys Brazil	2	-	2	-
Infosys Mexico	14	10	33	23
Purchase of shared services including facilities and personnel				
Infosys BPO (Including subsidiaries)	15	4	45	15
Interest income				
Infosys China	-	1	2	2
Sale of services				
Infosys Australia	5	2	18	3
Infosys China	7	2	7	2
Infosys Consulting	7	-	17	4
Sale of shared services including facilities and personnel				
Infosys BPO (Including subsidiaries)	20	14	52	38
Infosys Consulting	1	1	3	2
<b>Maximum balances of loans and advances</b>				
Infosys Australia	51	32	51	42
Infosys China	55	49	55	49
Infosys Mexico	-	3	4	3
Infosys Consulting	35	17	35	26

### 23.2.7. Related party transactions

During the quarter and nine months ended December 31, 2009, an amount of Rs. Nil crore and Rs. 20 crore (Rs. 5 crore and Rs. 15 crore for the quarter and nine months ended December 31, 2008) was donated to Infosys Foundation, a not-for-profit foundation, in which certain directors of the Company are trustees.

During the quarter and nine months ended December 31, 2009, an amount of Rs. 14 crore and Rs. 19 crore (Nil for the quarter and nine months ended December 31, 2008) has been granted to Infosys Science Foundation, a not-for-profit foundation, in which certain directors of the Company are trustees.

### 23.2.8. Transactions with key management personnel

Key management personnel comprise directors and members of executive council.

Particulars of remuneration and other benefits paid to key management personnel during the quarter and nine months ended December 31, 2009 and December 31, 2008 have been detailed in Schedule 23.4.

### 23.2.9. Research and development expenditure

*in Rs. crore*

Particulars	Quarter ended		Nine months ended	
	December 31,		December 31,	
	2009	2008	2009	2008
Capital	-	31	3	31
Revenue	119	55	319	152

### 23.2.10. Stock option plans

The Company has two Stock Option Plans.

#### 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. 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. The 1998 Plan lapsed on January 6, 2008, and consequently no further shares will be issued to employees under this plan.

Number of options granted, exercised and forfeited during	Quarter ended		Nine months ended	
	December 31,		December 31,	
	2009	2008	2009	2008
Options outstanding, beginning of period	5,75,766	12,15,945	9,16,759	15,30,447
Less: Exercised	1,49,874	65,406	4,41,058	3,41,008
Forfeited	8,080	28,222	57,889	67,122
Options outstanding, end of period	<b>4,17,812</b>	<b>11,22,317</b>	<b>4,17,812</b>	<b>11,22,317</b>

**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 September 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. The 1999 Plan lapsed on June 11, 2009, and consequently no further shares will be issued to employees under this plan.

Number of options granted, exercised and forfeited during	Quarter ended		Nine months ended	
	December 31,		December 31,	
	2009	2008	2009	2008
Options outstanding, beginning of period	4,41,073	11,03,862	9,25,806	14,94,693
Less: Exercised	73,666	76,242	2,64,132	3,04,737
Forfeited	12,166	17,865	3,06,433	1,80,201
Options outstanding, end of period	<b>3,55,241</b>	<b>10,09,755</b>	<b>3,55,241</b>	<b>10,09,755</b>

The aggregate options considered for dilution are set out in note 23.2.19

**Proforma accounting for stock option grants**

Infosys applies the intrinsic value-based method of accounting for determining compensation cost for its stock-based compensation plan. Had the compensation cost been determined using the fair value approach, the Company's net profit and basic and diluted earnings per share as reported would have reduced to the proforma amounts as indicated :

Particulars	Quarter ended		Nine months ended	
	December 31,		December 31,	
	2009	2008	2009	2008
Net profit :				
As reported	1,471	1,598	4,373	4,250
Less: Stock-based employee compensation expense	-	1	1	5
Adjusted proforma	<u>1,471</u>	<u>1,597</u>	<u>4,372</u>	<u>4,245</u>
Basic earnings per share as reported	25.66	27.92	76.30	74.27
Proforma basic earnings per share	25.65	27.89	76.29	74.16
Diluted earnings per share as reported	25.63	27.89	76.21	74.13
Proforma diluted earnings per share	25.63	27.86	76.19	74.02

### 23.2.11. Income taxes

The provision for taxation includes tax liabilities in India on the company's global income as reduced by exempt incomes and any tax liabilities arising overseas on income sourced from those countries. Infosys has operations in Special Economic Zone (SEZ) and Software Technology Parks (STP). Income from STPs are exempt from tax for the earlier of 10 years commencing from the fiscal year in which the unit commences software development or March 31, 2011. Income from SEZs is fully tax exempt for the first 5 years, 50% exempt for the next 5 years and 50% exempt for another 5 years subject to fulfilling certain conditions. Pursuant to the changes in the Indian Income Tax Act, the Company has calculated its tax liability after considering Minimum Alternate Tax (MAT). The MAT liability can be carried forward and set off against the future tax liabilities. Accordingly a sum of Rs. 272 crore and Rs. 262 crore was carried forward and shown under "Loans and Advances" in the Balance Sheet as at December 31, 2009 and March 31, 2009 respectively.

