INFOSYS TECHNOLOGIES LTD
Form 6-K
October 26, 2010

Form 6-K

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16 under the Securities Exchange Act of 1934

For the quarter ended September 30, 2010

Commission File Number 000-25383

Infosys Technologies Limited
(Exact name of Registrant as specified in its charter)

Not Applicable.
(Translation of Registrant's name into English)

Electronics City, Hosur Road, Bangalore-560 100, Karnataka, India. +91-80-2852-0261
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F :

Form 20-F þ Form 40-F o

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1) : o

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7) : o

Currency of presentation and certain defined terms

In this Quarterly Report, references to "U.S." or "United States" are to the United States of America, its territories and its possessions. References to "India" are to the Republic of India. References to "$" or "dollars" or "U.S. dollars" are to the legal currency of the United States and references to "Rs." or "rupees" or "Indian rupees" are to the legal currency of India. Our financial statements are presented in U.S. dollars and are prepared in accordance with the International Financial Reporting Standards as issued by the International Accounting Standards Board, or IFRS. References to "Indian GAAP" are to Indian Generally Accepted Accounting Principles. References to a particular "fiscal" year are to our fiscal year ended March 31 of such year.

All references to "we", "us", "our", "Infosys" or the "Company" shall mean Infosys Technologies Limited, and, unless specifically indicated otherwise or the context indicates otherwise, our consolidated subsidiaries. "Infosys" is a registered trademark of Infosys Technologies Limited in the United States and India. All other trademarks or trade names used in this Quarterly Report are the property of their respective owners.

Except as otherwise stated in this Quarterly Report, all translations from Indian rupees to U.S. dollars effected are based on the fixing rate in the City of Mumbai on September 30, 2010 for cable transfers in Indian rupees as published by the Foreign Exchange Dealers' Association of India, or FEDAI, which was Rs. 44.94 per $1.00. No representation is made that the Indian rupee amounts have been, could have been or could be converted into U.S. dollars at such a rate or any other rate. Any discrepancies in any table between totals and sums of the amounts listed are due to rounding.

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Part I - Financial Information

Item I. Financial Statements

Infosys Technologies Limited and subsidiaries

Unaudited Consolidated Balance Sheets as of
(Dollars in millions except share data)

	Note	September 30, 2010	March 31, 2010
ASSETS			
Current assets			
Cash and cash equivalents	2.1	$3,427	$2,698
Available-for-sale financial assets	2.2	8	569
Investment in certificates of deposit		434	265
Trade receivables		928	778
Unbilled revenue		235	187
Derivative financial instruments	2.7	4	21
Prepayments and other current assets	2.4	175	143
Total current assets		5,211	4,661
Non-current assets			
Property, plant and equipment	2.5	1,008	989
Goodwill	2.6	183	183
Intangible assets	2.6	12	12
Deferred income tax assets	2.17	69	78
Income tax assets	2.17	143	148
Other non-current assets	2.4	116	77
Total non-current assets		1,531	1,487
Total assets		$6,742	$6,148
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables		$8	$2
Current income tax liabilities	2.17	201	161
Client deposits		2	2
Unearned revenue		133	118
Employee benefit obligations	2.8	33	29
Provisions	2.9	18	18
Other current liabilities	2.10	430	380
Total current liabilities		825	710
Non-current liabilities			
Deferred income tax liabilities	2.17	1	26
Employee benefit obligations	2.8	44	38
Other non-current liabilities	2.10	13	13
Total liabilities		883	787
Equity			
Share capital-Rs. 5 ($0.16) par value 600,000,000 equity shares authorized, issued and outstanding 571,201,074 and 570,991,592, net of 2,833,600 treasury shares each as of September 30, 2010 and March 31, 2010, respectively		64	64
Share premium		697	694
Retained earnings		5,096	4,611
Other components of equity		2	(8)
Total equity attributable to equity holders of the company		5,859	5,361
Total liabilities and equity		$6,742	$6,148

The accompanying notes form an integral part of the unaudited consolidated interim financial statements

Infosys Technologies Limited and subsidiaries

Unaudited Consolidated Statements of Comprehensive Income
(Dollars in millions except share data)

	Note	Three months ended September 30,		Six months ended September 30,	
		2010	2009	2010	2009
Revenues		$1,496	$1,154	$2,854	$2,276
Cost of sales		855	662	1,655	1,305
Gross profit		641	492	1,199	971
Operating expenses:					
Selling and marketing expenses		82	57	156	110
Administrative expenses		107	85	207	173
Total operating expenses		189	142	363	283
Operating profit		452	350	836	688
Other income, net	2.14	57	49	110	104
Profit before income taxes		509	399	946	792
Income tax expense	2.17	135	82	246	162
Net profit		$374	$317	$700	$630
Other comprehensive income					
Fair value changes on available-for-sale financial assets, net of tax effect (Refer note 2.2 and 2.17)		–	–	(1)	–
Exchange differences on translating foreign operations		$199	$(10)	$11	$226
Total other comprehensive income		$199	$(10)	$10	$226
Total comprehensive income		$573	$307	$710	$856
Profit attributable to:					
Owners of the company		$374	$317	$700	$630
Non-controlling interest		–	–	–	–
		$374	$317	$700	$630
Total comprehensive income attributable to:					
Owners of the company		$573	$307	$710	$856
Non-controlling interest		–	–	–	–
		$573	$307	$710	$856
Earnings per equity share					
Basic ($)		0.65	0.56	1.23	1.10
Diluted ($)		0.65	0.56	1.23	1.10
Weighted average equity shares used in computing earnings per equity share	2.18				
Basic		571,131,367	570,343,178	571,083,717	570,229,204
Diluted		571,358,817	571,046,545	571,345,695	570,948,478

The accompanying notes form an integral part of the unaudited consolidated interim financial statements

Infosys Technologies Limited and subsidiaries

Unaudited Consolidated Statements of Changes in Equity

(Dollars in millions except share data)

	Shares	Share capital	Share premium	Retained earnings	Other components	Total equity attributable to

						of equityequity holders of the company
Balance as of April 1, 2009	572,830,043	$64	$672	$3,618	$(570)	$3,784
Changes in equity for the six months ended September 30, 2009						
Shares issued on exercise of employee stock options	481,650	–	9	–	–	9
Treasury Shares*	(2,833,600)	–	–	–	–	–
Reserves on consolidation of trusts	–	–	–	10	–	10
Dividends (including corporate dividend tax)	–	–	–	(188)	–	(188)
Net profit	–	–	–	630	–	630
Exchange differences on translating foreign operations	–	–	–	–	226	226
Balance as of September 30, 2009	570,478,093	$64	$681	$4,070	$(344)	$4,471
Balance as of April 1, 2010	570,991,592	$64	$694	$4,611	$(8)	$5,361
Changes in equity for the six months ended September 30, 2010						
Shares issued on exercise of employee stock options	209,482	–	3	–	–	3
Dividends (including corporate dividend tax)	–	–	–	(215)	–	(215)
Fair value changes on available-for-sale financial assets, net of tax effect (Refer Note 2.2 and 2.17)	–	–	–	–	(1)	(1)
Net profit	–	–	–	700	–	700
Exchange differences on translating foreign operations	–	–	–	–	11	11
Balance as of September 30, 2010	571,201,074	$64	$697	$5,096	$2	$5,859

The accompanying notes form an integral part of the unaudited consolidated interim financial statements
*Effective fiscal 2010 treasury shares held by controlled trusts were consolidated

Infosys Technologies Limited and subsidiaries

Unaudited Consolidated Statements of Cash Flows
(Dollars in millions)

		Six months ended September 30,	
	Note	2010	2009
Operating activities:			
Net profit		$700	$630
Adjustments to reconcile net profit to net cash provided by operating activities:			
Depreciation and amortization	2.5 and 2.6	92	94
Income on investments		(16)	(7)

Income tax expense	2.17	246	162
Changes in working capital			
Trade receivables		(147)	63
Prepayments and other assets		(18)	(31)
Unbilled revenue		(46)	(8)
Trade payables		6	(3)
Unearned revenue		14	47
Other liabilities and provisions		65	31
Cash generated from operations		896	978
Income taxes paid	2.17	(217)	(164)
Net cash provided by operating activities		$679	$814
Investing activities:			
Expenditure on property, plant and equipment, including changes in retention money	2.5 and 2.10	(118)	(71)
Loans to employees		(1)	1
Non-current deposits placed with corporation		(33)	(12)
Income on investments		5	7
Investment in certificates of deposit		(157)	–
Redemption of certificates of deposit		2	–
Investment in available-for-sale financial assets		(331)	(988)
Redemption of available-for-sale financial assets		877	325
Net cash provided by/(used in) investing activities		$244	$(738)
Financing activities:			
Proceeds from issuance of common stock on exercise of employee stock options		$3	$9
Payment of dividends		(184)	(161)
Payment of corporate dividend tax		(31)	(27)
Net cash used in financing activities		$(212)	$(179)
Effect of exchange rate changes on cash and cash equivalents		$18	$144
Net increase/(decrease) in cash and cash equivalents		711	(103)
Cash and cash equivalents at the beginning	2.1	2,698	2,167
Cash and cash equivalents at the end	2.1	$3,427	$2,208
Supplementary information:			
Restricted cash balance	2.1	$24	$11

The accompanying notes form an integral part of the unaudited consolidated interim financial statements

Notes to the Unaudited Consolidated Interim Financial Statements

1. Company Overview and Significant Accounting Policies

1.1 Company overview

Infosys Technologies Limited (Infosys or the company) along with its controlled trusts, 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. (Infosys Public Services), is a leading global technology services company. The Infosys group of companies (the Group) provides end-to-end business solutions that leverage technology thereby enabling its clients to enhance business performance. The Group's operations are to provide solutions that span the entire software life cycle encompassing technical consulting, design, development, re-engineering, maintenance, systems integration, package evaluation and implementation, testing and infrastructure management services. In addition, the Group offers software products for the banking industry and business process management services.

The company is a public limited company incorporated and domiciled in India and has its registered office at Bangalore, Karnataka, India. The company has its primary listing on the Bombay Stock Exchange and National Stock Exchange in India. The company's American Depositary Shares representing equity shares are also listed on the NASDAQ Global Select Market. The company's consolidated interim financial statements were authorized for issue by the company's Board of Directors on October 26, 2010.

1.2 Basis of preparation of financial statements

These consolidated interim financial statements as at and for the three months and six months ended September 30, 2010, have been prepared in compliance with IAS 34, Interim Financial Reporting, under the historical cost convention on the accrual basis except for certain financial instruments and prepaid gratuity benefits which have been measured at fair values. These consolidated interim financial statements should be read in conjunction with the consolidated financial statements and related notes included in the company's Annual Report on Form 20-F for the fiscal year ended March 31, 2010. Accounting policies have been applied consistently to all periods presented in these financial statements.

1.3 Basis of consolidation

Infosys consolidates entities which it owns or controls. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are also taken into account. Subsidiaries are consolidated from the date control commences until the date control ceases.

The financial statements of the Group companies are consolidated on a line-by-line basis and intra-group balances and transactions including unrealized gain / loss from such transactions are eliminated upon consolidation. These financial statements are prepared by applying uniform accounting policies in use at the Group. Non-controlling interests which represent part of the net profit or loss and net assets of subsidiaries that are not, directly or indirectly, owned or controlled by the company, are excluded.

1.4 Use of estimates

The preparation of the financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions. These estimates, judgments and assumptions affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Application of accounting policies that require critical accounting estimates involving complex and subjective judgments and the use of assumptions in these financial statements have been disclosed in Note 1.5. Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as 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 unaudited consolidated interim financial statements.

1.5 Critical accounting estimates

a. Revenue recognition

The company uses the percentage-of-completion method in accounting for its fixed-price contracts. Use of the percentage-of-completion method requires the company to estimate the efforts expended to date as a proportion of the total efforts to be expended. Efforts expended have been used to measure progress towards completion as there is a direct relationship between input and productivity. Provisions for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the expected contract estimates at the reporting date.

b. Income taxes

The company's two major tax jurisdictions are India and the U.S., though the company also files tax returns in other foreign jurisdictions. Significant judgments are involved in determining the provision for income taxes, including the amount expected to be paid or recovered in connection with uncertain tax positions. Also refer to Note 2.17.

c . Business combinations and Intangible assets

Business combinations are accounted for using IFRS 3 (Revised), Business Combinations. IFRS 3 requires the identifiable intangible assets and contingent consideration to be fair valued in order to ascertain the net fair value of identifiable assets, liabilities and contingent liabilities of the acquiree. Significant estimates are required to be made in determining the value of contingent consideration and intangible assets. These valuations are conducted by independent valuation experts.

1.6 Revenue recognition

The company derives revenues primarily from software development and related services, from business process management services and from the licensing of software products. Arrangements with customers for software development and related services and business process management 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, fixed-timeframe contracts, where there is no uncertainty as to measurement or collectability of consideration, is recognized as per the percentage-of-completion method. When there is uncertainty as to measurement or ultimate collectability, revenue recognition is postponed until such uncertainty is resolved. Efforts expended have been used to measure progress towards completion as there is a direct relationship between input and productivity. Provisions for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the current contract estimates. Costs and earnings in excess of billings are classified as unbilled revenue while billings in excess of costs and earnings are classified as unearned revenue. Maintenance revenue is recognized ratably over the term of the underlying maintenance arrangement.

In arrangements for software development and related services and maintenance services, the company has applied the guidance in IAS 18, Revenue, by applying the revenue recognition criteria for each separately identifiable component of a single transaction. The arrangements generally meet the criteria for considering software development and related services as separately identifiable components. For allocating the consideration, the company has measured the revenue in respect of each separable component of a transaction at its fair value, in accordance with principles given in IAS 18. The price that is regularly charged for an item when sold separately is the best evidence of its fair value. In cases where the company is unable to establish objective and reliable evidence of fair value for the software development and related services, the company has used a residual method to allocate the arrangement consideration. In these cases the balance of the consideration, after allocating the fair values of undelivered components of a transaction has been allocated to the delivered components for which specific fair values do not exist.

