Financial statements of Infosys BPO s.r.o.

To

The Members of Infosys BPO s.r.o.

We have audited the attached Balance Sheet of Infosys BPO s.r.o. ('the Company') as at 31st, March 2011, the Profit and Loss account ('Financial Statement') of the Company for the year ended on that date. These Financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Further, we report that :

(a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;

(b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

(c) The Balance sheet and the profit and Loss account dealt with by this report are in agreement with the books of accounts;

(d) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.

1. in the case of the Balance Sheet, of the State of affairs of the Company as at March 31, 2011; and
2. in the case of Profit and Loss account, of the Profit of the Company for the year ended on that date.

For Shenoy & Kamath
Chartered Accountants
Firms Regn. No. 006673S

M. Rathnakar Kamath
Partner
Membership No. 202841

Bangalore
April 11, 2011

Balance Sheet

in ₹

As at March 31,	Schedule	2011	2010
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	1	3,49,78,993	3,49,78,993
Reserves and surplus	2	28,37,62,401	24,80,97,854
		31,87,41,394	28,30,76,847
APPLICATION OF FUNDS			
FIXED ASSETS	3		
Original cost		9,16,78,252	7,83,49,899
Less : Accumulated depreciation		7,50,05,762	5,93,82,552
Net book value		1,66,72,490	1,89,67,347
DEFERRED TAX ASSETS	4	63,26,583	47,27,412
CURRENT ASSETS, LOANS AND ADVANCES			
Sundry debtors	5	15,16,42,608	10,28,96,908
Cash and bank balances	6	8,68,17,205	18,87,68,943
Loans and advances	7	21,42,83,088	6,15,23,217
		45,27,42,901	35,31,89,068
LESS : CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	8	12,74,82,088	5,58,63,397
Provisions	9	2,95,18,492	3,79,43,583
		15,70,00,580	9,38,06,980
NET CURRENT ASSETS		29,57,42,321	25,93,82,088
		318,741,394	283,076,847
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	15		

Note : The schedules referred to above are an integral part of the Balance Sheet.

For Shenoy & Kamath
Chartered Accountants
Firms Regn. No. 006673S

M. Rathnakar Kamath
Partner
Membership No : 202841

D. Swaminathan
Chairman of the supervisory board

B. G. Srinivas
Member

Abraham Mathews
Jednatel

Ritesh M. Idnani
Member

Bangalore
April 11, 2011

Profit and Loss account

in ₹

For the year ended March 31,	Schedule	2011	2010
Income from software services, products and business process management		55,86,98,102	59,45,13,209
Software development and business process management expenses	10	45,91,36,992	46,84,10,972
GROSS PROFIT		9,95,61,110	12,61,02,237
Selling and marketing expenses	11	16,20,972	–
General and administration expenses	12	5,78,50,464	9,89,85,572
		5,94,71,436	9,89,85,572
OPERATING PROFIT BEFORE INTEREST AND DEPRECIATION		4,00,89,674	2,71,16,665
Interest		–	3,55,341
Depreciation		1,05,34,482	1,72,58,601
OPERATING PROFIT BEFORE TAX		2,95,55,192	95,02,723
Other income, net	13	(14,74,881)	1,45,74,889
NET PROFIT BEFORE TAX		2,80,80,311	2,40,77,612
Provision for taxation	14	1,25,96,716	1,01,91,405
NET PROFIT AFTER TAX		1,54,83,595	1,38,86,207
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	15		

Note : The schedules referred to above are an integral part of the Profit and Loss account.