### 23.2.12. Cash and bank balances

Details of balances as on balance sheet dates with non-scheduled banks:-

Balances with non-scheduled banks	<i>in Rs. crore</i>	
	As at	
	December 31, 2009	March 31, 2009
In current accounts		
ABN Amro Bank, Taiwan	1	2
Bank of America, USA	158	574
Citibank NA, Australia	21	33
Citibank NA, New Zealand	1	-
Citibank NA, Singapore	2	7
Citibank NA, Thailand	1	1
Citibank NA, Japan	2	2
Deutsche Bank, Belgium	3	6
Deutsche Bank, Germany	3	5
Deutsche Bank, Moscow (U.S.dollar account)	1	-
Deutsche Bank, Netherlands	5	1
Deutsche Bank, France	1	1
Deutsche Bank, Switzerland	3	-
Deutsche Bank, UK	35	58
Deutsche Bank, Spain	1	1
HSBC Bank, UK	1	7
Royal Bank of Canada, Canada	6	5
The Bank of Tokyo - Mitsubishi UFJ Ltd., Japan	1	1
	<b>246</b>	<b>704</b>

Details of balances as on balance sheet dates with scheduled banks:-

Balances with scheduled banks in India	<i>in Rs. crore</i>	
	As at	
	December 31, 2009	March 31, 2009
In current accounts		
Citibank-Unclaimed dividend account	1	1
Deutsche Bank	17	11
Deutsche Bank-EEFC account in Euro	4	26
Deutsche Bank-EEFC account in Swiss Franc	1	3
Deutsche Bank-EEFC account in U.S. dollar	8	11
HDFC Bank - Unclaimed dividend account	1	-
ICICI Bank	16	14
ICICI Bank-EEFC account in U.S. dollar	16	34
ICICI bank-Unclaimed dividend account	1	1
	<b>65</b>	<b>101</b>

Balances with scheduled banks in India	As at	
	December 31, 2009	March 31, 2009
In deposit accounts		
Allahabad Bank	100	-
Andhra Bank	91	80
Bank of Baroda	799	781
Bank of Maharashtra	500	493
Barclays Bank	210	140
Canara Bank	869	794
Central Bank of India	100	-
Corporation Bank	120	335
DBS Bank	49	25
HSBC Bank	-	258
ICICI Bank	1,000	510
IDBI Bank	500	500
ING Vysya Bank	25	25
Indian Overseas Bank	199	-
Oriental Bank of commerce	95	-
Punjab National Bank	332	480
State Bank of Hyderabad	200	200
State Bank of India	157	2,083
State Bank of Mysore	496	500
Syndicate Bank	498	500
The Bank of Nova Scotia	-	350
Union Bank of India	93	85
Vijaya Bank	95	95
	<b>6,528</b>	<b>8,234</b>
Total cash and bank balances as per balance sheet	<b>6,839</b>	<b>9,039</b>

Details of maximum balances during the period with non-scheduled banks:-

Maximum balance with non-scheduled banks during the period	Quarter ended		Nine months ended	
	December 31,		December 31,	
	2009	2008	2009	2008
In current accounts				
ABN Amro Bank, Taiwan	1	2	4	3
Bank of America, USA	559	956	634	956
Citibank NA, Australia	98	179	134	179
Citibank NA, New Zealand	5	-	5	-
Citibank NA, Singapore	2	12	45	24
Citibank NA, Japan	15	45	17	45
Citibank NA, Thailand	1	-	1	1
Deutsche Bank, Belgium	36	31	47	33
Deutsche Bank, Germany	17	26	31	26
Deutsche Bank, Netherlands	19	41	19	41
Deutsche Bank, France	5	9	6	9
Deutsche Bank, Russia	1	-	1	-
Deutsche Bank, Spain	1	2	2	2
Deutsche Bank, Singapore	-	-	15	-
Deutsche Bank, Switzerland	39	18	39	36
Deutsche Bank, Switzerland (US dollar account)	7	8	14	31
Deutsche Bank, UK	76	267	183	350
HSBC Bank, UK	2	4	8	8
Morgan Stanley Bank, USA	8	3	8	9
Nordbanken, Sweden	-	1	-	1
Royal Bank of Canada, Canada	27	42	27	42
Standard Chartered Bank, UAE	-	-	3	-
Svenska Handelsbanken, Sweden	2	2	3	3
The Bank of Tokyo - Mitsubishi UFJ Ltd., Japan	2	1	2	6

**23.2.13. Loans and advances**

Deposits with financial institutions and body corporate:

*in Rs. crore*

Particulars	As at	
	December 31, 2009	March 31, 2009
HDFC Limited	1,500	1,250
Life Insurance Corporation of India (LIC)	257	253
	<b>1,757</b>	<b>1,503</b>

Maximum balance (including accrued interest) held as deposits with financial institutions and body corporate:

*in Rs. crore*

	Quarter ended		Nine months ended	
	December 31,		December 31,	
	2009	2008	2009	2008
Deposits with financial institutions and body corporate:				
HDFC Limited*	1,550	1,000	1,550	1,056
GE Capital Services India	-	-	-	271
Life Insurance Corporation of India	257	234	257	234

\* Deepak M. Satwalekar, Director, is also a Director of HDFC Limited. 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 obligations as and when they arise during the normal course of business. (refer to note 23.2.23.b.)

**23.2.14. Fixed assets**

Profit / (loss) on disposal of fixed assets during the quarter and nine months ended December 31, 2009 and 2008 is less than Rs. 1 crore and accordingly disclosed under note 23.3.

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

*in Rs. crore*

	Quarter ended		Nine months ended	
	December 31,		December 31,	
	2009	2008	2009	2008
Depreciation charged during the period	24	38	76	43

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, 2009.

**23.2.15. Details of Investments**
*in Rs. crore*

Particulars	As at	
	December 31, 2009	March 31, 2009
Long- term investments		
OnMobile Systems Inc., (formerly Onscan Inc.) USA		
53,85,251 (53,85,251) common stock at USD 0.4348 each, fully paid, par value USD 0.001 each	9	9
Merasport Technologies Private Limited *		
2,420 equity shares at Rs. 8,052 each, fully paid, par value Rs. 10 each	2	2
	<b>11</b>	<b>11</b>
Less: Provision for investment	11	11
	-	-

\* During the year ended March 31, 2009, Infosys received 2,420 shares of Mera Sport Technologies Private Limited valued at Rs. 2 crore in lieu of provision of usage rights to the software developed by Infosys. The investment was fully provided for during the year ended March 31, 2009 based on diminution other than temporary.

**Current investments - Liquid mutual fund units**
*in Rs. crore*

Particulars	Number of units as at		Amount as at	
	December 31, 2009	March 31, 2009	December 31, 2009	March 31, 2009
Tata Floater Fund - Weekly Dividend	48,10,63,201	-	485	-
Kotak Floater Long Term Plan - Weekly Dividend	47,42,72,540	-	478	-
Reliance Medium Term Fund - Weekly Dividend Plan - D	27,48,45,891	-	470	-
Birla Sunlife Savings Fund - Institutional - Weekly Dividend Payout	47,40,15,498	-	474	-
ICICI Prudential Flexible Income Plan Premium - Weekly Dividend Payout	4,53,31,690	-	478	-
IDFC Money Manager Fund - Treasury Plan - Super Institutional Plan C - Weekly Dividend	47,74,15,545	-	478	-
UTI Treasury Advantage Fund - Institutional Weekly Dividend Plan - Payout	48,35,253	-	484	-
HDFC Floating Rate Income Fund - Short Term	47,93,25,619	-	486	-
DWS Ultra Short Term Fund - Institutional Weekly Dividend	14,57,75,723	-	147	-
Principal Floating Rate Fund FMP-Institutional Option - Dividend Payout Weekly	11,09,77,804	-	111	-
SBI - SHF - Ultra Short Term Fund - Institutional Plan - Weekly Dividend Payout	45,14,36,948	-	455	-
Franklin Templeton India Ultra Short Bond Fund Super Institutional Plan - Weekly Dividend Payout	12,57,81,222	-	127	-
Religare Ultra Short Term Fund - Institutional Weekly Dividend	48,16,19,364	-	482	-
			<b>5,155</b>	<b>-</b>
At cost			1,691	-
At fair value			3,464	-
			<b>5,155</b>	<b>-</b>

Details of investments in and disposal of securities during the quarter and nine months ended December 31, 2009 and December 31, 2008:

*in Rs. crore*

Particulars	Quarter ended		Nine months ended	
	December 31,		December 31,	
	2009	2008	2009	2008
Investment in securities				
Subsidiary- Infosys Consulting	-	-	50	22
Subsidiary- Infosys Mexico	-	-	18	-
Subsidiary - Infosys Brasil	10	-	17	-
Subsidiary - Infosys Public Services	24	-	24	-
Long term investments	-	2	-	2
Certificate of deposits	-	198	-	198
Liquid mutual fund units	3,425	-	7,874	-
	<u>3,459</u>	<u>200</u>	<u>7,983</u>	<u>222</u>
Redemption / disposal of investment in securities				
Liquid mutual fund units	1,341	-	2,719	-
	<u>1,341</u>	<u>-</u>	<u>2,719</u>	<u>-</u>
Net movement in investments	<b>2,118</b>	<b>200</b>	<b>5,264</b>	<b>222</b>