License fee revenues are recognized when the general revenue recognition criteria given in IAS 18 are met. Arrangements to deliver software products generally have three elements: license, implementation and Annual Technical Services (ATS). The company has applied the principles given in IAS 18 to account for revenues from these multiple element arrangements. Objective and reliable evidence of fair value has been established for ATS. Objective and reliable evidence of fair value is the price charged when the element is sold separately. When other services are provided in conjunction with the licensing arrangement and objective and reliable evidence of their fair values have been established, the revenue from such contracts are allocated to each component of the contract in a manner, whereby revenue is deferred for the undelivered services and the residual amounts are recognized as revenue for delivered elements. In the absence of objective and reliable evidence of fair value for implementation, the entire arrangement fee for license and implementation is recognized using the percentage-of-completion method as the implementation is performed. Revenue from client training, support and other services arising due to the sale of software products is recognized as the services are performed. ATS revenue is recognized ratably over the period in which the services are rendered.

Advances received for services and products are reported as client deposits until all conditions for revenue recognition are met.

The company accounts for volume discounts and pricing incentives to customers as a reduction of revenue based on the ratable allocation of the discounts/ incentives amount to each of the underlying revenue transaction that results 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 in the period in which the change occurs. 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 statement of comprehensive income.

1.7 Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and impairments, if any. The direct costs are capitalized until the property, plant and equipment are ready for use, as intended by management. The company depreciates property, plant and equipment over their estimated useful lives using the straight-line method. The estimated useful lives of assets for current and comparative periods are 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.

Advances paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date and the cost of assets not put to use before such date are disclosed under ‘Capital work-in-progress’. Subsequent expenditures relating to property, plant and equipment is capitalized only when it is probable that future economic benefits associated with these will flow to the Group and the cost of the item can be measured reliably. Repairs and maintenance costs are recognized in net profit in the statement of comprehensive income when incurred. The cost and related accumulated depreciation are eliminated from the financial statements upon sale or retirement of the asset and the resultant gains or losses are recognized in net profit in the statement of comprehensive income. Assets to be disposed off are reported at the lower of the carrying value or the fair value less cost to sell.

1.8 Business combination

Business combinations have been accounted for using the acquisition method under the provisions of IFRS 3 (Revised), Business Combinations.

The cost of an acquisition is measured at the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of acquisition. The cost of acquisition also includes the fair value of any contingent consideration. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value on the date of acquisition.

Transaction costs that the Group incurs in connection with a business combination such as finders' fees, legal fees, due diligence fees, and other professional and consulting fees are expensed as incurred.

1.9 Goodwill

Goodwill represents the cost of business acquisition in excess of the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities of the acquiree. When the net fair value of the identifiable assets, liabilities and contingent liabilities acquired exceeds the cost of business acquisition, a gain is recognized immediately in net profit in the statement of comprehensive income. Goodwill is measured at cost less accumulated impairment losses.

1.10 Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairments. Intangible assets are amortized over their respective individual estimated useful lives on a straight-line basis, from the date that they are available for use. The estimated useful life of an identifiable intangible asset is based on a number of factors including the effects of obsolescence, demand, competition, and other economic factors (such as the stability of the industry, and known technological advances), and the level of maintenance expenditures required to obtain the expected future cash flows from the asset.

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. The costs which can be capitalized include the cost of material, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use. Research and development costs and software development costs incurred under contractual arrangements with customers are accounted as cost of sales.

1.11 Financial instruments

Financial instruments of the Group are classified in the following categories: non-derivative financial instruments comprising of loans and receivables, available-for-sale financial assets and trade and other payables; derivative financial instruments under the category of financial assets or financial liabilities at fair value through profit or loss; share capital and treasury shares. The classification of financial instruments depends on the purpose for which those were acquired. Management determines the classification of its financial instruments at initial recognition.

a. Non-derivative financial instruments

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are measured initially at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method, less any impairment loss or provisions for doubtful accounts. Loans and receivables are represented by trade receivables, net of allowances for impairment, unbilled revenue, cash and cash equivalents, prepayments, certificates of deposit and other assets. Cash and cash equivalents comprise cash and bank deposits and deposits with 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. Certificates of deposit is a negotiable money market instrument for funds deposited at a bank or other eligible financial institution for a specified time period.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or are not classified in any of the other categories. Available-for-sale financial assets are recognized initially at fair value plus transactions costs. Subsequent to initial recognition these are measured at fair value and changes therein, other than impairment losses and foreign exchange gains and losses on available-for-sale monetary items are recognized directly in other comprehensive income. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to net profit in the statement of comprehensive income. These are presented as current assets unless management intends to dispose off the assets after 12 months from the balance sheet date.

(iii) Trade and other payables

Trade and other payables are initially recognized at fair value, and subsequently carried at amortized cost using the effective interest method.

b. Derivative financial instruments

Financial assets or financial liabilities, at fair value through profit or loss.

This category has two sub-categories wherein, financial assets or financial liabilities are held for trading or are designated as such upon initial recognition. A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the short term. Derivatives are categorized as held for trading unless they are designated as hedges.

The company holds derivative financial instruments such as foreign exchange forward and option contracts to mitigate the risk of changes in foreign exchange rates on trade receivables and forecasted cash flows denominated in certain foreign currencies. The counterparty for these contracts is generally a bank or a financial institution. Although the company believes that these financial instruments constitute hedges from an economic perspective, they do not qualify for hedge accounting under IAS 39, Financial Instruments: Recognition and Measurement. Any derivative that is either not designated a hedge, or is so designated but is ineffective per IAS 39, is categorized as a financial asset, at fair value through profit or loss.

Derivatives are recognized initially at fair value and attributable transaction costs are recognized in net profit in the statement of comprehensive income when incurred. Subsequent to initial recognition, derivatives are measured at fair value through profit or loss and the resulting exchange gains or losses are included in other income in the statement of comprehensive income. Assets/liabilities in this category are presented as current assets/current liabilities if they are either held for trading or are expected to be realized within 12 months after the balance sheet date.

c. Share capital and treasury shares

Ordinary Shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

Treasury Shares

When any entity within the Group purchases the company's ordinary shares, the consideration paid including any directly attributable incremental cost is presented as a deduction from total equity, until they are cancelled, sold or reissued. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/ from retained earnings.

1.12 Impairment

a. Financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset is considered impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

(i) Loans and receivables

Impairment loss in respect of loans and receivables measured at amortized cost are calculated as the difference between their carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Such impairment loss is recognized in net profit in the statement of comprehensive income.

(ii) Available-for-sale financial assets

Significant or prolonged decline in the fair value of the security below its cost and the disappearance of an active trading market for the security are objective evidence that the security is impaired. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value and is recognized in net profit in the statement of comprehensive income. The cumulative loss that was recognized in other comprehensive income is transferred to net profit in the statement of comprehensive income upon impairment.

b. Non-financial assets

(i) Goodwill

Goodwill is tested for impairment on an annual basis and whenever there is an indication that goodwill may be impaired, relying on a number of factors including operating results, business plans and future cash flows. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the Group's cash generating units (CGU) expected to benefit from the synergies arising from the business combination. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Impairment occurs when the carrying amount of a CGU including the goodwill, exceeds the estimated recoverable amount of the CGU. The recoverable amount of a CGU is the higher of its fair value less cost to sell and its value-in-use. Value-in-use is the present value of future cash flows expected to be derived from the CGU.

Total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU. An impairment loss on goodwill is recognized in net profit in the statement of comprehensive income and is not reversed in the subsequent period.

(ii) Intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the CGU to which the asset belongs.

If such assets are considered to be impaired, the impairment to be recognized in net profit in the statement of comprehensive income is measured by the amount by which the carrying value of the assets exceeds the estimated recoverable amount of the asset.

c. Reversal of impairment loss

An impairment loss for financial assets is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. The carrying amount of an asset other than goodwill 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. A reversal of impairment loss for an asset other than goodwill and available-for-sale financial assets that are equity securities is recognized in net profit in the statement of comprehensive income. For available-for-sale financial assets that are equity securities, the reversal is recognized in other comprehensive income.

1.13 Fair value of financial instruments

In determining the fair value of its financial instruments, the company uses a variety of methods and assumptions that are based on market conditions and risks existing at each reporting date. The methods used to determine fair value include discounted cash flow analysis, available quoted market prices and dealer quotes. All methods of assessing fair value result in general approximation of value, and such value may never actually be realized.

For all other financial instruments the carrying amounts approximate fair value due to the short maturity of those instruments. The fair value of securities, which do not have an active market and where it is not practicable to determine the fair values with sufficient reliability, are carried at cost less impairment.

1.14 Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive 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 discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

a. Post sales client support

The company provides its clients with a fixed-period post sales support 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 related revenues are recorded and included in cost of sales. The company estimates such costs based on historical experience and estimates are reviewed on a periodic basis for any material changes in assumptions and likelihood of occurrence.

b.Onerous contracts

Provisions for onerous contracts are recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting the future obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established the Group recognizes any impairment loss on the assets associated with that contract.

1.15 Foreign currency

Functional and presentation currency

The functional currency of Infosys and Infosys BPO is the Indian rupee. The functional currencies for Infosys Australia, Infosys China, Infosys Consulting, Infosys Mexico, Infosys Sweden, Infosys Brasil and Infosys Public Services are the respective local currencies. These financial statements are presented in U.S. dollars (rounded off to the nearest million) to facilitate global comparability.

Transactions and translations

Foreign-currency denominated monetary assets and liabilities are translated into the relevant functional currency at exchange rates in effect at the balance sheet date. The gains or losses resulting from such translations are included in net profit in the statement of comprehensive income. 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.

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. Revenue, expense and cash-flow items denominated in foreign currencies are translated into the relevant functional currencies using the exchange rate in effect on the date of the transaction.

The translation of financial statements of the foreign subsidiaries to the functional currency of the company is performed for assets and liabilities using the exchange rate in effect at the balance sheet date and for revenue, expense and cash-flow items using the average exchange rate for the respective periods. The gains or losses resulting from such translation are included in currency translation reserves under other components of equity. When a subsidiary is disposed off, in part or in full, the relevant amount is transferred to net profit in the statement of comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rate in effect at the balance sheet date.

1.16 Earnings per equity share

Basic earnings per equity share is computed by dividing the net profit attributable to the equity holders of the company by the weighted average number of equity shares outstanding during the period. Diluted earnings per equity share is computed by dividing the net profit attributable to the equity holders of the company by the weighted average number of equity shares considered for deriving basic earnings per equity 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 equity shares been actually issued at fair value (i.e. the average market value of the outstanding equity 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 equity 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.

1.17 Income taxes

Income tax expense comprises current and deferred income tax. Income tax expense is recognized in net profit in the statement of comprehensive income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in other comprehensive income. Current income tax for current and prior periods is recognized at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred income tax assets and liabilities are recognized for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred income tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of changes in tax rates on deferred income tax assets and liabilities is recognized as income or expense in the period that includes the enactment or the substantive enactment date. A deferred income tax asset is recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilized. Deferred income taxes are not provided on the undistributed earnings of subsidiaries and branches where it is expected that the earnings of the subsidiary or branch will not be distributed in the foreseeable future. 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. The company offsets current tax assets and current tax liabilities, where it has a legally enforceable right to set off the recognized amounts and where it intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. Deferred tax assets and deferred tax liabilities have been offset wherever the company has a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority. Tax benefits of deductions earned on exercise of employee share options in excess of compensation charged to income are credited to share premium.

1.18 Employee benefits

1.18.1 Gratuity

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

Liabilities with regard to the Gratuity Plan are determined by actuarial valuation, performed by an independent actuary, 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). In case of Infosys BPO, contributions are made to the Infosys BPO's Employees' Gratuity Fund Trust. Trustees administer contributions made to the Trusts and contributions are invested in specific designated instruments as permitted by law and investments are also made in mutual funds that invest in the specific designated instruments.

The Group recognizes the net obligation of a defined benefit plan in its balance sheet as an asset or liability, respectively in accordance with IAS 19, Employee benefits. The discount rate is based on the Government securities yield. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to net profit in the statement of comprehensive income in the period in which they arise. When the computation results in a benefit to the Group, the recognized asset is limited to the net total of any unrecognized past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

1.18.2 Superannuation

Certain employees of Infosys are also participants in a defined contribution plan. A portion of the monthly contribution amount is being paid directly to the employees as an allowance and the balance amount is contributed to the Infosys Technologies Limited Employees' Superannuation Fund Trust. The company has no further obligations to the Plan beyond its monthly contributions.

Certain employees of Infosys BPO are also eligible for superannuation benefit. Infosys BPO has no further obligations to the superannuation plan beyond its monthly contribution which are periodically contributed to a trust fund, the corpus of which is invested with the Life Insurance Corporation of India.

Certain employees of Infosys Australia are also eligible for superannuation benefit. Infosys Australia has no further obligations to the superannuation plan beyond its monthly contribution.

1.18.3 Provident fund

Eligible employees of Infosys 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.

In respect of Infosys BPO, eligible employees receive benefits from a provident fund, which is a defined contribution plan. Both the employee and Infosys BPO make monthly contributions to this provident fund plan equal to a specified percentage of the covered employee's salary. Amounts collected under the provident fund plan are deposited in a government administered provident fund. The company has no further obligation to the plan beyond its monthly contributions.

1.18.4 Compensated absences

The Group has a policy on 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/availed 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.

1.19 Share-based compensation

The Group recognizes compensation expense relating to share-based payments in net profit using a fair-value measurement method in accordance with IFRS 2, Share-Based Payment. Under the fair value method, the estimated fair value of awards is charged to income on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was in-substance, multiple awards. The Group includes a forfeiture estimate in the amount of compensation expense being recognized.

The fair value of each option is estimated on the date of grant using the Black-Scholes-Merton valuation model. The expected term of an option is estimated based on the vesting term and contractual term of the option, as well as expected exercise behaviour of the employee who receives the option. Expected volatility during the expected term of the option is based on historical volatility, during a period equivalent to the expected term of the option, of the observed market prices of the company's publicly traded equity shares. Expected dividends during the expected term of the option are based on recent dividend activity. Risk-free interest rates are based on the government securities yield in effect at the time of the grant over the expected term.

1.20 Dividends

Final dividends on shares are recorded as a liability on the date of approval by the shareholders and interim dividends are recorded as a liability on the date of declaration by the company's Board of Directors.