For Shenoy & Kamath
Chartered Accountants
Firms Regn. No. 006673S

M. Rathnakar Kamath	D. Swaminathan	B. G. Srinivas	Abraham Mathews	Ritesh M. Idnani
Partner	*Chairman of the supervisory board*	*Member*	*Jednatel*	*Member*
Membership No : 202841				

Bangalore
April 11, 2011

Schedules to the Balance Sheet

in ₹

As at March 31,	2011	2010
1 SHARE CAPITAL		
Issued, Subscribed and Paid Up	3,49,78,993	3,49,78,993
	34,978,993	34,978,993
2 RESERVES AND SURPLUS		
Translation Difference	2,74,84,266	73,03,314
Profit and Loss account		
Opening balance	24,07,94,540	22,69,08,324
Add : Transfers during the year	1,54,83,595	1,38,86,216
	25,62,78,135	24,07,94,540
	28,37,62,401	24,80,97,854
4 DEFERRED TAX ASSETS		
Sundry debtors	–	–
Others	44,99,760	26,75,133
Long service leave	18,26,823	20,52,279
	63,26,583	47,27,412
5 SUNDRY DEBTORS		
Debts outstanding for a period exceeding six months		
Unsecured		
Considered doubtful	–	1,75,318
Other debts		
Unsecured		
Considered good	15,16,42,608	10,28,96,908
	15,16,42,608	10,30,72,226
Less : Provision for doubtful debts	–	(1,75,318)
	15,16,42,608	10,28,96,908
6 CASH AND BANK BALANCES		
Cash on hand	3,27,059	2,75,830
Balances with non-scheduled banks in foreign currency		
In deposit accounts	2,48,97,393	16,86,90,024
In current accounts	6,15,92,753	1,98,03,090
	8,68,17,205	18,87,68,943

in ₹

As at March 31,	2011	2010
7 LOANS AND ADVANCES		
Unsecured, considered good		
Loan to subsidiary	17,72,14,658	–
Advances		
For supply of goods and rendering of services	54,78,125	13,09,023
Interest accrued but not due	6,465	57,696
Withholding and other taxes receivable	45,37,660	36,03,471
Others	64,38,016	8,94,288
	19,36,74,924	58,64,478
Advance income tax	62,14,704	4,19,80,314
Loans and advances to employees		
Salary advances	14,48,686	12,61,225
Electricity and other deposits	15,56,490	18,67,589
Rental deposits	1,13,88,283	1,05,49,611
	21,42,83,088	6,15,23,217
8 CURRENT LIABILITIES		
Sundry creditors		
Goods and services	1,55,855	8,85,594
Accrued salaries and benefits		
Salaries	3,49,18,801	2,87,08,929
Bonus and incentives	69,51,469	56,12,102
For other liabilities		
Provision for expenses	3,92,70,939	1,70,77,410
Withholding and other taxes payable	–	–
For purchase of intellectual property rights		
Others	10,89,857	1,16,520
	8,23,86,921	5,24,00,555
Unearned revenue	4,50,95,167	34,62,842
	12,74,82,088	5,58,63,397
9 PROVISIONS		
Provision for		
Income taxes	1,63,21,080	2,36,18,840
Post-sales client support and warranties	35,82,549	35,23,274
Unavailed leave	96,14,863	1,08,01,469
	2,95,18,492	3,79,43,583

3 Fixed assets

in ₹

	Original cost				Depreciation and amortization				Net book value	
	Cost as of April 01, 2010	Additions during the year	Deletions during the year	Cost as of March 11, 2011	As at April 01, 2010	For the year	Deductions during the year	As at March 31, 2011	As at March 31, 2011	As at Mar 31, 2010
Leasehold improvement	1,51,31,883	16,24,784	–	1,67,56,667	92,18,664	28,25,585	(8,91,051)	1,29,35,300	38,21,367	59,13,219
Plant and machinery	67,39,317	5,60,788	–	73,00,105	34,53,570	10,93,897	(3,45,108)	48,92,575	24,07,530	32,85,747
Computer equipment	4,09,59,442	90,31,169	3,33,259	4,96,57,352	3,78,44,036	34,63,022	(29,43,089)	4,42,50,147	54,07,205	31,15,406
Furniture and fixtures	1,55,19,257	24,44,871	–	1,79,64,128	88,66,282	31,51,978	(9,09,480)	1,29,27,740	50,36,388	66,52,975
	7,83,49,899	1,36,61,612	3,33,259	9,16,78,252	5,93,82,552	1,05,34,482	(50,88,728)	7,50,05,762	1,66,72,490	1,89,67,347
	7,82,57,391	92,508	–	7,83,49,899	4,49,77,000	1,72,58,601	28,53,049	5,93,82,552	1,89,67,347	