Investment purchased and sold during the nine months ended December 31, 2009 :

*in Rs. crore*

Name of the fund	Face Value Rs./-	Units	Cost
Birla Sunlife Short Term Fund - Institutional - Fortnightly Dividend	10	30,69,30,245	312
Birla Sunlife Savings Fund - Institutional - Weekly Dividend	10	8,99,40,639	90
DSP Blackrock Strategic Bond Fund - Institutional Plan - Monthly Dividend	1,000	4,90,830	50
DBS Chola Freedom Income - Short Term Plan - Weekly Dividend	10	8,19,67,368	86
HDFC Floating Rate Income Fund - Short Term	10	5,42,33,678	55
ICICI Prudential Floating Rate Plan - D - Weekly Dividend	10	23,88,35,963	239
ICICI Prudential Flexible Income Plan Premium - Weekly Dividend	100	1,51,75,198	160
IDFC Money Manager Fund - Treasury Plan - Super Institutional Plan C	10	32,76,13,002	328
Reliance Medium Term Fund - Weekly Dividend Plan - D	10	11,52,12,029	197
UTI Treasury Advantage Fund - Institutional Weekly Dividend Payout	1,000	18,51,458	185
HSBC Floating Rate Long Term Institutional Weekly Dividend Payout	10	13,43,20,855	151
DWS Ultra Short Term Fund - Institutional Weekly Dividend	10	80,93,74,184	816
Religare Ultra Short Term Fund - Institutional Weekly Dividend	10	4,99,20,128	50
Principal Floating Rate Fund FMP-Institutional Option - Dividend Payout Weekly	10	1,59,284	-

Investment purchased and sold during the nine months ended December 31, 2008 : Nil

### 23.2.16. Segment reporting

The Company's operations predominantly relate to providing end-to-end business solutions that leverage technology thereby enabling clients to enhance business performance, 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 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, 2009 and *December 31, 2008* :

	<i>in Rs. crore</i>					
	Financial	Manufacturing	Telecom	Retail	Others	Total
Revenues	1,884	968	833	742	908	5,335
	<i>1,940</i>	<i>1,039</i>	<i>860</i>	<i>720</i>	<i>870</i>	<i>5,429</i>
Identifiable operating expenses	775	464	341	333	401	2,314
	<i>795</i>	<i>451</i>	<i>371</i>	<i>305</i>	<i>355</i>	<i>2,277</i>
Allocated expenses	399	204	176	156	192	1,127
	<i>427</i>	<i>229</i>	<i>189</i>	<i>158</i>	<i>193</i>	<i>1,196</i>
Segmental operating income	710	300	316	253	315	1,894
	<i>718</i>	<i>359</i>	<i>300</i>	<i>257</i>	<i>322</i>	<i>1,956</i>
Unallocable expenses						205
						<i>169</i>
Operating income						1,689
						<i>1,787</i>
Other income (expense), net						222
						<i>46</i>
Net profit before taxes						1,911
						<i>1,833</i>
Income taxes						440
						<i>235</i>
Net profit after taxes						1,471
						<i>1,598</i>

Nine months ended December 31, 2009 and *December 31, 2008* :

*in Rs. crore*

	Financial services	Manufacturing	Telecom	Retail	Others	Total
Revenues	5,389	2,930	2,432	2,235	2,654	15,640
	5,251	2,824	2,613	1,948	2,375	15,011
Identifiable operating expenses	2,264	1,361	996	944	1,122	6,687
	2,249	1,211	1,086	847	1,016	6,409
Allocated expenses	1,201	654	543	498	591	3,487
	1,232	663	615	457	557	3,524
Segmental operating income	1,924	915	893	793	941	5,466
	1,770	950	912	644	802	5,078
Unallocable expenses						613
						485
Operating income						4,853
						4,593
Other income (expense), net						719
						254
Net profit before taxes						5,572
						4,847
Income taxes						1,199
						597
Net profit after taxes						4,373
						4,250

### Geographic Segments

Quarter ended December 31, 2009 and *December 31, 2008* :

*in Rs. crore*

	North America	Europe	India	Rest of the World	Total
Revenues	3,635	1,106	66	528	5,335
	3,573	1,325	55	476	5,429
Identifiable operating expenses	1,527	494	18	276	2,315
	1,501	558	10	208	2,277
Allocated expenses	768	234	13	111	1,126
	786	292	12	106	1,196
Segmental operating income	1,340	378	35	141	1,894
	1,286	475	33	162	1,956
Unallocable expenses					205
					169
Operating income					1,689
					1,787
Other income (expense), net					222
					46
Net profit before taxes					1,911
					1,833
Income taxes					440
					235
Net profit after taxes					1,471
					1,598