1.21 Operating profit

Operating profit for the Group is computed considering the revenues, net of cost of sales, selling and marketing expenses and administrative expenses.

1.22 Other income

Other income is comprised primarily of interest income and dividend income. Interest income is recognized using the effective interest method. Dividend income is recognized when the right to receive payment is established.

1.23 Leases

Leases under which the company assumes substantially all the risks and rewards of ownership are classified as finance leases. When acquired, such assets are capitalized at fair value or present value of the minimum lease payments at the inception of the lease, whichever is lower. Lease payments under operating leases are recognised as an expense on a straight line basis in net profit in the statement of comprehensive income over the lease term.

1.24 Government grants

The Group recognizes government grants only when there is reasonable assurance that the conditions attached to them shall be complied with, and the grants will be received. Government grants related to depreciable fixed assets are treated as deferred income and are recognized in net profit in the statement of comprehensive income on a systematic and rational basis over the useful life of the asset. Government grants related to revenue are recognized on a systematic basis in net profit in the statement of comprehensive income over the periods necessary to match them with the related costs which they are intended to compensate.

1.25 Recent accounting pronouncements

1.25.1 Standards issued but not yet effective

IFRS 9 Financial Instruments: In November 2009, International Accounting Standards Board issued IFRS 9, Financial Instruments: Recognition and Measurement, to reduce the complexity of the current rules on financial instruments as mandated in IAS 39. The effective date for IFRS 9 is annual periods beginning on or after January 1, 2013 with early adoption permitted. IFRS 9 has fewer classification and measurement categories as compared to IAS 39 and has eliminated the categories of held to maturity, available for sale and loans and receivables. Further it eliminates the rule-based requirement of segregating embedded derivatives and tainting rules pertaining to held to maturity investments. For an investment in an equity instrument which is not held for trading, IFRS 9 permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in other comprehensive income. No amount recognized in other comprehensive income would ever be reclassified to profit or loss. The company is required to adopt IFRS 9 by accounting year commencing April 1, 2014. The company is currently evaluating the requirements of IFRS 9, and has not yet determined the impact on the consolidated financial statements.

2. Notes to the unaudited consolidated interim financial statements

2.1 Cash and cash equivalents

Cash and cash equivalents consist of the following:

(Dollars in millions)

	As of	
	September 30, 2010	March 31, 2010
Cash and bank deposits	$3,083	$2,351
Deposits with corporations	344	347
	$3,427	$2,698

Cash and cash equivalents as of September 30, 2010 and March 31, 2010 include restricted cash and bank balances of $24 million and $16 million, respectively. The restrictions are primarily on account of cash and bank balances held by irrevocable trusts controlled by the company and unclaimed dividends.

The deposits maintained by the Group with corporations comprise of time deposits, which can be withdrawn by the Group at any point without prior notice or penalty on the principal.

The table below provides details of cash and cash equivalents:

(Dollars in millions)

	As of	
	September 30, 2010	March 31, 2010
Current accounts		
ABN Amro Bank, China	$8	$7
ABN Amro Bank, China (U.S. dollar account)	10	3
Bank of America, USA	88	153
Bank of America, Mexico	2	4
Citibank N.A., Australia	27	6
Citibank N.A., Brazil	1	2
Citibank N.A., Czech Republic	1	–
Citibank N.A., Japan	1	1
Citibank N.A., India	–	1
Citibank N.A., New Zealand	1	–
Deutsche Bank, Belgium	4	4
Deutsche Bank, France	1	–
Deutsche Bank, Germany	6	3
Deutsche Bank, India	4	3
Deutsche Bank, Netherlands	1	2
Deutsche Bank, Switzerland	21	2

Deutsche Bank, Thailand	1	1
Deutsche Bank, Philippines (U.S. dollar account)	–	1
Deutsche Bank, Poland	–	1
Deutsche Bank, United Kingdom	15	7
Deutsche Bank-EEFC, India (Euro account)	6	1
Deutsche Bank-EEFC, India (U.S. dollar account)	1	2
HSBC Bank, United Kingdom	1	1
ICICI Bank, India	14	30
ICICI Bank-EEFC, India (U.S. dollar account)	5	2
National Australia Bank Limited, Australia	5	5
National Australia Bank Limited, Australia (U.S. dollar account)	7	3
Royal Bank of Canada, Canada	3	4
Wachovia Bank, USA	1	2
	$235	$251
Deposit accounts		
Andhra Bank, India	$47	$22
Allahabad Bank	87	33
Axis Bank	110	–
Bank of America	4	–
Bank of Baroda, India	184	67
Bank of India	266	196
Bank of Maharashtra, India	113	111
Barclays Bank, Plc. India	21	22
Canara Bank, India	241	214
Central Bank of India	98	22
Citibank N.A., Czech Republic	4	2
Citibank (Euro account)	1	1
Citibank (U.S. dollar account)	1	1
Corporation Bank, India	39	62
DBS Bank, India	7	11
Deutsche Bank, Poland	2	2
HDFC Bank	104	–
HSBC Bank, India	–	108
ICICI Bank, India	360	320
IDBI Bank, India	201	202
ING Vysya Bank, India	5	6
Indian Overseas Bank	118	31
Jammu and Kashmir Bank	4	2
Kotak Mahindra Bank	17	14
National Australia Bank Limited, Australia	73	69
Oriental Bank of Commerce	120	22
Punjab National Bank, India	196	221
State Bank of Hyderabad, India	48	52
State Bank of India, India	16	28
State Bank of Mysore, India	110	111
South Indian Bank	4	–
Syndicate Bank, India	101	106
Union Bank of India, India	123	21
Vijaya Bank, India	21	21
Yes Bank, India	2	–
	$2,848	$2,100

Deposits with corporations		
HDFC Limited	$344	$346
Sundaram BNP Paribas Home Finance Limited	–	1
	$344	$347
Total	$3,427	$2,698

2.2 Available-for-sale financial assets

Investments in liquid mutual fund units and unlisted equity securities are classified as available-for-sale financial assets.

Cost and fair value of investment in liquid mutual fund units and unlisted equity securities are as follows:

(Dollars in millions)

	As of	
	September 30, 2010	March 31, 2010
Liquid mutual fund units:		
Cost and fair value	$1	$561
Unlisted equity securities:		
Cost	–	–
Gross unrealised holding gains	7	8
Fair value	7	8
Total available-for-sale financial assets	$8	$569

During fiscal 2010, Infosys sold 3,231,151 shares of OnMobile Systems Inc, U.S.A, at a price of $3.64 per share (Rs.166.58 per share), derived from quoted prices of the underlying marketable equity securities. The total consideration amounted to $12 million, net of taxes and transaction costs. The resultant income of $11 million was included under other income for the fiscal year ended March 31, 2010. Additionally, the remaining 2,154,100 shares had a fair value of $8 million as at March 31, 2010.

As of September 30, 2010, these 2,154,100 shares were fair valued at $7 million and the resultant unrealized loss of $1 million, net of taxes of Nil has been recognized in other comprehensive income. The fair value of $7 million has been derived based on an agreed upon exchange ratio between these unlisted equity securities and quoted prices of the underlying marketable equity securities.

2.3 Business combinations

During fiscal 2010, 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 a Membership Interest Purchase Agreement for a cash consideration of $37 million and a contingent consideration of up to $20 million. The fair values of the contingent consideration and its undiscounted value on the date of acquisition were $9 million and $15 million, respectively.

This business acquisition is expected to enable Infosys BPO to deliver growth in platform-based services in the insurance and financial services industry and is also expected to enable McCamish to service larger portfolios of transactions for clients and expand into global markets. Consequently, the excess of the purchase consideration paid over the fair value of assets acquired has been accounted for as goodwill.

The purchase price has been allocated based on management’s estimates and an independent appraisal of fair values as follows:
(Dollars in millions)

Component	Acquiree's carrying amount	Fair value adjustments	Purchase price allocated
Property, plant and equipment	$1	–	$1
Net current assets	2	–	2
Intangible assets-Customer contracts and relationships	–	10	10
Intangible assets-Computer software platform	–	3	3
	$3	$13	$16
Goodwill			30
Total purchase price			$46

The entire goodwill is deductible for tax purposes.

The amount of trade receivables acquired from the above business acquisition was $4 million. The entire amount has been collected subsequently.

The identified intangible customer contracts and relationships are being amortized over a period of nine years whereas the identified intangible computer software platform has been amortized over a period of four months, based on management's estimate of the useful life of the assets.

The acquisition date fair value of each major class of consideration as of the acquisition date is as follows:
(Dollars in millions)

Particulars	Consideration settled
Fair value of total consideration	
Cash paid	$34
Liabilities settled in cash	3
Contingent consideration	9
Total	$46

The payment of the contingent consideration is dependent upon the achievement of certain revenue targets and net margin targets by McCamish over a period of 4 years ending March 31, 2014. Further, in the event that McCamish signs a deal with a customer with total revenues of $100 million or more, the aforesaid period will be extended by 2 years. The total contingent consideration can range between $14 million and $20 million.

The fair value of the contingent consideration is determined by discounting the estimated amount payable to the previous owners of McCamish on achievement of certain financial targets. The key inputs used for the determination of fair value of contingent consideration are the discount rate of 13.9% and the probabilities of achievement of the net margin and the revenue targets ranging from 50% to 100%.

2.4 Prepayments and other assets

Prepayments and other assets consist of the following:
(Dollars in millions)

	As of	
	September 30, 2010	March 31, 2010
Current		
Rental deposits	$9	$8
Security deposits with service providers	16	14
Loans to employees	25	23
Prepaid expenses (1)	11	9
Interest accrued and not due	5	2

Withholding taxes (1)	100	77
Advance payments to vendors for supply of goods (1)	4	4
Other assets	5	6
	$175	$143
Non-current		
Loans to employees	$1	$1
Deposit with corporation	109	75
Prepaid gratuity and other benefits (1)	1	1
Prepaid expenses (1)	5	–
	$116	$77
	$291	$220
Financial assets in prepayments and other assets	$170	$123

(1) Non financial assets

Withholding taxes primarily consist of input tax credits. Other assets primarily represent travel advances and other recoverable from customers. Security deposits with service providers relate principally to leased telephone lines and electricity supplies.

Deposit with corporation represents amounts deposited to settle certain employee-related obligations as and when they arise during the normal course of business.

2.5 Property, plant and equipment

Following are the changes in the carrying value of property, plant and equipment for the three months ended September 30, 2010:

(Dollars in millions)

	Land	Buildings	Plant and machinery	Computer equipment	Furniture and fixtures	Vehicles	Capital work-in-progress	Total
Gross carrying value as of July 1, 2010	$89	$732	$281	$277	$174	$1	$64	$1,618
Additions	–	24	11	15	5	–	11	66
Deletions	–	–	–	–	(2)	–	–	(2)
Translation difference	3	25	9	10	6	–	2	55
Gross carrying value as of September 30, 2010	92	781	301	302	183	1	77	1,737
Accumulated depreciation as of July 1, 2010	–	(172)	(153)	(236)	(102)	–	–	(663)
Depreciation	–	(13)	(13)	(13)	(7)	–	–	(46)
Accumulated depreciation on deletions	–	–	–	–	2	–	–	2
Translation difference	–	(5)	(4)	(8)	(5)	–	–	(22)
Accumulated depreciation as of September 30, 2010	–	(190)	(170)	(257)	(112)	–	–	(729)
Carrying value as of July 1, 2010	89	560	128	41	72	1	64	955
Carrying value as of September 30, 2010	$92	$591	$131	$45	$71	$1	$77	$1,008

During fiscal 2010 certain assets which were old and not in use having gross book value of $82 million (carrying value Nil) were retired.

Following are the changes in the carrying value of property, plant and equipment for the three months ended September 30, 2009:

(Dollars in millions)

	Land	Buildings	Plant and machinery	Computer equipment	Furniture and fixtures	Vehicles	Capital work-in-progress	Total
Gross carrying value as of July 1, 2009	$59	$633	$263	$264	$170	$1	$116	$1,506
Additions	8	24	16	14	7	–	(28)	41
Deletions	–	–	–	(2)	–	–	–	(2)
Translation difference	1	(2)	(2)	(2)	(1)	–	(1)	(7)
Gross carrying value as of September 30, 2009	68	655	277	274	176	1	87	1,538
Accumulated depreciation as of July 1, 2009	–	(122)	(122)	(215)	(89)	–	–	(548)
Depreciation	–	(11)	(13)	(15)	(8)	–	–	(47)
Accumulated depreciation on deletions	–	–	–	2	–	–	–	2
Translation difference	–	1	(1)	2	(1)	–	–	1
Accumulated depreciation as of September 30, 2009	–	(132)	(136)	(226)	(98)	–	–	(592)
Carrying value as of July 1, 2009	59	511	141	49	81	1	116	958
Carrying value as of September 30, 2009	$68	$523	$141	$48	$78	$1	$87	$946

Following are the changes in the carrying value of property, plant and equipment for the six months ended September 30, 2010:

(Dollars in millions)

	Land	Buildings	Plant and machinery	Computer equipment	Furniture and fixtures	Vehicles	Capital work-in-progress	Total
Gross carrying value as of April 1, 2010	$73	$735	$281	$279	$170	$1	$91	$1,630
Additions	19	46	20	24	15	–	(14)	110
Deletions	–	–	–	(2)	(2)	–	–	(4)
Translation difference	–	–	–	1	–	–	–	1
Gross carrying value as of September 30, 2010	92	781	301	302	183	1	77	1,737
Accumulated depreciation as of April 1, 2010	–	(166)	(144)	(233)	(98)	–	–	(641)
Depreciation	–	(25)	(26)	(25)	(15)	–	–	(91)
Accumulated depreciation on deletions	–	–	–	2	2	–	–	4
Translation difference	–	1	–	(1)	(1)	–	–	(1)
	–	(190)	(170)	(257)	(112)	–	–	(729)

Accumulated depreciation as of September 30, 2010								
Carrying value as of April 1, 2010	73	569	137	46	72	1	91	989
Carrying value as of September 30, 2010	$92	$591	$131	$45	$71	$1	$77	$1,008

Following are the changes in the carrying value of property, plant and equipment for the six months ended September 30, 2009:

(Dollars in millions)

	Land	Buildings	Plant and machinery	Computer equipment	Furniture and fixtures	Vehicles	Capital work-in-progress	Total
Gross carrying value as of April 1, 2009	$56	$574	$233	$243	$153	$1	$134	$1,394
Additions	8	49	31	21	15	–	(53)	71
Deletions	–	–	–	(3)	–	–	–	(3)
Translation difference	4	32	13	13	8	–	6	76
Gross carrying value as of September 30, 2009	68	655	277	274	176	1	87	1,538
Accumulated depreciation as of April 1, 2009	–	(106)	(103)	(189)	(76)	–	–	(474)
Depreciation	–	(21)	(26)	(29)	(17)	–	–	(93)
Accumulated depreciation on deletions	–	–	–	3	–	–	–	3
Translation difference	–	(5)	(7)	(11)	(5)	–	–	(28)
Accumulated depreciation as of September 30, 2009	–	(132)	(136)	(226)	(98)	–	–	(592)
Carrying value as of April 1, 2009	56	468	130	54	77	1	134	920
Carrying value as of September 30, 2009	$68	$523	$141	$48	$78	$1	$87	$946

The depreciation expense for the three months and six months ended September 30, 2010 and September 30, 2009 is included in cost of sales in the statement of comprehensive income.