Schedules to Profit and Loss account

in ₹

Year ended March 31,	2011	2010
10 SOFTWARE DEVELOPMENT AND BUSINESS PROCESS MANAGEMENT EXPENSES		
Salaries and bonus including overseas staff expenses	24,65,86,241	27,76,75,583
Overseas group health insurance	24,478	38,707
Contribution to provident and other funds	7,97,79,147	8,88,38,696
Staff welfare	89,60,382	1,06,47,815
Technical sub-contractors	1,90,77,429	1,80,83,641
Overseas travel expenses	4,00,16,251	61,61,119
Visa charges and others	85,634	3,82,115
Software packages		
For own use	24,73,584	94,64,556
Communication expenses	40,24,344	63,44,720
Computer maintenance	26,273	31,601
Consumables	1,59,821	2,63,016
Rent	3,73,72,944	3,89,30,920
Miscellaneous expenses	2,05,50,465	1,15,48,483
	45,91,36,992	46,84,10,972
11 SELLING AND MARKETING EXPENSES		
Marketing expenses	16,20,972	–
	16,20,972	–

Year ended March 31,	2011	2010
12 GENERAL AND ADMINISTRATION EXPENSES		
Salaries and bonus including overseas staff expenses	1,81,28,958	4,15,56,867
Overseas group health insurance	5,619	968
Contribution to provident and other funds	66,83,923	93,58,934
Telephone charges	25,92,090	37,01,259
Professional charges	37,26,439	33,78,708
Power and fuel	1,21,20,018	1,35,61,450
Travel and conveyance	1,42,092	8,33,672
Overseas travel expenses	1,88,701	24,04,613
Visa charges and others	(1,56,938)	4,91,750
Office maintenance	93,99,185	90,12,438
Guest house maintenance	20,444	61,976
Printing and stationery	2,32,535	5,11,999
Insurance charges	44,429	1,37,952
Consumables	65,178	–
Donations	–	1,32,782
Rent	25,62,696	55,46,255
Advertisement	–	164,029
Repairs to building	(2,70,677)	7,79,393
Rates and taxes	1,89,488	5,82,964
Repairs to plant and machinery	14,114	1,26,112

12 GENERAL AND ADMINISTRATION EXPENSES (Contd.)

in ₹

Year ended March 31,	2011	2010
Professional membership and seminar participation fees	5,886	3,59,730
Postage and courier	13,08,764	19,03,436
Books and periodicals	–	(8,243)
Recruitment and training	1,42,723	21,89,067
Provision for bad and doubtful debts	(1,73,118)	2,64,304
Bank charges and commission	5,96,545	4,19,509
Auditor's remuneration		
Statutory audit fees	10,40,608	6,10,618
Miscellaneous expenses	(7,59,226)	9,03,031
	5,78,50,464	9,89,85,572
13 OTHER INCOME, NET		
Interest received on deposits with banks and others	14,25,420	10,71,399
Miscellaneous income	1,01,44,560	3,07,16,773
Exchange gains / (losses)	(1,30,44,861)	(1,72,13,283)
	(14,74,881)	1,45,74,889
14 PROVISION FOR TAXATION		
Income taxes	1,38,24,809	97,91,484
Deferred taxes	(12,28,093)	3,99,921
	1,25,96,716	1,01,91,405

Schedules to the Financial Statements for the year ended March 31, 2011

15. Significant accounting policies and notes on accounts

Company overview

Infosys BPO s.r.o. is a leading provider of business process management services to organizations that outsource their business processes. Infosys BPO s.r.o. is a majority owned and controlled of Infosys BPO Limited. The Company leverages the benefits of service delivery globalization, process redesign and technology and thus drives efficiency and cost effectiveness into client's business processes and thereby improve their competitive position by managing their business processes in addition to providing increased value.