Nine months ended December 31, 2009 and *December 31, 2008* :

	<i>in Rs. crore</i>				
	North America	Europe	India	Rest of the World	Total
Revenues	10,505	3,438	185	1,512	15,640
	9,664	3,835	180	1,332	15,011
Identifiable operating expenses	4,382	1,471	55	780	6,688
	4,163	1,564	45	637	6,409
Allocated expenses	2,341	768	41	336	3,486
	2,266	902	42	314	3,524
Segmental operating income	3,782	1,199	89	396	5,466
	3,235	1,369	93	381	5,078
Unallocable expenses					613
					485
Operating income					4,853
					4,593
Other income (expense), net					719
					254
Net profit before taxes					5,572
					4,847
Income taxes					1,199
					597
Net profit after taxes					4,373
					4,250

### **23.2.17. Provision for doubtful debts**

Periodically, the Company evaluates all customer dues to the Company for collectability. The need for provisions is assessed based on various factors including collectability of specific dues, risk perceptions of the industry in which the customer operates, general economic factors, which could affect the customer's ability to settle. The Company normally provides for debtor dues outstanding for 180 days or longer as at the Balance Sheet date. As at December 31, 2009 the company has provided for doubtful debts of Rs. 49 crore (Rs. 66 crore as at March 31, 2009) 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.

### 23.2.18. Dividends remitted in foreign currencies

The Company remits the equivalent of the dividends payable to equity shareholders and holders of ADS. For ADS holders the dividend is remitted 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		Nine months ended	
		December 31,		December 31,	
		2009	2008	2009	2008
Interim dividend for fiscal 2010	10,70,15,201	107	-	107	-
Interim dividend for fiscal 2009	10,97,63,357	-	110	-	110
Final dividend for fiscal 2009	10,73,97,313	-	-	145	-
Final dividend for fiscal 2008	10,95,11,049	-	-	-	79
Special dividend for fiscal 2008	10,95,11,049	-	-	-	219

*in Rs. crore*

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

Particulars	Quarter ended		Nine months ended	
	December 31,		December 31,	
	2009	2008	2009	2008
Number of shares considered as basic weighted average shares	57,34,36,570	57,25,89,357	57,31,87,392	57,24,04,867
Add: Effect of dilutive issues of shares/stock options	5,80,340	6,93,312	6,85,424	10,78,766
Number of shares considered as weighted average shares and potential shares outstanding	<b>57,40,16,910</b>	<b>57,32,82,669</b>	<b>57,38,72,816</b>	<b>57,34,83,633</b>

### 23.2.20 Provision for post-sales client support and warranties

The movement in the provision for post-sales client support and warranties is as follows :

Particulars	Quarter ended		Nine months ended	
	December 31,		December 31,	
	2009	2008	2009	2008
Balance at the beginning	93	41	75	43
Provision recognized/(reversed)	(26)	18	(10)	21
Provision utilised	-	(1)	-	(6)
Exchange difference during the period	(2)	-	-	-
Balance at the end	<b>65</b>	<b>58</b>	<b>65</b>	<b>58</b>

*in Rs. crore*

Provision for post-sales client support is expected to be utilized over a period of 6 months to 1 year.

### 23.2.21. Gratuity Plan

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 and plan assets :

*in Rs. crore*

Particulars	As at			
	December 31, 2009	March 31, 2009	March 31, 2008	March 31, 2007
Obligations at period beginning	256	217	221	180
Transfer of obligation	(2)	-	-	-
Service cost	57	47	47	44
Interest cost	15	15	16	14
Actuarial (gain)/ loss	(5)	-	(9)	-
Benefits paid	(21)	(23)	(21)	(17)
Amendment in benefit plans	-	-	(37)	-
<b>Obligations at period end</b>	<b>300</b>	<b>256</b>	<b>217</b>	<b>221</b>

Defined benefit obligation liability as at the balance sheet is fully funded by the Company

#### Change in plan assets

Plans assets at period beginning, at fair value	256	229	221	167
Expected return on plan assets	18	16	18	16
Actuarial gain/ (loss)	-	5	2	3
Contributions	47	29	9	52
Benefits paid	(21)	(23)	(21)	(17)
<b>Plans assets at period end, at fair value</b>	<b>300</b>	<b>256</b>	<b>229</b>	<b>221</b>

#### 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 period	300	256	229	221
Present value of the defined benefit obligations at the end of the period	300	256	217	221
<b>Asset recognized in the balance sheet</b>	<b>-</b>	<b>-</b>	<b>12</b>	<b>-</b>

#### Assumptions

Interest rate	7.57%	7.01%	7.92%	7.99%
Estimated rate of return on plan assets	9.00%	7.01%	7.92%	7.99%
Weighted expected rate of salary increase	7.27%	5.10%	5.10%	5.10%

*in Rs. crore*

	Quarter ended		Nine months ended	
	December 31, 2009	2008	December 31, 2009	2008
<b>Gratuity cost for the period</b>				
Service cost	16	19	57	36
Interest cost	6	(1)	15	8
Expected return on plan assets	(6)	1	(18)	(9)
Actuarial (gain)/loss	(2)	2	(5)	-
Plan amendment amortization	(1)	(1)	(3)	(3)
<b>Net gratuity cost</b>	<b>13</b>	<b>20</b>	<b>46</b>	<b>32</b>
Actual return on plan assets	6	5	18	15

Gratuity cost, as disclosed above, is included under salaries and bonus and is segregated between software development expenses, selling and marketing expenses and general and administration expenses on the basis of number of employees.