Carrying value of land includes $32 million and $33 million as of September 30, 2010 and March 31, 2010, respectively, towards deposits paid under certain lease-cum-sale agreements to acquire land, including agreements where the company has an option to purchase the properties on expiry of the lease period. The company has already paid 99% of the market value of the properties prevailing at the time of entering into the lease-cum-sale agreements with the balance payable at the time of purchase.

The contractual commitments for capital expenditure were $123 million and $67 million as of September 30, 2010 and March 31, 2010, respectively.

2.6 Goodwill and intangible assets

Following is a summary of changes in the carrying amount of goodwill:

(Dollars in millions)

	As of	
	September 30, 2010	March 31, 2010
Carrying value at the beginning	$183	$135
Goodwill recognized on acquisition (Refer Note 2.3)	–	30
Translation differences	–	18
Carrying value at the end	$183	$183

Goodwill has been allocated to the cash generating units (CGU), identified to be the operating segments as follows:

(Dollars in millions)

Segment	As of	
	September 30, 2010	March 31, 2010
Financial services	$89	$89
Manufacturing	21	21
Telecom	3	3
Retail	50	50
Others	20	20
Total	$183	$183

The entire goodwill relating to Infosys BPO's acquisition of McCamish has been allocated to the 'Financial Services' segment.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the CGU which are operating segments regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance.

The recoverable amount of a CGU is the higher of its fair value less cost to sell and its value-in-use. The fair value of a CGU is determined based on the market capitalization. The value-in-use is determined based on specific calculations. These calculations use pre-tax cash flow projections over a period of five years, based on financial budgets approved by management and an average of the range of each assumption mentioned below. As of March 31, 2010, the estimated recoverable amount of the CGU exceeded its carrying amount. The recoverable amount was computed based on the fair value being higher than value-in-use and the carrying amount of the CGU was computed by allocating the net assets to operating segments for the purpose of impairment testing. The key assumptions used for the calculations are as follows:

	In%
Long term growth rate	8-10
Operating margins	17-20
Discount rate	12.2

The above discount rate is based on the Weighted Average Cost of Capital (WACC) of the company. These estimates are likely to differ from future actual results of operations and cash flows.

Following is a summary of changes in the carrying amount of acquired intangible assets:

(Dollars in millions)

	As of	
	September 30, 2010	March 31, 2010
Gross carrying value at the beginning	$24	$11
Customer contracts and relationships (Refer Note 2.3)	–	10
Computer software platform (Refer Note 2.3)	–	3
Translation differences	1	–

Gross carrying value at the end	$25	$24
Accumulated amortization at the beginning	$12	$4
Amortization expense	1	8
Accumulated amortization at the end	$13	$12
Net carrying value	$12	$12

The intangible customer contracts recognized at the time of Philips acquisition are being amortized over a period of seven years, being management's estimate of the useful life of the respective assets, based on the life over which economic benefits are expected to be realized. However, during fiscal 2010 the amortization of this intangible asset has been accelerated based on the usage pattern of the asset. As of September 30, 2010, the customer contracts have a remaining amortization period of approximately four years.

The intangible customer contracts and relationships recognized at the time of the McCamish acquisition are being amortized over a period of nine years, being management's estimate of the useful life of the respective assets, based on the life over which economic benefits are expected to be realized. As of September 30, 2010, the customer contracts and relationships have a remaining amortization period of approximately eight years.

The intangible computer software platform recognized at the time of the McCamish acquisition having a useful life of four months, being management's estimate of the useful life of the respective asset, based on the life over which economic benefits were expected to be realized, was fully amortized in fiscal 2010.

The aggregate amortization expense included in cost of sales, for each of the three months and six months ended September 30, 2010 and September 30, 2009 was $1 million.

Research and development expense recognized in net profit in the statement of comprehensive income, for the three months and six months ended September 30, 2010 was $30 million and $56 million respectively as compared to $18 million and $42 million for the three months and six months ended September 30, 2009.

2.7 Financial instruments

Financial instruments by category

The carrying value and fair value of financial instruments by categories as of September 30, 2010 were as follows:
(Dollars in millions)

	Loans and receivables	Financial assets/liabilities at fair value through profit and loss	Available for sale	Trade and other payables	Total carrying value/fair value
Assets:					
Cash and cash equivalents (Refer Note 2.1)	$3,427	–	–	–	$3,427
Available-for-sale financial assets (Refer Note 2.2)	–	–	8	–	8
Investment in certificates of deposit	434	–	–	–	434
Trade receivables	928	–	–	–	928
Unbilled revenue	235	–	–	–	235
Derivative financial instruments	–	4	–	–	4
Prepayments and other assets (Refer Note 2.4)	170	–	–	–	170

Total	$5,194	$4	$8	–	$5,206
Liabilities:					
Trade payables	–	–	–	$8	$8
Client deposits	–	–	–	2	2
Employee benefit obligations (Refer Note 2.8)	–	–	–	77	77
Other liabilities (Refer Note 2.10)	–	–	–	349	349
Liability towards acquisition of business on a discounted basis (Refer Note 2.10)	–	–	–	9	9
Total	–	–	–	$445	$445

The carrying value and fair value of financial instruments by categories as of March 31, 2010 were as follows:

(Dollars in millions)

	Loans and receivables	Financial assets/liabilities at fair value through profit and loss	Available for sale	Trade and other payables	Total carrying value/fair value
Assets:					
Cash and cash equivalents (Refer Note 2.1)	$2,698	–	–	–	$2,698
Available-for-sale financial assets (Refer Note 2.2)	–	–	569	–	569
Investment in certificates of deposit	265	–	–	–	265
Trade receivables	778	–	–	–	778
Unbilled revenue	187	–	–	–	187
Derivative financial instruments	–	21	–	–	21
Prepayments and other assets (Refer Note 2.4)	123	–	–	–	123
Total	$4,051	$21	$569	–	$4,641
Liabilities:					
Trade payables	–	–	–	$2	$2
Client deposits	–	–	–	2	2
Employee benefit obligations (Refer Note 2.8)	–	–	–	67	67
Other liabilities (Refer Note 2.10)	–	–	–	322	322
Liability towards acquisition of business on a discounted basis (Refer Note 2.10)	–	–	–	9	9
Total	–	–	–	$402	$402

Fair value hierarchy

Level 1-Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2-Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3-Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The following table presents fair value hierarchy of assets and liabilities measured at fair value on a recurring basis as of September 30, 2010:

(Dollars in millions)

	As of September 30, 2010	Fair value measurement at end of the reporting period using		
		Level 1	Level 2	Level 3
Assets				
Available-for-sale financial asset-Investments in liquid mutual fund units (Refer Note 2.2)	$1	$1	–	–
Available-for-sale financial asset-Investments in unlisted equity securities (Refer Note 2.2)	$7	–	$7	–
Derivative financial instruments-gains on outstanding foreign exchange forward and option contracts	$4	–	$4	–

The following table presents fair value hierarchy of assets and liabilities measured at fair value on a recurring basis as of March 31, 2010:

(Dollars in millions)

	As of March 31, 2010			
		Level 1	Level 2	Level 3
Assets				
Available-for-sale financial asset-Investments in liquid mutual fund units (Refer Note 2.2)	$561	$561	–	–
Available-for-sale financial asset-Investments in unlisted equity securities (Refer Note 2.2)	$8	–	$8	–
Derivative financial instruments-gains on outstanding foreign exchange forward and option contracts	$21	–	$21	–

Income from financial assets or liabilities that are not at fair value through profit or loss is as follows:

(Dollars in millions)

	Three months ended September 30,		Six months ended September 30,	
	2010	2009	2010	2009
Interest income on deposits and certificates of deposit	$55	$41	$107	$87
Income from available-for-sale financial assets	–	5	5	7
	$55	$46	$112	$94

Derivative financial instruments

The company uses derivative financial instruments such as foreign exchange forward and option contracts to mitigate the risk of changes in foreign exchange rates on trade receivables and forecasted cash flows denominated in certain foreign currencies. The counterparty for these contracts is generally a bank or a financial institution. These derivative financial instruments are valued based on quoted prices for similar assets and liabilities in active markets or inputs that are directly or indirectly observable in the marketplace. The following table gives details in respect of outstanding foreign exchange forward and option contracts:

(In millions)

	As of	
	September 30, 2010	March 31, 2010
Forward contracts		
In U.S. dollars	412	267
In Euro	14	22
In United Kingdom Pound Sterling	4	11
In Australian dollars	10	3
Option contracts		
In U.S. dollars	85	200
In Euro	5	–
In United Kingdom Pound Sterling	5	–
In Australian dollars	10	–

The company recognized a gain on derivative financial instruments of $11 million and a loss on derivative financial instruments of $6 million for the three months and six months ended September 30, 2010, respectively, and a net loss on derivative financial instruments of $1 million and a net gain on derivative financial instruments of $19 million during the three months and six months ended September 30, 2009, respectively, which are included under other income.

The foreign exchange forward and option contracts mature between 1 to 12 months. The table below analyzes the derivative financial instruments into relevant maturity groupings based on the remaining period as of the balance sheet date:

(Dollars in millions)

	As of	
	September 30, 2010	March 31, 2010
Not later than one month	$84	$62
Later than one month and not later than three months	128	184
Later than three months and not later than one year	344	268
	$556	$514

Financial risk management

Financial risk factors

The company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The company's primary focus is to foresee the unpredictability of financial markets and seek to minimize potential adverse effects on its financial performance. The primary market risk to the company is foreign exchange risk. The company uses derivative financial instruments to mitigate foreign exchange related risk exposures. The company's exposure to credit risk is influenced mainly by the individual characteristic of each customer and the concentration of risk from the top few customers. The demographics of the customer including the default risk of the industry and country in which the customer operates also has an influence on credit risk assessment.

Market risk

The company operates internationally and a major portion of the business is transacted in several currencies and consequently the company is exposed to foreign exchange risk through its sales and services in the United States and elsewhere, and purchases from overseas suppliers in various foreign currencies. The company uses derivative financial instruments such as foreign exchange forward and option contracts to mitigate the risk of changes in foreign exchange rates on trade receivables and forecasted cash flows denominated in certain foreign currencies. The exchange rate between the rupee and foreign currencies has changed substantially in recent years and may fluctuate substantially in the future. Consequently, the results of the company's operations are adversely affected as the rupee appreciates/ depreciates against these currencies.

The following table gives details in respect of the outstanding foreign exchange forward and option contracts:

(Dollars in millions)

	As of	
	September 30, 2010	March 31, 2010
Aggregate amount of outstanding forward and option contracts	$556	$514
Gains / (losses) on outstanding forward and option contracts	$4	$21

The outstanding foreign exchange forward and option contracts as of September 30, 2010 and March 31, 2010, mature between one to twelve months.

The following table analyzes foreign currency risk from financial instruments as of September 30, 2010:
(Dollars in millions)

	U.S. dollars	Euro	United Kingdom Pound Sterling	Australian dollars	Other currencies	Total
Cash and cash equivalents	$119	$21	$15	$93	$43	$291
Trade receivables	629	68	97	58	49	901
Unbilled revenue	156	26	24	8	12	226
Other assets	137	2	4	–	13	156
Trade payables	(3)	–	–	–	(3)	(6)
Client deposits	(2)	–	–	–	–	(2)
Accrued expenses	(46)	(3)	–	–	(7)	(56)
Accrued compensation to employees	(22)	–	(6)	–	(9)	(37)
Other liabilities	(331)	(36)	(9)	–	(14)	(390)
Net assets / (liabilities)	$637	$78	$125	$159	$84	$1,083

The following table analyzes foreign currency risk from financial instruments as of March 31, 2010:
(Dollars in millions)

	U.S. dollars	Euro	United Kingdom Pound Sterling	Australian dollars	Other currencies	Total
Cash and cash equivalents	$170	$10	$7	$70	$27	$284
Trade receivables	545	57	82	45	39	768
Unbilled revenue	126	16	25	7	9	183
Other assets	107	3	2	–	10	122
Trade payables	–	–	–	–	(2)	(2)
Client deposits	(2)	–	–	–	–	(2)
Accrued expenses	(57)	(3)	–	–	(6)	(66)
Accrued compensation to employees	(33)	–	–	–	(11)	(44)
Other liabilities	(251)	(31)	(12)	–	(8)	(302)
Net assets / (liabilities)	$605	$52	$104	$122	$58	$941

For the three months ended September 30, 2010 and September 30, 2009, every percentage point depreciation / appreciation in the exchange rate between the Indian rupee and the U.S. dollar, has affected the company's operating margins by approximately 0.5% and 0.5%, respectively.

For the six months ended September 30, 2010 and September 30, 2009, every percentage point depreciation / appreciation in the exchange rate between the Indian rupee and the U.S. dollar, has affected the company's operating margins by approximately 0.5% and 0.4%, respectively.