15.1. Significant accounting policies

15.1.1. Basis of preparation of financial statements

The financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis except for certain financial instruments which are measured at fair values. GAAP comprises mandatory accounting standards as prescribed by the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

15.1.2. Use of estimates

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

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

15.1.3. Revenue recognition

The Company derives its revenues primarily from business process management services, on both the time-and-material and fixed-price, fixed-time frame basis and unit-priced basis. Revenue on time-and-material contracts is recognized as the related services are rendered. Revenue from fixed-price, fixed-time frame contracts, where there is no uncertainty as to measurement and collectability of consideration, is recognized as per the proportionate-completion method. Revenues from unit-priced contracts are recognized as transactions are processed based on objective measures of output. When the Company receives advances for its services, such amounts are reflected as advance received from clients until all conditions for revenue recognition are met. Cost and earnings in excess of billings are classified as unbilled revenue while billing in excess of cost and earnings is classified as deferred revenue. Provision for estimated losses, if any, on uncompleted contracts are recorded in the year in which such losses become probable based on the current estimates. The Group presents revenues net of service taxes and value added taxes in its Profit and Loss account.

The Company accounts for volume discounts and pricing incentives to customers as a reduction of revenue based on the ratable allocation of the discount/incentive amount to each of the underlying revenue transactions that result in progress by the customer towards earning the discount/incentive. Also when the level of discount varies with increase 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. The Company recognizes changes in the estimated amount of obligation for discount using cumulative catch-up approach. The discounts are passed on the customer either as direct payments or as a reduction of payments due from customer.

15.1.4. Provisions

A provision is recognized if, as a result of a past event, the Company 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.

15.1.5. Foreign currency transactions

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

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

15.1.6. Income taxes

Income tax expense comprises of current and deferred income tax. Income tax expense is recognized in net profit 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.

15.1.7. Earnings per share

Basic earnings per 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.

15.1.8. Cash and cash equivalents

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

15.1.9. Leases

Lease under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets acquired are capitalized at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower. Lease payments under operating leases are recognized as an expense on a straight line basis in the Profit and Loss account over the lease term.

15.1.10 Fixed Assets

Fixed assets are stated at cost, after reducing accumulated depreciation and impairment upto the date of the Balance Sheet. Direct costs are capitalized until the assets are ready for use and include financing costs relating to any borrowing attributable to acquisition or construction of those fixed assets which necessarily take a substantial period of time to get ready for their intended use. Capital work-in-progress includes the cost of fixed assets that are not yet ready for their intended use and advances paid to acquire fixed assets before the Balance Sheet date. Intangible assets are recorded at the consideration paid for acquisition of such assets and are carried at cost less accumulated amortisation and impairment. Goodwill on amalgamation is tested periodically for impairment.

15.1.11 Depreciation

Depreciation on fixed assets is determined using the straight-line method based on useful lives of assets as estimated by the Group. Depreciation for assets purchased/sold during the year is proportionately charged. Individual assets costing ₹5,000 or less are depreciated within a year of acquisition. Leasehold improvements are written off over the lower of the remaining period of lease or the life of the asset. Leasehold land is amortised over the lease period. Intangible assets are amortised over their useful life on a straight line basis commencing from the date the asset is available to the Group for its use. Management estimates the useful lives for the various fixed assets as follows :

Buildings	Fifteen years
Computer equipment	Two years
Plant and machinery	Five years
Furniture and fixtures	Five years
Vehicles	Five years

15.1.12 Compensated absences

The employees of the Company are entitled to compensated absences which are both accumulating and non-accumulating in nature. The expected cost of accumulating absences is determined by actuarial valuation based on the additional amount expected to be paid out 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.