As of December 31, 2009, a reimbursement obligation of Rs. 2 crore has been recognized towards settlement of gratuity liability of Infosys Consulting India Limited.

As of December 31, 2009 and March 31, 2009, the plan assets have been primarily invested in government securities. The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

Effective July 1, 2007, the Company revised the employee death benefits provided under the gratuity plan, and included all eligible employees under a consolidated term insurance cover. Accordingly, the obligations under the gratuity plan reduced by Rs. 37 crore, which is being amortised on a straight line basis to the net profit and loss account over 10 years representing the average future service period of the employees. The unamortized liability as at December 31, 2009 and March 31, 2009 amounted to Rs. 26 crore and Rs. 29 crore, respectively and disclosed under "Current Liabilities".

The company expects to contribute approximately Rs. 10 crore to the gratuity trust for the remainder of fiscal 2010.

#### **23.2.22.a Provident Fund**

The Guidance on Implementing AS 15, Employee Benefits (revised 2005) issued by Accounting Standards Board (ASB) states that benefits involving employer established provident funds, which require interest shortfalls to be recompensed are to be considered as defined benefit plans. Pending the issuance of the guidance note from the Actuarial Society of India, the Company's actuary has expressed an inability to reliably measure provident fund liabilities. Accordingly the Company is unable to exhibit the related information.

The company contributed Rs. 38 crore and Rs. 110 crore during the quarter and nine months ended December 31, 2009, respectively. (Rs. 35 crore and Rs. 101 crore during the quarter and nine months ended December 31, 2008, respectively).

#### **23.2.22.b Superannuation**

The company contributed Rs. 14 crore and Rs. 40 crore to the Superannuation Trust during the quarter and nine months ended December 31, 2009, respectively (Rs. 13 crore and Rs. 39 crore during the quarter and nine months ended December 31, 2008, respectively).

#### **23.2.23 Cashflow statement**

##### **23.2.23.a Unclaimed dividend**

The balance of cash and cash equivalents includes Rs. 3 crore as at December 31, 2009 (Rs. 2 crore as at March 31, 2009) set aside for payment of dividends.

##### **23.2.23.b Restricted cash**

Deposits with financial institutions and body corporate as at December 31, 2009 include Rs. 257 crore (Rs. 253 crore as at March 31, 2009) deposited with Life Insurance Corporation of India to settle employee-related obligations as and when they arise during the normal course of business. This amount is considered as restricted cash and is hence not considered "cash and cash equivalents".

**23.3 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 as follows :

Balance Sheet Items

Schedule	Description	in Rs. crore	
		December 31, 2009	March 31, 2009
3	Fixed assets		
	Vehicles		
	Addition during the period	0.55	0.50
	Deletion/retirement during the period	0.04	-
	Depreciation and amortisation	0.52	0.57
	Deletion during the period from depreciation	0.04	-
4	Investments		
	Investment in Infosys Sweden	0.06	-
7	Cash on Hand	-	0.01
23.2.7	Related party transactions		
	Debtors		
	Infosys BPO s.r.o.	0.40	0.02
	Infosys China	13.83	0.16
	Infosys Consulting	-	0.34
	Infosys Thailand	0.01	0.01
	Infosys Mexico	0.54	0.58
	Infosys Sweden	0.06	0.06
	Infosys Brasil	0.83	-
	Creditors		
	Infosys BPO s.r.o.	0.19	0.09
	Infosys Mexico	5.04	0.04
	Infosys Thailand	0.02	-
	Infosys Brasil	0.30	-
23.2.13	Balances with scheduled banks		
	- HDFC Bank - Unclaimed dividend account	1.03	0.46
	- Deutsche Bank - EEFC account in United Kingdom Pound Sterling	0.01	0.05
	- Deutsche Bank - EEFC account in Swiss Franc	0.47	3.35
	- State Bank of India	0.22	-
	- Bank of Baroda	0.02	-
	Balances with non-scheduled banks		
	- ABN Amro Bank, Copenhagen, Denmark	0.12	0.06
	- Deutsche Bank, Zurich, Switzerland	2.86	0.22
	- Deutsche Bank, Zurich, Switzerland U.S. dollars	0.01	0.05
	- Deutsche Bank, Russia	0.03	-
	- Deutsche Bank, Spain	1.14	0.57
	- Deutsche Bank, Singapore	0.28	-
	- Bank of Baroda, Mauritius	-	0.06
	- Nordbanken, Sweden	0.06	0.05
	- The Bank of Tokyo-Mitsubishi UFJ, Ltd., Japan	0.75	0.59
23.2.13	Maximum Balances with non-scheduled banks		
	- ABN Amro Bank, Denmark	0.03	0.01
	- Deutsche Bank Russia	0.13	-
	- Nordbanken, Sweden	0.05	1.17
	- Deutsche Bank, Singapore	0.26	-