Sensitivity analysis is computed based on the changes in the income and expenses in foreign currency upon conversion into functional currency, due to exchange rate fluctuations between the previous reporting period and the current reporting period.

Credit risk

Credit risk refers to the risk of default on its obligation by the counterparty resulting in a financial loss. The maximum exposure to the credit risk at the reporting date is primarily from trade receivables amounting to $928 million and $778 million as of September 30, 2010 and March 31, 2010, respectively. Trade receivables are typically unsecured and are derived from revenue earned from customers primarily located in the United States. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the company grants credit terms in the normal course of business.

The following table gives details in respect of percentage of revenues generated from top customer and top five customers:
(In %)

	Three months ended September 30,		Six months ended September 30,	
	2010	2009	2010	2009
Revenue from top customer	4.7	4.6	4.8	4.5
Revenue from top five customers	15.8	16.5	15.5	16.4

Financial assets that are neither past due nor impaired

Cash and cash equivalents, available-for-sale financial assets and investment in certificates of deposit are neither past due nor impaired. Cash and cash equivalents include deposits with banks and corporations with high credit-ratings assigned by international and domestic credit-rating agencies. Available-for-sale financial assets include investment in liquid mutual fund units and unlisted equity instruments. Certificates of deposit represent funds deposited at a bank or other eligible financial institution for a specified time period. Of the total trade receivables, $724 million and $487 million as of September 30, 2010 and March 31, 2010, respectively, were neither past due nor impaired.

Financial assets that are past due but not impaired

There is no other class of financial assets that is not past due but impaired except for trade receivables of Nil and $1 million as of September 30, 2010 and March 31, 2010, respectively.

The company’s credit period generally ranges from 30-45 days. The age analysis of the trade receivables have been considered from the date of the invoice. The age wise break up of trade receivables, net of allowances of $26 million and $22 million as of September 30, 2010 and March 31, 2010, respectively, that are past due, is given below:

(Dollars in millions)

	As of	
Period (in days)	September 30, 2010	March 31, 2010
31-60	$75	$258

61-90	$76	$26
More than 90	$53	$6

The allowance for impairment of trade receivables for the three months ended September 30, 2010 and September 30, 2009 was $3 million and $6 million, respectively.

The allowance for impairment of trade receivables for the six months ended September 30, 2010 and September 30, 2009 was $6 million and $10 million, respectively.

The movement in the allowance for impairment of trade receivables is as follows:

(Dollars in millions)

	Six months ended September 30,	Year ended March 31,
	2010	2010
Balance at the beginning	$23	$21
Translation differences	(1)	3
Impairment loss recognized	6	–
Trade receivables written off	(2)	(1)
Balance at the end	$26	$23

Liquidity risk

As of September 30, 2010, the company had a working capital of $4,386 million including cash and cash equivalents of $3,427 million, available-for-sale financial assets of $8 million and investments in certificates of deposit of $434 million. As of March 31, 2010, the company had a working capital of $3,951 million including cash and cash equivalents of $2,698 million, available-for-sale financial assets of $569 million and investments in certificates of deposit of $265 million.

As of September 30, 2010 and March 31, 2010, the outstanding employee benefit obligations were $77 million and $67 million, respectively, which have been fully funded. Further, as of September 30, 2010 and March 31, 2010, the company had no outstanding bank borrowings. Accordingly, no liquidity risk is perceived.

The table below provides details regarding the contractual maturities of significant financial liabilities as of September 30, 2010:

(Dollars in millions)

Particulars	Less than 1 year	1-2 years	2-4 years	4-7 years	Total
Trade payables	$8	–	–	–	$8
Client deposits	$2	–	–	–	$2
Other liabilities (Refer Note 2.10)	$344	$5	–	–	$349
Liability towards acquisition of business on an undiscounted basis (Refer Note 2.10)	$2	$2	$6	$5	$15

The table below provides details regarding the contractual maturities of significant financial liabilities as of March 31, 2010:

(Dollars in millions)

Particulars	Less than 1 year	1-2 years	2-4 years	4-7 years	Total
Trade payables	$2	–	–	–	$2
Client deposits	$2	–	–	–	$2

Other liabilities (Refer Note 2.10)	$318	–	$4	–	$322
Liability towards acquisition of business on an undiscounted basis (Refer Note 2.10)	–	$2	$6	$7	$15

As of September 30, 2010 and March 31, 2010, the company had outstanding financial guarantees of $4 million each, towards leased premises. These financial guarantees can be invoked upon breach of any term of the lease agreement. To the company's knowledge there has been no breach of any term of the lease agreement as of September 30, 2010 and March 31, 2010.

2.8 Employee benefit obligations

Employee benefit obligations comprise the following:

(Dollars in millions)

	As of	
	September 30, 2010	March 31, 2010
Current		
Compensated absence	$33	$29
	$33	$29
Non-current		
Compensated absence	$44	$38
	$44	$38
	$77	$67

2.9 Provisions

Provisions comprise the following:

(Dollars in millions)

	As of	
	September 30, 2010	March 31, 2010
Provision for post sales client support	$18	$18

Provision for post sales client support represent cost associated with providing sales support services which are accrued at the time of recognition of revenues and are expected to be utilized over a period of 6 months to 1 year. The movement in the provision for post sales client support is as follows:

(Dollars in millions)

	Six months ended September 30,	Year ended March 31,
	2010	2010
Balance at the beginning	$18	$18
Translation differences	1	–
Provision recognized/(reversed)	(1)	–
Provision utilized	–	–
Balance at the end	$18	$18

Provision for post sales client support for the three months and six months ended September 30, 2010 and September 30, 2009 is included in cost of sales in the statement of comprehensive income.

2.10 Other liabilities

Other liabilities comprise the following:

(Dollars in millions)

	As of	
	September 30, 2010	March 31, 2010
Current		
Accrued compensation to employees	$144	$148
Accrued expenses	163	135
Withholding taxes payable (1)	80	56
Retainage	8	16
Unamortized negative past service cost (Refer Note 2.12.1) (1)	5	6
Liabilities of controlled trusts	26	16
Liability towards acquisition of business (Refer Note 2.3)	1	–
Others	3	3
	$430	$380
Non-current		
Liability towards acquisition of business (Refer Note 2.3)	$8	$9
Incentive accruals	5	4
	13	13
	$443	$393
Financial liabilities included in other liabilities (excluding liability towards acquisition of business)	$349	$322
Financial liability towards acquisition of business on a discounted basis	$9	$9
Financial liability towards acquisition of business on an undiscounted basis (Refer Note 2.3)	$15	$15

(1) Non financial Liabilities

Accrued expenses primarily relates to cost of technical sub-contractors, telecommunication charges, legal and professional charges, brand building expenses, overseas travel expenses and office maintenance. Others include unclaimed dividend balances.

2.11 Expenses by nature

(Dollars in millions)

	Three months ended September 30,		Six months ended September 30,	
	2010	2009	2010	2009
Employee benefit costs (Refer Note 2.12.4)	$791	$617	$1,534	$1,207
Depreciation and amortization charges (Refer Note 2.5 and 2.6)	47	48	92	94
Travelling costs	56	32	112	64
Consultancy and professional charges	17	12	32	28
Rates and taxes	2	–	4	–
Cost of software packages	25	16	45	37
Communication costs	13	11	26	24
Cost of technical sub-contractors	38	15	65	32
Consumables	2	–	3	–
Power and fuel	10	8	19	15
Repairs and maintenance	18	15	35	28
Commission	1	2	1	2
Branding and marketing expenses	5	5	10	8
	(1)	3	(1)	3

Provision for post-sales client support (Refer Note 2.9)				
Allowance for impairment of trade receivables (Refer Note 2.7)	3	6	6	10
Operating lease payments (Refer Note 2.15)	8	6	15	13
Postage and courier	–	–	1	–
Printing and stationery	–	–	1	–
Insurance charges	2	–	4	–
Others	7	8	14	23
Total cost of sales, selling and marketing expenses and administrative expenses	$1,044	$804	$2,018	$1,588

2.12 Employee benefits

2.12.1 Gratuity

The following tables set out the funded status of the gratuity plans and the amounts recognized in the company's financial statements as of September 30, 2010, March 31, 2010, March 31, 2009 and March 31, 2008:

(Dollars in millions)

	As of			
	September 30, 2010	March 31, 2010	March 31, 2009	March 31, 2008
Change in benefit obligations				
Benefit obligations at the beginning	$72	$52	$56	$51
Actuarial losses/(gains)	3	(1)	–	(2)
Service cost	17	17	11	14
Interest cost	1	4	3	4
Benefits paid	(7)	(8)	(5)	(6)
Plan amendments	–	–	–	(9)
Translation differences	–	8	(13)	4
Benefit obligations at the end	$86	$72	$52	$56
Change in plan assets				
Fair value of plan assets at the beginning	$73	$52	$59	$51
Expected return on plan assets	3	5	4	4
Actuarial (losses)/gains	–	–	–	1
Employer contributions	17	14	7	4
Benefits paid	(7)	(8)	(5)	(6)
Translation differences	–	10	(13)	5
Fair value of plan assets at the end	$86	$73	$52	$59
Funded status	–	$1	–	$3
Prepaid benefit	–	$1	–	$3

Net gratuity cost for the three months and six months ended September 30, 2010 and September 30, 2009 comprises the following components:

(Dollars in millions)

	Three months ended September 30,		Six months ended September 30	
	2010	2009	2010	2009
Service cost	$12	$5	$17	$9
Interest cost	–	1	1	2

Expected return on plan assets	(1)	(2)	(3)	(3)
Actuarial gains	3	1	3	–
Plan amendments	–	–	–	–
Net gratuity cost	$14	$5	$18	$8

The net gratuity cost has been apportioned between cost of sales, selling and marketing expenses and administrative expenses on the basis of direct employee cost as follows:

	Three months ended September 30,		Six months ended September 30	
	2010	2009	2010	2009
Cost of sales	$12	$4	$16	$7
Selling and marketing expenses	1	1	1	1
Administrative expenses	1	–	1	–
	$14	$5	$18	$8

Effective July 1, 2007, the company amended its Gratuity Plan, to suspend the voluntary defined death benefit component of the Gratuity Plan. This amendment resulted in a negative past service cost amounting to $9 million, which is being amortized on a straight-line basis over the average remaining service period of employees which is 10 years. The unamortized negative past service cost of $5 million and $6 million as of September 30, 2010 and March 31, 2010, has been included under other current liabilities.

The weighted-average assumptions used to determine benefit obligations as of September 30, 2010, March 31, 2010, March 31, 2009 and March 31, 2008 are set out below:

	As of			
	September 30, 2010	March 31, 2010	March 31, 2009	March 31, 2008
Discount rate	7.8%	7.8%	7.0%	7.9%
Weighted average rate of increase in compensation levels	7.3%	7.3%	5.1%	5.1%

The weighted-average assumptions used to determine net periodic benefit cost for the three months and six months ended September 30, 2010 and September 30, 2009 are set out below:

	Three months ended September 30,		Six months ended September 30,	
	2010	2009	2010	2009
Discount rate	7.8%	7.0%	7.8%	7.0%
Weighted average rate of increase in compensation levels	7.3%	7.3%	7.3%	7.3%
Rate of return on plan assets	9.4%	9.0%-9.4%	9.4%	9.0%-9.4%

The company contributes all ascertained liabilities towards gratuity to the Infosys Technologies Limited Employees' Gratuity Fund Trust. In case of Infosys BPO, contributions are made to the Infosys BPO Employees' Gratuity Fund Trust. Trustees administer contributions made to the trust and contributions are invested in specific designated instruments as permitted by Indian law and investments are also made in mutual funds that invest in the specific designated instruments. As of September 30, 2010 and March 31, 2010, the plan assets have been primarily invested in government securities.

Actual return on assets for the three months ended September 30, 2010 and September 30, 2009 was $1 million and $2 million respectively and actual return on assets for the six months ended September 30, 2010 and September 30, 2009 was $3 million each.

The company assesses these assumptions with its projected long-term plans of growth and prevalent industry standards. 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. Historical returns during the three months and six months ended September 30, 2010 and September 30, 2009 have not been lower than the expected rate of return on plan assets estimated for those years. The discount rate is based on the government securities yield.

Assumptions regarding future mortality experience are set in accordance with the published statistics by the Life Insurance Corporation of India.

The company expects to contribute $23 million to the gratuity trusts during the remainder of fiscal 2011.

2.12.2 Superannuation

The company contributed $5 million to the superannuation plan during each of the three months ended September 30, 2010 and September 30, 2009 and contributed $11 million and $9 million to the superannuation plan during the six months ended September 30, 2010 and September 30, 2009, respectively. A portion of the monthly contribution amount is being paid directly to the employees as an allowance and the remaining amount has been contributed to the plan.

Superannuation contributions have been apportioned between cost of sales, selling and marketing expenses and administrative expenses on the basis of direct employee cost as follows:

(Dollars in millions)

	Three months ended September 30,		Six months ended September 30,	
	2010	2009	2010	2009
Cost of sales	$5	$4	$10	$8
Selling and marketing expenses	–	1	1	1
Administrative expenses	–	–	–	–
	$5	$5	$11	$9

2.12.3 Provident fund

The company has an obligation to fund any shortfall on the yield of the trust’s investments over the administered interest rates on an annual basis. These administered rates are determined annually predominantly considering the social rather than economic factors and in most cases the actual return earned by the company has been higher in the past years. In the absence of reliable measures for future administered rates and due to the lack of measurement guidance, the company’s actuary has expressed its inability to determine the actuarial valuation for such provident fund liabilities. Accordingly, the company is unable to exhibit the related information.

The company contributed $11 million and $9 million to the provident fund during the three months ended September 30, 2010 and September 30, 2009, respectively, and contributed $21 million and $17 million to the provident fund during the six months ended September 30, 2010 and September 30, 2009.