15.2. Notes to Accounts

15.2.1. Aggregate expenses

The aggregate amounts incurred on expenses are as follows :

in ₹

Particulars	Year ended March 31,	
	2011	2010
Salaries including overseas staff expenses	26,52,81,149	31,75,46,118
Staff welfare	93,33,929	1,23,73,821
Contribution to provident and other funds	8,64,63,069	9,81,97,631
Foreign travel expenses	4,05,82,076	65,43,238
Conveyance	16,27,418	44,90,515
Consumables	2,24,999	4,38,944
Recruitment and training expenses	1,67,87,861	1,10,10,235
Rent	3,99,35,640	4,44,69,976
Telephone and communication charges	66,16,997	1,00,45,976
Legal and professional charges	37,64,833	33,78,707
Auditor's remuneration		
Audit fees	10,40,608	6,10,618
Bank charges and commission	5,96,545	4,19,509
Brand building and advertisement	50,555	–
Communication expenses		
Computer maintenance		
Consultancy charges	1,90,77,429	1,80,83,643
Cost of software for own use	24,73,584	94,64,555
Insurance	12,40,362	1,37,953
Other miscellaneous expenses	6,44,346	32,66,846
Postage and courier	13,08,764	19,03,436
Power and fuel	1,21,20,018	1,35,61,450
Printing, stationery and office maintenance	94,21,875	1,05,22,918
Provision for doubtful debts	(1,73,118)	2,64,304
Rates and taxes	1,89,488	5,82,964
	51,86,08,428	56,73,13,357

15.2.2. Quantitative details

The Company is primarily engaged in providing business process management services. The sale of such services cannot be expressed in any generic unit. Hence, it is not possible to give the quantitative details of sales and certain information as required under paragraphs 3, 4C and 4D of part II of Schedule VI to the Companies Act, 1956.

15.2.3. Related party transactions

List of related parties :

Name of related parties	Country	Holding, as at March 31,	
		2011	2010
Infosys BPO Limited	India	100.00%	100.00%
Infosys Technologies Limited [(1)]	India		
Infosys BPO (Thailand) Ltd [(2)]	Thailand		
Infosys BPO (Poland) Sp.Z.o.o [(2)]	Poland		

[(1)] *Infosys Technologies Limited is holding company of Infosys BPO Limited.*

[(2)] *wholly owned subsidiaries of Infosys BPO Limited i.e. fellow subsidiaries.*

Details of amounts due to or due from as at March 31, 2011 and March 31, 2010 :

in ₹

Particulars as at	March 31, 2011	March 31, 2010
Sundry debtors :		
Infosys Technologies Limited	1,01,80,339	15,06,898
Infosys BPO Limited	–	1,08,076
Sundry creditors :		
Infosys Technologies Limited	48,979	4,20,719
Infosys BPO Limited	41,938	10,68,830
Infosys BPO (Poland) Sp.Z.o.o	–	85,523

The details of the related party transactions entered into by the Company for the year ended March 31, 2011 and March 31, 2010 are as follows :

in ₹

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
Revenue transactions :		
Sale of services		
Infosys Technologies Limited	5,87,78,874	–
Infosys BPO Limited	–	6,76,385
Sale of shared services including facilities and personnel		
Infosys Technologies Limited		712,658
Infosys BPO Limited	11,23,824	3,79,696
Purchase of services		
Infosys Technologies Limited	1,92,014	(47,38,402)
Infosys BPO Limited	–	51,92,263
Purchase of shared services including facilities and personnel		
Infosys Technologies Limited	–	47,50,321
Infosys BPO Limited	–	53,68,721

15.2.4. Cash and bank balances

The details of balances as on Balance Sheet dates with non-scheduled banks are as follows :

in ₹

Balances with non-scheduled banks	As at March 31, 2011	As at March 31, 2010
Cash balance	3,27,059	2,75,830
	3,27,059	2,75,830
In current accounts :		
Citibank NA, Czech Republic	1,16,21,236	35,08,264
Citibank NA, (subsidy account)	7,890	7,318
Citibank NA, USD	18,19,019	1,49,96,361
Citibank NA, EURO	30,83,226	12,91,145
Deutsche Bank, EUR	1,86,826	–
Deutsche Bank, USD	4,41,843	–
Deutsche Bank, CZK	77,37,353	–
	2,48,97,393	1,98,03,088
In deposit accounts :		
Citibank NA, Czech Republic	6,15,92,753	16,86,90,024
	6,15,92,753	16,86,90,024
Total cash and bank balances as per Balance Sheet	8,68,17,205	18,87,68,942