## Profit &amp; Loss Items

*in Rs. crore*

Schedule	Description	Quarter ended December 31,		Nine months ended December 31,	
		2009	2008	2009	2008
12	Selling and Marketing expenses				
	Overseas group health insurance	0.80	0.28	2.48	0.23
	Printing & Stationery	0.20	0.29	0.54	0.77
	Office maintenance	0.10	0.09	0.17	0.30
	Computer maintenance	(0.02)	-	0.02	-
	Software Packages for own use	(0.05)	0.02	0.01	0.04
	Sales Promotion expenses	0.19	(0.11)	0.35	1.23
	Consumables	0.02	-	0.03	0.12
	Advertisements	0.08	0.48	(0.06)	1.44
	Communication Expenses	0.15	0.23	0.73	1.08
	Insurance charges	-	0.02	0.01	0.02
	Rates and taxes	0.08	0.01	0.09	0.02
13	General and Administrative expenses				
	Provision for doubtful loans and advances	0.14	0.19	0.24	0.49
	Overseas group health insurance	0.21	0.28	0.64	0.23
	Visa charges others	0.30	0.99	0.61	2.47
	Auditor's remuneration :				
	Statutory audit fees	0.17	0.16	0.51	0.47
	Certification charges	0.01	0.01	0.04	0.04
	Out-of-pocket expenses	0.01	-	0.03	0.02
	Freight charges	0.36	-	0.83	-
	Research grants	14.65	0.93	19.62	2.99
	Bank charges and commission	0.46	0.55	1.34	1.18
	Miscellaneous expenses	-	-	0.10	0.78
	Advertisements	0.81	0.49	1.83	3.42
23.2.1	Aggregate expenses				
	Provision for doubtful loans and advances	0.14	0.19	0.24	0.49
	Sales promotion expenses	0.19	(0.11)	0.35	1.23
	Auditor's remuneration				
	Statutory audit fees	0.17	0.16	0.51	0.47
	Certification Charges	0.01	0.01	0.04	0.04
	Out-of-pocket expenses	0.01	-	0.03	0.02
	Freight charges	0.36	-	0.83	-
	Research grants	14.65	0.93	19.62	2.99
	Bank charges and commission	0.46	0.55	1.34	1.18
	Miscellaneous expenses	-	-	0.10	0.78
23.2.7	Related party transactions				
	Revenue transactions				
	Sale of services - Infosys BPO s.r.o.	-	-	0.16	-
	Sale of services - Infosys BPO (Thailand) Limite	-	-	0.07	-
23.2.12.	Maximum Balances with non-scheduled banks				
	- ABN Amro Bank, Copenhagen, Denmark	0.03	0.07	0.34	0.07
	- Citibank NA, Thailand	0.13	0.01	0.26	0.01
	- Deutsche Bank, Singapore	0.26	-	15.31	-
	- Nordbanken, Stockholm, Sweden	0.05	0.91	0.48	1.17
23.2.15	Profit on disposal of fixed assets, included in miscellaneous income	-	0.05	-	0.11

## Cash Flow Statement Items

*in Rs. crore*

Schedule	Description	Nine months ended December 31,	
		2009	2008
Cash flow statement	Profit / (loss) on sale of fixed assets	-	0.11
	Proceeds on disposal of fixed assets	-	0.16
	Provision for investments	-	1.84

### 23.4 Transactions with key management personnel

Key management personnel comprise directors and members of executive council.