Provident fund contributions have been apportioned between cost of sales, selling and marketing expenses and administrative expenses on the basis of direct employee cost as follows:

(Dollars in millions)

	Three months ended September 30,		Six months ended September 30,	
	2010	2009	2010	2009
Cost of sales	$9	$8	$18	$15
Selling and marketing expenses	1	–	2	1

Administrative expenses	1	1	1	1
	$11	$9	$21	$17

2.12.4 Employee benefit costs include:

(Dollars in millions)

	Three months ended September 30,		Six months ended September 30,	
	2010	2009	2010	2009
Salaries and bonus	$761	$598	$1,484	$1,173
Defined contribution plans	6	6	13	11
Defined benefit plans	24	13	37	23
	$791	$617	$1,534	$1,207

The employee benefit cost is recognized in the following line items in the statement of comprehensive income:

(Dollars in millions)

	Three months ended September 30,		Six months ended September 30,	
	2010	2009	2010	2009
Cost of sales	$688	$544	$1,338	$1,066
Selling and marketing expenses	66	45	125	88
Administrative expenses	37	28	71	53
	$791	$617	$1,534	$1,207

2.13 Equity

Share capital and share premium

The company has only one class of shares referred to as equity shares having a par value of $0.16. The amount received in excess of the par value has been classified as share premium. Additionally, share-based compensation recognized in net profit in the statement of comprehensive income is credited to share premium. 2,833,600 shares were held by controlled trusts, each as of September 30, 2010 and March 31, 2010.

Retained earnings

Retained earnings represent the amount of accumulated earnings of the company.

Other components of equity

Other components of equity consist of currency translation and fair value changes on available-for-sale financial assets.

The company's objective when managing capital is to safeguard its ability to continue as a going concern and to maintain an optimal capital structure so as to maximize shareholder value. In order to maintain or achieve an optimal capital structure, the company may adjust the amount of dividend payment, return capital to shareholders, issue new shares or buy back issued shares. As of September 30, 2010, the company had only one class of equity shares and had no debt. Consequent to the above capital structure there are no externally imposed capital requirements.

The rights of equity shareholders are set out below.

2.13.1 Voting

Each holder of equity shares is entitled to one vote per share. The equity shares represented by American Depositary Shares (ADS) carry similar rights to voting and dividends as the other equity shares. Each ADS represents one underlying equity share.

2.13.2 Dividends

The company declares and pays dividends in Indian rupees. Indian law mandates that any dividend be declared out of accumulated distributable profits only after the transfer to a general reserve of a specified percentage of net profit computed in accordance with current regulations. The remittance of dividends outside India is governed by Indian law on foreign exchange and is subject to applicable taxes.

The amount of per share dividend recognized as distributions to equity shareholders for the six months ended September 30, 2010 and September 30, 2009 was $0.33 and $0.27, respectively.

2.13.3 Liquidation

In the event of liquidation of the company, the holders of shares shall be entitled to receive any of the remaining assets of the company, after distribution of all preferential amounts. However, no such preferential amounts exist currently, other than the amounts held by irrevocable controlled trusts. The amount that would be distributed to the shareholders in the event of liquidation of the company would be in proportion to the number of equity shares held by the shareholders. For irrevocable controlled trusts, the corpus would be settled in favour of the beneficiaries.

2.13.4 Share options

There are no voting, dividend or liquidation rights to the holders of options issued under the company's share option plans.

2.14 Other income

Other income consists of the following:

(Dollars in millions)

	Three months ended September 30,		Six months ended September 30,	
	2010	2009	2010	2009
Interest income on deposits and certificates of deposit	$55	$41	$107	$87
Exchange gains/ (losses) on forward and options contracts	11	(1)	(6)	19
Exchange gains/ (losses) on translation of other assets and liabilities	(10)	3	3	(10)
Income from available-for-sale financial assets/ investments	–	5	5	7
Others	1	1	1	1
	$57	$49	$110	$104

2.15 Operating leases

The company has various operating leases, mainly for office buildings, that are renewable on a periodic basis. Rental expense for operating leases was $8 million and $6 million for the three months ended September 30, 2010 and September 30, 2009 and $15 million and $13 million for the six months ended September 30, 2010 and September 30, 2009, respectively.

The schedule of future minimum rental payments in respect of non-cancellable operating leases is set out below:

		As of
	September 30, 2010	March 31, 2010
Within one year of the balance sheet date	$21	$19
Due in a period between one year and five years	$60	$55
Due after five years	$16	$14

The operating lease arrangements extend up to a maximum of ten years from their respective dates of inception, and relate to rented overseas premises. Some of these lease agreements have price escalation clauses.

2.16 Employees' Stock Option Plans (ESOP)

1998 Employees Stock Option Plan (the 1998 Plan): The company's 1998 Plan provides for the grant of non-statutory share options and incentive share options to employees of the company. The establishment of the 1998 Plan was approved by the Board of Directors in December 1997 and by the shareholders in January 1998. The Government of India has approved the 1998 Plan, subject to a limit of 11,760,000 equity shares representing 11,760,000 ADS to be issued under the 1998 Plan. All options granted under the 1998 Plan are exercisable for equity shares represented by ADSs. The options under the 1998 Plan vest over a period of one through four years and expire five years from the date of completion of vesting. The 1998 Plan is administered by a compensation committee comprising four members, all of whom are independent members of the Board of Directors. The term of the 1998 Plan ended on January 6, 2008, and consequently no further shares will be issued to employees under this plan.

1999 Employees Stock Option Plan (the 1999 Plan): In fiscal 2000, the company instituted the 1999 Plan. The Board of Directors and shareholders approved the 1999 Plan in June 1999. The 1999 Plan provides for the issue of 52,800,000 equity shares to employees. The 1999 Plan is administered by a compensation committee comprising four members, all of whom are independent members of the Board of Directors. Under the 1999 Plan, options will be issued to employees at an exercise price, which shall not be less than the fair market value (FMV) of the underlying equity shares on the date of grant. Under the 1999 Plan, options may also be issued to employees at exercise prices that are less than FMV only if specifically approved by the shareholders of the company in a general meeting. All options under the 1999 Plan are exercisable for equity shares. The options under the 1999 Plan vest over a period of one through six years, although accelerated vesting based on performance conditions is provided in certain instances and expire over a period of 6 months through five years from the date of completion of vesting. The term of the 1999 plan ended on June 11, 2009, and consequently no further shares will be issued to employees under this plan.

The activity in the 1998 Plan and 1999 Plan during the six months ended September 30, 2010 and September 30, 2009 are set out below.

	Six months ended September 30, 2010		Six months ended September 30, 2009	
	Shares arising out of options	Weighted average exercise price	Shares arising out of options	Weighted average exercise price
1998 Plan:				
Outstanding at the beginning	242,264	$14	916,759	$18
Forfeited and expired	(2,406)	$17	(49,809)	$36
Exercised	(116,319)	$12	(291,184)	$16
Outstanding at the end	123,539	$15	575,766	$17
Exercisable at the end	123,539	$15	575,766	$17
1999 Plan:				
Outstanding at the beginning	204,464	$19	925,806	$25
Forfeited and expired	(11,425)	$10	(294,267)	$42
Exercised	(93,163)	$13	(190,466)	$15

Outstanding at the end	99,876	$26	441,073	$20
Exercisable at the end	91,388	$24	398,490	$17

The weighted average share price of options exercised under the 1998 Plan during the six months ended September 30, 2010 and September 30, 2009 were $61.46 and $40.18, respectively. The weighted average share price of options exercised under the 1999 Plan during the six months ended September 30, 2010 and September 30, 2009 were $60.72 and $39.22, respectively.

The cash expected to be received upon the exercise of vested options for the 1998 Plan and 1999 Plan is $2 million each.

The following table summarizes information about share options outstanding and exercisable as of September 30, 2010:

	Options outstanding			Options exercisable		
Range of exercise prices per share ($)	No. of shares arising out of options	Weighted average remaining contractual life	Weighted average exercise price	No. of shares arising out of options	Weighted average remaining contractual life	Weighted average exercise price
1998 Plan:						
4-15	74,889	0.72	$13	74,889	0.72	$13
16-30	48,650	1.01	$17	48,650	1.01	$17
	123,539	0.83	$15	123,539	0.83	$15
1999 Plan:						
5-15	57,273	0.95	$10	57,273	0.95	$10
16-53	42,603	1.03	$47	34,115	1.03	$47
	99,876	0.98	$26	91,388	0.98	$24

The following table summarizes information about share options outstanding and exercisable as of March 31, 2010:

	Options outstanding			Options exercisable		
Range of exercise prices per share ($)	No. of shares arising out of options	Weighted average remaining contractual life	Weighted average exercise price	No. of shares arising out of options	Weighted average remaining contractual life	Weighted average exercise price
1998 Plan:						
4-15	173,404	0.94	$12	173,404	0.94	$12
16-30	68,860	1.26	$17	68,860	1.26	$17
	242,264	1.03	$14	242,264	1.03	$14
1999 Plan:						
5-15	152,171	0.91	$10	152,171	0.91	$10
16-53	52,293	1.44	$47	32,588	1.20	$47
	204,464	1.05	$19	184,759	0.97	$16

The share-based compensation recorded for the three months and six months ended September 30, 2010 was Nil and the share-based compensation recorded for the three months and six months ended September 30, 2009 was less than $1 million.

2.17 Income taxes

Income tax expense in the statement of comprehensive income comprises:

(Dollars in millions)

	Three months ended September 30,		Six months ended September 30,	
	2010	2009	2010	2009
Current taxes				
Domestic taxes	$103	$77	$197	$144
Foreign taxes	37	19	64	34
	140	96	261	178
Deferred taxes				
Domestic taxes	(8)	(16)	(9)	(17)
Foreign taxes	3	2	(6)	1
	(5)	(14)	(15)	(16)
Income tax expense	$135	$82	$246	$162

All of the deferred income tax for the three months and six months ended September 30, 2010 and September 30, 2009 relates to origination and reversal of temporary differences.

For the three months ended September 30, 2010, a deferred tax liability of $1 million relating to an available-for-sale financial asset has been recognized in other comprehensive income.

A reconciliation of the income tax provision to the amount computed by applying the statutory income tax rate to the income before income taxes is summarized below:

(Dollars in millions)

	Three months ended September 30,		Six months ended September 30,	
	2010	2009	2010	2009
Profit before income taxes	$509	$399	$946	$792
Enacted tax rates in India	33.22%	33.99%	33.22%	33.99%
Computed expected tax expense	$169	$135	$314	$269
Tax effect due to non-taxable income for Indian tax purposes	(33)	(34)	(68)	(80)
Tax reversals, net	–	(12)	(3)	(20)
Effect of exempt income	–	(4)	(1)	(8)
Interest and penalties	–	1	–	2
Effect of unrecognized deferred tax assets	–	–	1	2
Effect of differential foreign tax rates	(6)	7	–	11
Effect of non-deductible expenses	1	–	2	1
Others	4	(11)	1	(15)
Income tax expense	$135	$82	$246	$162

The foreign tax expense is due to income taxes payable overseas, principally in the United States of America. The company benefits from certain significant tax incentives provided to software firms under Indian tax laws. These incentives include those for facilities set up under the Special Economic Zones Act, 2005 and software development facilities designated as "Software Technology Parks" (the STP Tax Holiday). The STP Tax Holiday is available for ten consecutive years, beginning from the financial year when the unit started producing computer software or April 1, 1999, whichever is earlier. The Indian Government, through the Finance Act, 2009, has extended the tax holiday for the STP units until fiscal 2011. Most of the company’s STP units have already completed the tax holiday period except for one STP unit, for which the tax holiday will expire by the end of fiscal 2011. Under the Special Economic Zones Act, 2005 scheme, units in designated special economic zones which begin providing services on or after April 1, 2005 are eligible for a deduction of 100 percent of profits or gains derived from the export of services for the first five years from commencement of provision of services and 50 percent of such profits or gains for a further five years. Certain tax benefits are also available for a further period of five years subject to the unit meeting defined conditions.

Infosys is subject to a 15% Branch Profit Tax (BPT) in the U.S. to the extent its U.S. branch's net profit during the year is greater than the increase in the net assets of the U.S. branch during the fiscal year, computed in accordance with the Internal Revenue Code. As of March 31, 2010, Infosys' U.S. branch net assets amounted to approximately $505 million. As of September 30, 2010, the company has provided for branch profit tax of $51 million for its U.S branch, as the company estimates that these branch profits are expected to be distributed in the foreseeable future.

Deferred income tax liabilities have not been recognized on temporary differences amounting to $256 million and $208 million as of September 30, 2010 and March 31, 2010, respectively, associated with investments in subsidiaries and branches as it is probable that the temporary differences will not reverse in the foreseeable future.

The gross movement in the current income tax asset/ (liability) for the three months and six months ended September 30, 2010 and September 30, 2009 is as follows:

(Dollars in millions)

	Three months ended September 30,		Six months ended September 30,	
	2010	2009	2010	2009
Net current income tax asset/ (liability) at the beginning	$(85)	$(84)	$(13)	$(61)
Translation differences	(2)	–	(1)	(3)
Income tax paid	169	102	217	164
Income tax expense (Refer Note 2.17)	(140)	(96)	(261)	(178)
Net current income tax asset/ (liability) at the end	$(58)	$(78)	$(58)	$(78)

The tax effects of significant temporary differences that resulted in deferred income tax assets and liabilities are as follows:

(Dollars in millions)

	As of	
	September 30, 2010	March 31, 2010
Deferred income tax assets		
Property, plant and equipment	$53	$48
Minimum alternate tax credit carry-forwards	11	9
Computer software	5	6
Trade receivables	7	6
Compensated absences	17	11
Accumulated subsidiary losses	14	19
Accrued compensation to employees	7	–
Others	7	7
Total deferred income tax assets	121	106
Deferred income tax liabilities		
Temporary difference related to branch profits	(51)	(52)
Available-for-sale financial asset	(2)	(2)
Total deferred income tax liabilities	(53)	(54)
Total deferred income tax assets	$68	$52
Deferred income tax assets to be recovered after 12 months	$82	$82
Deferred income tax liability to be settled after 12 months	(29)	(39)
Deferred income tax assets to be recovered within 12 months	39	24

Deferred income tax liability to be settled within 12 months	(24)	(15)
	$68	$52

In assessing the realizability of deferred income tax assets, management considers whether some portion or all of the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. Management considers the scheduled reversals of deferred income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based on the level of historical taxable income and projections for future taxable income over the periods in which the deferred income tax assets are deductible, management believes that the company will realize the benefits of those deductible differences. The amount of the deferred income tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carry forward period are reduced.