The details of maximum balances during the period with non-scheduled banks are as follows:

in ₹

Maximum balance with non-scheduled banks during the period	Year ended March 31, 2011	Year ended March 31, 2010
In current accounts :		
Citibank NA, Czech Republic (Subsidy account)	1,39,12,901	2,98,80,017
Citibank NA, Czech Republic	26,77,32,008	8,05,74,069
Citibank NA, Czech Republic (U.S. dollar account)	27,32,64,579	10,71,84,205
Citibank NA, Czech Republic (Euro account)	6,63,91,609	5,14,66,409
Deutsche Bank, Czech Republic	1,99,69,200	–
Deutsche Bank, Czech Republic (U.S. dollar account)	11,73,423	–
Deutsche Bank, Czech Republic (Euro account)	4,82,011	–

15.2.5. Provision for SLA Compliance

The provision for service level agreement compliance is based on estimates made by the management for on going contracts. In accordance with paragraphs 66 and 67 of the Accounting Standard 29, the movement in provision for service level agreement is given below

in ₹

	As at March 31, 2011	As at March 31, 2010
Balance at the beginning of the period	35,23,273	7,058,443
Additional provisions made during the period	16,23,852	450,058
Provisions used during the period	–	1,740,086
Unused amounts reversed during the period	15,64,578	2,245,142
Balance at the end of the period	35,82,547	35,23,273

Notes : Management believes that the aforesaid provision will be utilized within a year

15.2.6. Capital commitments and contingent liabilities

in ₹

	Year ended March 31, 2011	Year ended March 31, 2010
Estimated amount of unexecuted capital contracts (net of advance and deposits)	19,45,551	–

15.2.7. Segment reporting

The Company's operations primarily relate to providing business process management services to organizations that outsource their business processes. Accordingly, revenues represented along industry classes comprise the primary basis of segmental information set out in these financial statements. Secondary segmental reporting is performed on the basis of the geographical location of customers. The accounting principles consistently used in the preparation of the financial statements are also consistently applied to record income in individual segments. These are set out in the note on significant accounting policies. Industry segments at the Company primarily comprise customers relating to financial services, manufacturing, telecom, retail and other industries. Income in relation to segments is categorized based on items that are individually identified to those segments while expenditure is categorized in relation to the associated turnover of the segment. Expenses which form a significant component of total expenses are not specifically allocable to specific segments as the underlying services are used interchangeably. These expenses are separately disclosed as 'unallocated' and adjusted only against the total income of the Company. The Company believes that it is not practical to provide segment disclosures relating to these costs and expenses, and accordingly these expenses are separately disclosed as unallocated and directly charged against total income. Fixed assets or liabilities contracted have not been identified to any reportable segments, as these are used interchangeably between segments. Accordingly no disclosure relating to total segment assets and liabilities are made.

Geographical segments are segregated based on the location of the customers, or in relation to which the revenue is otherwise recognized. 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 others comprises all other places except, those mentioned above and India. All direct costs are identified to its respective verticals/ geographies on the basis of revenues from the respective verticals/ geographies while unallocable cost consists of depreciation only.