Particulars of remuneration and other benefits paid to whole-time directors and members of executive council during the quarter and nine months ended December 31, 2009 and *December 31, 2008* :

*in Rs. crore*

Name	Salary	Contributions to provident and other funds	Perquisites and incentives	Total Remuneration
<b>Co-Chairman*</b>				
Nandan M. Nilekani	-	-	-	-
	0.08	0.01	0.19	0.28
	0.09	0.02	0.23	0.34
	0.22	0.05	0.41	0.68
<b>Chief Executive Officer and Managing Director</b>				
S. Gopalakrishnan	0.08	0.02	0.04	0.14
	0.08	0.01	0.19	0.28
	0.24	0.06	0.33	0.63
	0.22	0.05	0.42	0.69
<b>Chief Operating Officer and Director</b>				
S. D. Shibulal	0.08	0.02	0.04	0.14
	0.09	0.02	0.18	0.29
	0.24	0.06	0.29	0.59
	0.22	0.05	0.40	0.67
<b>Whole-time Directors</b>				
K. Dinesh	0.08	0.02	0.04	0.14
	0.08	0.02	0.20	0.30
	0.24	0.06	0.33	0.63
	0.22	0.05	0.42	0.69
T. V. Mohandas Pai	0.09	0.02	0.22	0.33
	0.09	0.03	0.49	0.61
	0.27	0.06	1.90	2.23
	0.27	0.07	1.72	2.06
Srinath Batni	0.09	0.02	0.12	0.23
	0.09	0.02	0.31	0.42
	0.27	0.05	1.47	1.79
	0.26	0.06	1.18	1.50
<b>Chief Financial Officer</b>				
V. Balakrishnan	0.08	0.02	0.38	0.48
	0.07	0.02	0.44	0.53
	0.22	0.06	1.99	2.27
	0.21	0.05	1.94	2.20
<b>Executive Council Members</b>				
Ashok Vemuri	0.52	-	1.02	1.54
	0.54	-	0.49	1.03
	1.58	-	2.78	4.36
	1.44	-	2.04	3.48
Chandra Shekar Kakal	0.07	0.02	0.28	0.37
	0.06	0.01	0.31	0.38
	0.21	0.04	1.67	1.92
	0.19	0.04	1.21	1.44
B.G. Srinivas	0.46	-	0.06	0.52
	0.45	-	0.97	1.42
	1.38	-	1.93	3.31
	1.40	-	2.79	4.19
Subhash B. Dhar	0.06	0.02	0.25	0.33
	0.06	0.01	0.16	0.23
	0.18	0.05	1.36	1.59
	0.17	0.04	0.93	1.14

*\*Effective July 9, 2009, Mr. Nandan M Nilekani has relinquished the positions of Co-Chairman, Member of the Board and employee of Infosys.*

Particulars of remuneration and other benefits of non-executive/ independent directors for the quarter and and nine months ended December 31, 2009 and *December 31, 2008* :

Name	Commission	Sitting fees	Reimbursement of expenses	Total remuneration
<b>Non-Whole time Directors</b>				
Deepak M Satwalekar	0.15	-	-	0.15
	<i>0.18</i>	-	-	<i>0.18</i>
	0.48	-	-	0.48
	<i>0.51</i>	-	-	<i>0.51</i>
Prof.Marti G. Subrahmanyam	0.15	-	0.08	0.23
	<i>0.19</i>	-	<i>0.09</i>	<i>0.28</i>
	0.49	-	0.17	0.66
	<i>0.52</i>	-	<i>0.24</i>	<i>0.76</i>
Dr.Omkar Goswami	0.12	-	-	0.12
	<i>0.15</i>	-	-	<i>0.15</i>
	0.40	-	0.02	0.42
	<i>0.42</i>	-	<i>0.02</i>	<i>0.44</i>
Claude Smadja	0.14	-	0.05	0.19
	<i>0.17</i>	-	<i>0.05</i>	<i>0.22</i>
	0.46	-	0.20	0.66
	<i>0.49</i>	-	<i>0.20</i>	<i>0.69</i>
Rama Bijapurkar	0.12	-	-	0.12
	<i>0.14</i>	-	-	<i>0.14</i>
	0.38	-	0.02	0.40
	<i>0.40</i>	-	<i>0.01</i>	<i>0.41</i>
Sridar A. Iyengar	0.15	-	-	0.15
	<i>0.18</i>	-	-	<i>0.18</i>
	0.48	-	0.15	0.63
	<i>0.51</i>	-	<i>0.14</i>	<i>0.65</i>
David L. Boyles	0.14	-	0.04	0.18
	<i>0.17</i>	-	<i>0.05</i>	<i>0.22</i>
	0.46	-	0.11	0.57
	<i>0.49</i>	-	<i>0.18</i>	<i>0.67</i>
Prof. Jeffrey S. Lehman	0.14	-	0.05	0.19
	<i>0.18</i>	-	-	<i>0.18</i>
	0.46	-	0.18	0.64
	<i>0.49</i>	-	<i>0.17</i>	<i>0.66</i>
K.V.Kamath**	0.11	-	-	0.11
	-	-	-	-
	0.34	-	0.01	0.35
	-	-	-	-
N. R. Narayana Murthy *	0.14	-	-	0.14
	<i>0.17</i>	-	-	<i>0.17</i>
	0.44	-	-	0.44
	<i>0.46</i>	-	-	<i>0.46</i>

\* Non-executive chairman of the board and chief mentor.

\*\* Joined the board effective May 02, 2009