The gross movement in the deferred income tax account for the three months and six months ended September 30, 2010 and September 30, 2009 is as follows:

(Dollars in millions)

	Three months ended September 30,		Six months ended September 30,	
	2010	2009	2010	2009
Net deferred income tax asset at the beginning	$61	$87	$52	$81
Translation differences	3	–	1	4
Credits relating to temporary differences (Refer Note 2.17)	5	14	15	16
Temporary difference on available-for-sale financial asset	(1)	–	–	–
Net deferred income tax asset at the end	$68	$101	$68	$101

The credits relating to temporary differences during the three months and six months ended September 30, 2010 and September 30, 2009 are primarily on account of compensated absences, accumulated subsidiary losses and property, plant and equipment.

Pursuant to the enacted changes in the Indian Income Tax Laws effective April 1, 2007, a Minimum Alternate Tax (MAT) has been extended to income in respect of which a deduction may be claimed under sections 10A and 10AA of the Income Tax Act; consequently the company has calculated its tax liability for current domestic taxes after considering MAT. The excess tax paid under MAT provisions being over and above regular tax liability can be carried forward and set off against future tax liabilities computed under regular tax provisions. The company was required to pay MAT, and, accordingly, a deferred income tax asset of $11 and $9 million has been recognized on the balance sheet as of September 30, 2010 and March 31, 2010, respectively, which can be carried forward for a period of ten years from the year of recognition.

2.18 Earnings per equity share

The following is a reconciliation of the equity shares used in the computation of basic and diluted earnings per equity share:

	Three months ended September 30,		Six months ended September 30	
	2010	2009	2010	2009
Basic earnings per equity share-weighted average number of equity shares outstanding	571,131,367	570,343,178	571,083,717	570,229,204
Effect of dilutive common equivalent shares-share options outstanding	227,450	703,367	261,978	719,274

Diluted earnings per equity share-weighted average number of equity shares and common equivalent shares outstanding	571,358,817	571,046,545	571,345,695	570,948,478

Options to purchase 113,298 equity shares under the 1999 Plan for the three months and six months ended September 30, 2009, were not considered for calculating diluted earnings per share as their effect was anti-dilutive. For the three months and six months ended September 30, 2010, there were no outstanding options to purchase equity shares which had an anti dilutive effect.

2.19 Related party transactions

List of subsidiaries:

		Holding as of	
Particulars	Country	September 30, 2010	March 31, 2010
Infosys BPO	India	99.98%	99.98%
Infosys Australia	Australia	100%	100%
Infosys China	China	100%	100%
Infosys Consulting	U.S.A	100%	100%
Infosys Mexico	Mexico	100%	100%
Infosys BPO s. r. o (1)	Czech Republic	99.98%	99.98%
Infosys BPO (Poland) Sp.Z.o.o (1)	Poland	99.98%	99.98%
Infosys BPO (Thailand) Limited (1)	Thailand	99.98%	99.98%
Infosys Sweden	Sweden	100%	100%
Infosys Brasil	Brazil	100%	100%
Infosys Consulting India Limited(2)	India	100%	100%
Infosys Public Services, Inc.	U.S.A	100%	100%
McCamish Systems LLC(1) (Refer Note 2.3)	U.S.A	99.98%	99.98%

(1) Infosys BPO s.r.o, Infosys BPO (Poland) Sp Z.o.o, Infosys BPO (Thailand) Limited and McCamish Systems LLC are wholly-owned subsidiaries of Infosys BPO.
(2) Infosys Consulting India Limited is a wholly owned subsidiary of Infosys Consulting.

Infosys has provided guarantee for performance of certain contracts entered into by its subsidiaries.

List of other related parties:

Particulars	Country	Nature of relationship
Infosys Technologies Limited Employees' Gratuity Fund Trust	India	Post-employment benefit plan of Infosys
Infosys Technologies Limited Employees' Provident Fund Trust	India	Post-employment benefit plan of Infosys
Infosys Technologies Limited Employees' Superannuation Fund Trust	India	Post-employment benefit plan of Infosys
Infosys BPO Limited Employees’ Superannuation Fund Trust	India	Post-employment benefit plan of Infosys BPO
Infosys BPO Limited Employees’ Gratuity Fund Trust	India	Post-employment benefit plan of Infosys BPO
Infosys Technologies Limited Employees’ Welfare Trust	India	Employee Welfare Trust of Infosys
Infosys Science Foundation	India	Controlled trust

Refer Note 2.12 for information on transactions with post-employment benefit plans mentioned above.

Transactions with key management personnel

The table below describes the compensation to key management personnel which comprise directors and members of the executive council:

(Dollars in millions)

	Three months ended September 30,		Six months ended September 30,	
	2010	2009	2010	2009
Salaries and other employee benefits	$1	$2	$4	$4

2.20 Segment reporting

IFRS 8 establishes standards for the way that public business enterprises report information about operating segments and related disclosures about products and services, geographic areas, and major customers. The company's operations predominantly relate to providing IT solutions, delivered to customers located globally, across various industry segments. The Chief Operating Decision Maker evaluates the company's performance and allocates resources based on an analysis of various performance indicators by industry classes and geographic segmentation of customers. Accordingly, segment information has been presented both along industry classes and geographic segmentation of customers. The accounting principles used in the preparation of the financial statements are consistently applied to record revenue and expenditure in individual segments, and are as set out in the significant accounting policies.

Industry segments for the company are primarily financial services comprising enterprises providing banking, finance and insurance services, manufacturing enterprises, enterprises in the telecommunications (telecom) and retail industries, and others such as utilities, transportation and logistics companies. Geographic segmentation is based on business sourced from that geographic region and delivered from both on-site and off-shore. 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.

Revenue and identifiable operating expenses in relation to segments are categorized based on items that are individually identifiable to that segment. Allocated expenses of segments include expenses incurred for rendering services from the company's offshore software development centers and on-site expenses, which 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 assets are used interchangeably. Management 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 adjusted against the total income of the company.

Fixed assets used in the company's business are not identified to any of the reportable segments, as these are used interchangeably between segments. Management believes that it is currently not practicable to provide segment disclosures relating to total assets and liabilities since a meaningful segregation of the available data is onerous.

Geographical information on revenue and industry revenue information is collated based on individual customers invoiced or in relation to which the revenue is otherwise recognized.

2.20.1 Industry segments

(Dollars in millions)

Three months ended September 30, 2010	Financial services	Manufacturing	Telecom	Retail	Others	Total
Revenues	$530	$283	$199	$215	$269	$1,496
	221	122	80	90	116	629

Identifiable operating expenses						
Allocated expenses	130	70	49	53	66	368
Segment profit	179	91	70	72	87	499
Unallocable expenses						47
Operating profit						452
Other income, net						57
Profit before income taxes						509
Income tax expense						135
Net profit						$374
Depreciation and amortization						$47
Non-cash expenses other than depreciation and amortization						–

(Dollars in millions)

Three months ended September 30, 2009	Financial services	Manufacturing	Telecom	Retail	Others	Total
Revenues	$387	$223	$186	$163	$195	$1,154
Identifiable operating expenses	156	105	67	64	75	467
Allocated expenses	97	56	46	41	49	289
Segment profit	134	62	73	58	71	398
Unallocable expenses						48
Operating profit						350
Other income, net						49
Profit before income taxes						399
Income tax expense						82
Net profit						$317
Depreciation and amortization						$48
Non-cash expenses other than depreciation and amortization						–

(Dollars in millions)

Six months ended September 30, 2010	Financial services	Manufacturing	Telecom	Retail	Others	Total
Revenues	$1,020	$548	$391	$394	$501	$2,854
Identifiable operating expenses	427	238	164	174	216	1,219
Allocated expenses	252	136	97	98	124	707
Segment profit	341	174	130	122	161	928
Unallocable expenses						92
Operating profit						836
Other income, net						110
Profit before income taxes						946
Income tax expense						246

Net profit	$700
Depreciation and amortization	$92
Non-cash expenses other than depreciation and amortization	–

(Dollars in millions)

Six months ended September 30, 2009	Financial services	Manufacturing	Telecom	Retail	Others	Total
Revenues	$757	$453	$375	$311	$380	$2,276
Identifiable operating expenses	305	202	131	124	146	908
Allocated expenses	195	117	96	80	98	586
Segment profit	257	134	148	107	136	782
Unallocable expenses						94
Operating profit						688
Other income, net						104
Profit before income taxes						792
Income tax expense						162
Net profit						$630
Depreciation and amortization						$94
Non-cash expenses other than depreciation and amortization						–

2.20.2 Geographic segments

(Dollars in millions)

Three months ended September 30, 2010	North America	Europe	India	Rest of the World	Total
Revenues	$983	$326	$32	$155	$1,496
Identifiable operating expenses	421	132	13	63	629
Allocated expenses	242	80	8	38	368
Segment profit	320	114	11	54	499
Unallocable expenses					47
Operating profit					452
Other income, net					57
Profit before income taxes					509
Income tax expense					135
Net profit					$374
Depreciation and amortization					$47
Non-cash expenses other than depreciation and amortization					–

(Dollars in millions)

Three months ended September 30, 2009	North America	Europe	India	Rest of the World	Total
Revenues	$760	$268	$14	$112	$1,154

Identifiable operating expenses	304	111	4	48	467
Allocated expenses	191	67	3	28	289
Segment profit	265	90	7	36	398
Unallocable expenses					48
Operating profit					350
Other income, net					49
Profit before income taxes					399
Income tax expense					82
Net profit					$317
Depreciation and amortization					$48
Non-cash expenses other than depreciation and amortization					–

(Dollars in millions)

Six months ended September 30, 2010	North America	Europe	India	Rest of the World	Total
Revenues	$1,898	$602	$55	$299	$2,854
Identifiable operating expenses	819	253	24	123	1,219
Allocated expenses	470	149	14	74	707
Segment profit	609	200	17	102	928
Unallocable expenses					92
Operating profit					836
Other income, net					110
Profit before income taxes					946
Income tax expense					246
Net profit					$700
Depreciation and amortization					$92
Non-cash expenses other than depreciation and amortization					–

(Dollars in millions)

Six months ended September 30, 2009	North America	Europe	India	Rest of the World	Total
Revenues	$1,486	$545	$24	$221	$2,276
Identifiable operating expenses	593	217	8	90	908
Allocated expenses	383	140	6	57	586
Segment profit	510	188	10	74	782
Unallocable expenses					94
Operating profit					688
Other income, net					104
Profit before income taxes					792
Income tax expense					162
Net profit					$630
Depreciation and amortization					$94
Non–cash expenses other than depreciation and amortization					–

2.20.3 Significant clients

No client individually accounted for more than 10% of the revenues for the three months and six months ended September 30, 2010 and September 30, 2009.

2.21 Litigation

The company is subject to legal proceedings and claims which have arisen in the ordinary course of its business. The company's management does not reasonably expect that legal actions, when ultimately concluded and determined, will have a material and adverse effect on the results of operations or the financial position of the company.

2.22 Tax contingencies

The company has received demands from the Indian taxation authorities for payment of additional tax of $46 million, including interest of $8 million, upon completion of their tax review for fiscal 2005 and fiscal 2006. The demands for fiscal 2005 and fiscal 2006 were received during fiscal 2009 and fiscal 2010, respectively. 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.

The company is contesting the demands and management and its tax advisors believe that its position will likely be upheld in the appellate process. No additional provision has been accrued in the financial statements for the tax demands 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 tax demand with regard to fiscal 2005 and fiscal 2006 is pending before the Commissioner of Income tax (Appeals), Bangalore.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

In addition to historical information, this discussion contains certain forward–looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. When used in this discussion, the words 'anticipate,' 'believe,' 'estimate,' 'expect,' 'intend,' 'project,' 'seek,' 'should,' 'will' and other similar expressions as they relate to us or our business are intended to identify such forward–looking statements. The forward–looking statements contained herein are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in the forward–looking statements. Factors that might cause such differences include but are not limited to, those discussed in the section entitled 'Risk Factors' and elsewhere in this Quarterly Report. Readers are cautioned not to place undue reliance on these forward–looking statements, which reflect management's analysis only as of the date of this Quarterly Report. The following discussion and analysis should be read in conjunction with our financial statements included herein and the notes thereto. We undertake no obligation to publicly update or revise any forward–looking statements, whether as a result of new information, future events or otherwise.

Overview

We are a leading global technology services company that provides comprehensive end–to–end business solutions that leverage technology for our clients, including technical consulting, design, development, product engineering, maintenance, systems integration, package evaluation and implementation, validation and infrastructure management services. We also provide software products to the banking industry. Through Infosys BPO, we provide business process management services such as offsite customer relationship management, finance and accounting, and administration and sales order processing. Our clients rely on our solutions to enhance their business performance.

Our professionals deliver high quality solutions by leveraging our Global Delivery Model through which we divide projects into components that we execute simultaneously at client sites and at our development centers in India and around the world. We seek to optimize our cost structure by maintaining the flexibility to execute project components where it is most cost effective. Our sales, marketing and business development teams are organized to focus on specific geographies and industries and this helps us to customize our service offerings to our client's needs. Our primary geographic markets are North America, Europe and the Asia Pacific region. We serve clients in financial services, manufacturing, telecommunications, retail, utilities, logistics and other industries.

There is an increasing need for highly skilled technology professionals in the markets in which we operate and in the industries to which we provide services. At the same time, companies are reluctant to expand their internal IT departments and increase costs. These factors have increased the reliance of companies on their outsourced technology service providers and are expected to continue to drive future growth for outsourced technology services. We believe that because the effective use of offshore technology services may offer lower total costs of ownership of IT infrastructure, lower labor costs, improved quality and innovation, faster delivery of technology solutions and more flexibility in scheduling, companies are increasingly turning to offshore technology service providers. India, in particular, has become a premier destination for offshore technology services. The key factors contributing to the growth of IT and IT enabled services in India include high quality delivery, significant cost benefits and the availability of skilled IT professionals. Our proven Global Delivery Model, our comprehensive end to end solutions, our commitment to superior quality and process execution, our long standing client relationships and our ability to scale make us one of the leading offshore technology service providers in India.