Industry segments

Years ended March 31, 2011 and March 31, *2010*

in ₹

	Financial Services	Manufacturing	Telecom	Retail	Others	Total
Revenue	7,97,13,790	45,21,32,850	2,62,10,480	–	6,40,982	55,86,98,102
	5,69,77,580	*51,12,22,368*	*1,27,17,537*	*14,40,695*	*1,21,55,029*	*59,45,13,209*
Identifiable operating expenses	3,60,57,915	26,27,97,668	1,33,53,956	–	5,99,104	31,28,08,643
	5,36,02,589	*28,86,27,485*	*60,90,038*	*(16,56,084)*	*1,21,91,109*	*35,88,55,137*
Allocated segment expenses	2,84,64,149	16,71,64,070	98,34,647	–	3,36,919	20,57,99,785
	1,99,70,279	*17,97,67,407*	*45,99,448*	*7,99,199*	*34,05,074*	*20,85,41,407*
Segmental operation income	1,51,91,726	2,21,71,112	30,21,877	–	(2,95,041)	4,00,89,674
	(1,65,95,288)	*4,28,27,476*	*20,28,051*	*22,97,580*	*(34,41,154)*	*2,71,16,665*
Unallocable expenses						1,05,34,482
						1,76,13,942
Operating income						2,95,55,192
						95,02,723
Other income						(14,74,881)
						1,45,74,889
Net profit before tax						2,80,80,311
						2,40,77,612
Income tax						1,25,96,716
						1,01,91,405
Net profit after taxes						1,54,83,595
						1,38,86,207

Geographical segments

Years ended March 31, 2011 and March 31, *2010*

in ₹

	North America	Europe	India	Others	Total
Revenue	8,98,79,088	46,88,19,014	–	–	55,86,98,102
	2,99,62,563	*56,45,50,646*	–	–	*59,45,13,209*
Identifiable operating expenses	6,16,95,625	25,11,13,018	–	–	31,28,08,643
	2,11,51,928	*33,77,03,209*	–	–	*35,88,55,137*
Allocated segment expenses	2,86,86,701	17,71,13,084	–	–	20,57,99,785
	99,59,309	*19,85,82,098*	–	–	*20,85,41,407*
Segmental operation income	-5,03,238	4,05,92,912	–	–	4,00,89,674
	-11,48,674	*2,82,65,339*	–	–	*2,71,16,665*
Unallocable expenses					1,05,34,482
					1,76,13,942
Operating income					2,95,55,192
					95,02,723
Other income					-14,74,881
					1,45,74,889
Net profit before tax					2,80,80,311
					2,40,77,612
Income tax					1,25,96,716
					1,01,91,405
Net profit after taxes					1,54,83,595
					1,38,86,207

Financial statements of Infosys BPO (Poland) Sp.Z.o.o.

To

The Members of Infosys BPO (Poland) Sp.Z.o.o

We have audited the attached Balance Sheet of Infosys BPO (Poland) Sp.Z.o.o ('the Company') as at 31st, March 2011, the Profit and Loss account ('Financial Statement') of the Company for the year ended on that date. These Financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Further, we report that:

(a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;

(b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

(c) The Balance sheet and the profit and Loss account dealt with by this report are in agreement with the books of accounts;

(d) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.

1. in the case of the Balance Sheet, of the State of affairs of the Company as at March 31, 2011; and
2. in the case of Profit and Loss account, of the Profit of the Company for the year ended on that date.

For Shenoy & Kamath
Chartered Accountants
Firms Regn. No. 006673S

M. Rathnakar Kamath
Partner
Membership No. 202841

Bangalore
April 11, 2011

Balance Sheet

in ₹

As at March 31,	Schedule	2011	2010
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	1	3,93,50,000	3,93,50,000
Reserves and surplus	2	75,58,83,554	63,35,45,467
		79,52,33,554	67,28,95,467
Unsecured Loans		–	–
		79,52,33,554	67,28,95,467
APPLICATION OF FUNDS			
FIXED ASSETS	3		
Original cost		50,17,70,375	47,69,00,310
Less : Accumulated depreciation		10,90,86,052	8,03,67,714
Net book value		39,26,84,323	39,65,32,596
Add : Capital work-in-progress		4,59,578	–
		39,31,43,901	39,65,32,596
CURRENT ASSETS, LOANS AND ADVANCES			
Sundry debtors	4	30,14,90,730	25,49,29,932
Cash and bank balances	5	23,88,86,650	10,97,13,106
Loans and advances	6	12,26,28,417	7,37,29,223
		66,30,05,797	43,83,72,261
LESS : CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	7	19,68,97,325	11,79,05,662
Provisions	8	6,40,18,819	4,41,03,729
		26,09,16,144	16,20,09,390
NET CURRENT ASSETS		40,20,89,653	27,63,62,871
		79,52,33,554	67,28,95,467
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS	14		

Note : The schedules referred to above are an integral part of the Balance Sheet.