There are numerous risks and challenges affecting the business. These risks and challenges are discussed in detail in the section entitled 'Risk Factors' and elsewhere in this Quarterly Report.

We were founded in 1981 and are headquartered in Bangalore, India. We completed our initial public offering of equity shares in India in 1993 and our initial public offering of ADSs in the United States in 1999. We completed three sponsored secondary ADS offerings in the United States in August 2003, June 2005 and November 2006. We did not receive any of the proceeds from any of our sponsored secondary offerings.

During fiscal 2010, we incorporated two wholly–owned subsidiaries, Infosys Tecnologia DO Brasil LTDA and Infosys Public Services, Inc., and, Infosys Consulting incorporated a wholly–owned subsidiary, Infosys Consulting India Limited.

During fiscal 2010, 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 a Membership Interest Purchase Agreement for a cash consideration of $37 million and a contingent consideration of up to $20 million. The fair value of the contingent consideration on the date of acquisition was $9 million.

At our Annual General Meeting held on June 12, 2010, our shareholders approved a final dividend of $0.33 per equity share, which in the aggregate resulted in a cash outflow of $215 million, inclusive of corporate dividend tax of $31 million.

Our Board of Directors, in their meeting held on October 15, 2010 approved payment of an interim dividend of approximately $0.22 per equity share and a 30th year special dividend of approximately $0.67 per equity share. The dividend payment is expected to result in a cash outflow of approximately $596 million, including corporate dividend tax of $85 million, and is expected to be paid to holders of our equity shares and ADSs by the end of October 2010.

As of September 30, 2010 we had approximately 122,500 employees as compared to approximately 113,800 employees as of March 31, 2010.

The following table sets forth our revenues, net profit and earnings per equity share for the six months ended September 30, 2010 and fiscal 2010:
(Dollars in millions except share data)

	Six months ended September 30, 2010	Fiscal 2010
Revenues	$2,854	$4,804
Net profit	$700	$1,313
Earnings per equity share (Basic)	$1.23	$2.30
Earnings per equity share (Diluted)	$1.23	$2.30

We added 65 new customers during the six months ended September 30, 2010 as compared to 141 new customers during fiscal 2010. For the six months ended September 30, 2010 and fiscal 2010, 98.9% and 97.3%, respectively, of our revenues came from repeat business, which we define as revenue from a client who also contributed to our revenue during the prior fiscal year.

Our business is designed to enable us to seamlessly deliver our onsite and offshore capabilities using a distributed project management methodology, which we refer to as our Global Delivery Model. We divide projects into components that we execute simultaneously at client sites and at our geographically dispersed development centers in India and around the world. Our Global Delivery Model allows us to provide clients with high quality solutions in reduced time–frames enabling them to achieve operational efficiencies.

Revenues

Our revenues are generated principally from technology services provided on either a time–and–materials or a fixed–price, fixed–timeframe basis. Revenues from services provided on a time–and–materials basis are recognized as the related services are performed. Revenues from services provided on a fixed–price, fixed–timeframe basis are recognized pursuant to the percentage–of–completion method. Most of our client contracts, including those that are on a fixed–price, fixed–timeframe basis can be terminated by clients with or without cause, without penalties and with short notice periods of between 0 and 90 days. Since we collect revenues on contracts as portions of the contracts are completed, terminated contracts are only subject to collection for portions of the contract completed through the time of termination. Most of our contracts do not contain specific termination–related penalty provisions. In order to manage and anticipate the risk of early or abrupt contract terminations, we monitor the progress on all contracts and change orders according to their characteristics and the circumstances in which they occur. This includes a focused review of our ability and our client's ability to perform on the contract, a review of extraordinary conditions that may lead to a contract termination, as well as historical client performance considerations. Since we also bear the risk of cost overruns and inflation with respect to fixed–price, fixed–timeframe projects, our operating results could be adversely affected by inaccurate estimates of contract completion costs and dates, including wage inflation rates and currency exchange rates that may affect cost projections. Losses on contracts, if any, are provided for in full in the period when determined. Although we revise our project completion estimates from time to time, such revisions have not, to date, had a material adverse effect on our operating results or financial condition. We also generate revenue from software application products, including banking software. Such software products represented 4.4% and 4.2% of our total revenues for the six months ended September 30, 2010 and fiscal 2010, respectively.

We experience from time to time, pricing pressure from our clients. For example, clients often expect that as we do more business with them, they will receive volume discounts. Additionally, clients may ask for fixed–price, fixed–time frame arrangements or reduced rates. We attempt to use fixed–price arrangements for engagements where the specifications are complete, so individual rates are not negotiated.

Cost of Sales

Cost of sales represented 58.0% and 57.2% of total revenues for the six months ended September 30, 2010 and fiscal 2010, respectively. Our cost of sales primarily consists of salary and other compensation expenses, depreciation, amortization of intangible assets, overseas travel expenses, cost of software purchased for internal use, cost of technical subcontractors, rent and data communication expenses. We depreciate our personal computers, mainframe computers and servers over two to five years and amortize intangible assets over their estimated useful life. Third party software is expensed over the estimated useful life. For the six months ended September 30, 2010 and fiscal 2010, the share–based compensation expense included in cost of sales was Nil and less than $1 million, respectively. Amortization expense for the six months ended September 30, 2010 and fiscal 2010 included under cost of sales was $1 million and $8 million, respectively.

We typically assume full project management responsibility for each project that we undertake. Approximately 74.5% and 75.8% of the total billed person–months for our services during the six months ended September 30, 2010 and fiscal 2010, respectively, were performed at our global development centers in India, and the balance of the work was performed at client sites and global development centers located outside India. The proportion of work performed at our facilities and at client sites varies from quarter to quarter. We charge higher rates and incur higher compensation and other expenses for work performed at client sites and global development centers located outside India. Services performed at a client site or at a global development center located outside India typically generate higher revenues per–capita at a lower gross margin than the same services performed at our facilities in India. As a result, our total revenues, cost of sales and gross profit in absolute terms and as a percentage of revenues fluctuate from quarter– to–quarter based in part on the proportion of work performed outside India. We intend to hire more local employees in many of the overseas markets in which we operate, which could decrease our gross profits due to increased wage and hiring costs. Additionally, any increase in work performed at client sites or global development centers located outside India may decrease our gross profits. We hire subcontractors on a limited basis from time to time for our own technology development needs, and we generally do not perform subcontracted work for other technology service providers. For the six months ended September 30, 2010 and fiscal 2010, approximately 3.9% and 2.9%, respectively, of our cost of sales was attributable to cost of technical subcontractors. We do not anticipate that our subcontracting needs will increase significantly as we expand our business.

Revenues and gross profits are also affected by employee utilization rates. We define employee utilization as the proportion of total billed person months to total available person months, excluding administrative and support personnel. We manage utilization by monitoring project requirements and timetables. The number of software professionals that we assign to a project will vary according to the size, complexity, duration, and demands of the project. An unanticipated termination of a significant project could also cause us to experience lower utilization of technology professionals, resulting in a higher than expected number of unassigned technology professionals. In addition, we do not utilize our technology professionals when they are enrolled in training programs, particularly during our 20–29 week training course for new employees.

Selling and Marketing Expenses

Selling and marketing expenses represented 5.5% and 5.2% of total revenues for the six months ended September 30, 2010 and fiscal 2010, respectively. Our selling and marketing expenses primarily consist of expenses relating to salaries and other compensation expenses of sales and marketing personnel, travel expenses, brand building, commission charges, rental for sales and marketing offices and telecommunications. For the six months ended September 30, 2010 and fiscal 2010, share–based compensation included in selling and marketing expenses was Nil and less than $1 million, respectively. We may increase our selling and marketing expenses as we seek to increase brand awareness among target clients and promote client loyalty and repeat business among existing clients.

Administrative Expenses

Administrative expenses represented 7.3% and 7.2% of total revenues for the six months ended September 30, 2010 and fiscal 2010, respectively. Our administrative expenses primarily consist of expenses relating to salaries and other compensation expenses of senior management and other support personnel, travel expenses, legal and other professional fees, telecommunications, office maintenance, power and fuel charges, insurance, other miscellaneous administrative costs and provisions for doubtful accounts receivable. The factors which affect the fluctuations in our provisions for bad debts and write offs of uncollectible accounts include the financial health of our clients and of the economic environment in which they operate. For the six months ended September 30, 2010 and fiscal 2010 share–based compensation included in administrative expenses was Nil and less than $1 million, respectively.

Other Income

Other income includes interest income, income from certificates of deposit, income from available–for–sale financial assets, foreign currency exchange gains / (losses) on translation of other assets and liabilities, including marked to market gains / (losses) on foreign exchange forward and option contracts. During the six months ended September 30, 2010, the interest income on deposits and certificates of deposit was $107 million and income from available-for-sale financial assets / investments was $5 million. Further, we also recorded a foreign exchange loss of $6 million on forward and options contracts, partially offset by a foreign exchange gain of $3 million on translation of other assets and liabilities. For fiscal 2010, the interest income on deposits was $164 million and income from available–for–sale financial assets / investments was $34 million. In fiscal 2010, we also recorded a foreign exchange gain of $63 million on forward and options contracts, partially offset by a foreign exchange loss of $57 million on translation of other assets and liabilities. For fiscal 2010, income from available-for-sale financials assets/investments includes $11 million of income from sale of an unlisted equity security.

Functional Currency and Foreign Exchange

The functional currency of Infosys and Infosys BPO is the Indian rupee. The functional currencies for Infosys Australia, Infosys China, Infosys Consulting, Infosys Mexico, Infosys Sweden, Infosys Brasil and Infosys Public Services are the respective local currencies. The consolidated financial statements included in this Quarterly Report are presented in U.S. dollars (rounded off to the nearest million) to facilitate global comparability. The translation of functional currencies to U.S. dollars is performed for assets and liabilities using the exchange rate in effect at the balance sheet date, and for revenue, expenses and cash flow items using a monthly average exchange rate for the respective periods. The gains or losses resulting from such translation are included in currency translation reserves under other components of equity.

Generally, Indian law requires residents of India to repatriate any foreign currency earnings to India to control the exchange of foreign currency. More specifically, Section 8 of the Foreign Exchange Management Act, or FEMA, requires an Indian company to take all reasonable steps to realize and repatriate into India all foreign currency earned by the company outside India, within such time periods and in the manner specified by the Reserve Bank of India, or RBI. The RBI has promulgated guidelines that require the company to repatriate any realized foreign currency back to India, and either:

- sell it to an authorized dealer for rupees within seven days from the date of receipt of the foreign currency;
- retain it in a foreign currency account such as an Exchange Earners Foreign Currency, or EEFC, account with an authorized dealer; or
- use it for discharge of debt or liabilities denominated in foreign currency.

We typically collect our earnings and pay expenses denominated in foreign currencies using a dedicated foreign currency account located in the local country of operation. In order to do this, we are required to, and have obtained, special approval from the RBI to maintain a foreign currency account in overseas countries like the United States. However, the RBI approval is subject to limitations, including a requirement that we repatriate all foreign currency in the account back to India within a reasonable time, except an amount equal to our local monthly operating cost for our overseas branch. We currently pay such expenses and repatriate the remainder of the foreign currency to India on a regular basis. We have the option to retain those in an EEFC account (foreign currency denominated) or an Indian–rupee–denominated account. We convert substantially all of our foreign currency to Indian rupees to fund operations and expansion activities in India.

Our failure to comply with these regulations could result in RBI enforcement actions against us.

Income Taxes

Our net profit earned from providing software development and other services outside India is subject to tax in the country where we perform the work. Most of our tax paid in countries other than India can be applied as a credit against our Indian tax liability to the extent that the same income is subject to tax in India.

Currently, we benefit from the tax incentives the Government of India gives to the export of software from specially designated software technology parks, or STPs, in India and for facilities set up under the Special Economic Zones Act, 2005. The STP Tax Holiday is available for ten consecutive years beginning from the financial year when the unit started producing computer software or April 1, 1999, whichever is earlier. The Indian Government through the Finance Act, 2009 has extended the tax holiday for the STP units until March 31, 2011. Most of our STP units have already completed the tax holiday period except for one STP unit for which the tax holiday will expire by the end of fiscal 2011. Under the Special Economic Zones Act, 2005 scheme, units in designated special economic zones which begin providing services on or after April 1, 2005 are eligible for a deduction of 100 percent of profits or gains derived from the export of services for the first five years from commencement of provision of services and 50 percent of such profits or gains for a further five years. Certain tax benefits are also available for a further five years subject to the unit meeting defined conditions. When our tax holidays expire or terminate, our tax expense will materially increase, reducing our profitability.

As a result of these tax incentives, a substantial portion of our pre–tax income has not been subject to significant tax in recent years. These tax incentives resulted in a decrease in our income tax expense of $68 million and $116 million for the six months ended September 30, 2010 and fiscal 2010, respectively, compared to the effective tax amounts that we estimate we would have been required to pay if these incentives had not been available.

Further, as a result of such tax incentives our effective tax rate for the six months ended September 30, 2010 and fiscal 2010 was 26.0% and 21.3%, respectively. The increase in the effective tax rate to 26.0% during the six months ended September 30, 2010 is mainly due to the expiration of the tax holiday period for a few of our remaining STP units. Our Indian statutory tax rate for the same period was 33.22%.

Pursuant to the enacted changes in the Indian Income Tax Laws effective April 1, 2007, a Minimum Alternate Tax (MAT) has been extended to income in respect of which a deduction may be claimed under sections 10A and 10AA of the Income Tax Act; consequently, we have calculated our tax liability for current domestic taxes after considering MAT. The excess tax paid under MAT provisions being over and above regular tax liability can be carried forward and set off against future tax liabilities computed under regular tax provisions. We are required to pay MAT, and, accordingly, a deferred tax asset of $11 million and $9 million has been recognized on the balance sheet as of September 30, 2010 and March 31, 2010, which can be carried forward for a period of ten years from the year of recognition.

Results for three months ended September 30, 2010 compared to the three months ended September 30, 2009

Revenues

The following table sets forth the growth in our revenues for the three months ended September 30, 2010 over the corresponding period in 2009:

(Dollars in millions)

	Three months ended September 30,	Change	Percentage Change