For Shenoy & Kamath
Chartered Accountants
Firms Regn. No. 006673S

M. Rathnakar Kamath
Partner
Membership No : 202841

B. G. Srinivas
Director

Abraham Mathews
Director

Ritesh M. Idnani
Director

Bangalore
April 11, 2011

Profit and Loss account

in ₹

For the year ended March 31,	Schedule	2011	2010
Income from software services, products and business process management		1,40,03,70,324	1,38,15,43,804
Software development and business process management expenses	9	1,00,52,86,296	88,47,57,275
GROSS PROFIT		39,50,84,028	49,67,86,529
Selling and marketing expenses	10	51,66,805	–
General and administration expenses	11	22,59,58,433	21,74,18,619
		23,11,25,238	21,74,18,619
OPERATING PROFIT BEFORE INTEREST AND DEPRECIATION		16,39,58,790	27,93,67,910
Interest		–	15,23,299
Depreciation		2,87,44,637	2,61,85,148
OPERATING PROFIT BEFORE TAX		13,52,14,153	25,16,59,463
Other income, net	12	45,05,170	(65,43,660)
Provision for investments		–	–
NET PROFIT BEFORE TAX		13,97,19,323	24,51,15,803
Provision for taxation	13	2,53,02,906	4,77,32,658
NET PROFIT AFTER TAX		11,44,16,417	19,73,83,145
EARNINGS PER SHARE			
Equity shares of par value 500/- PLN each			
Basic		22,883	39,477
Weighted average number of shares used in computing earnings per share :			
Basic		5,000	5,000
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS	14		

Note : The schedules referred to above are an integral part of the Profit and Loss account.

For Shenoy & Kamath
Chartered Accountants
Firms Regn. No. 006673S

M. Rathnakar Kamath
Partner
Membership No : 202841

B. G. Srinivas
Director

Abraham Mathews
Director

Ritesh M. Idnani
Director

Bangalore
April 11, 2011

Schedules to the Balance Sheet

in ₹

As at March 31,	2011	2010
1 SHARE CAPITAL		
Issued, subscribed and paid up		
5,000 (5,000) equity shares of PLN 500 each fully paid	3,93,50,000	3,93,50,000
	3,93,50,000	3,93,50,000
2 RESERVES AND SURPLUS		
Translation Difference	1,44,81,239	65,59,569
Share premium account	39,34,96,852	39,34,96,852
Profit and Loss account		
Opening balance	23,34,89,046	3,60,70,725
Add : transfers during the year	11,44,16,417	19,74,18,321
Total	34,79,05,463	23,34,89,046
	75,58,83,554	63,35,45,467

in ₹

As at March 31,	2011	2010
6 LOANS AND ADVANCES		
Advances		
Prepaid expenses	1,25,46,953	51,19,577
Interest accrued but not due	1,11,803	1,65,503
Others	95,02,386	74,53,965
	2,21,61,142	1,27,39,045
Unbilled revenues	–	1,82,15,799
Advance income tax	1,66,26,880	93,27,839
Loans and advances to employees		
Salary advances	–	22,78,117
Electricity and other deposits	19,22,355	12,10,628
Rental deposits	2,53,04,846	2,50,96,114
Mark-to-market on options / forward contracts	–	48,61,682
Withholding and other taxes payable	5,66,13,194	–
	12,26,28,417	7,37,29,223

3. FIXED ASSETS

in ₹

Particulars	Original cost				Accumulated depreciation				Net book value	
	Cost as of April 01, 2010	Additions during the year	Deletions during the year	Cost as of March 31, 2011	As of April 01, 2010	For the year	Deductions during the year	As of March 31, 2011	As of March 31, 2011	As of March 31, 2010
Goodwill	35,20,12,240	–	–	35,20,12,240	–	–	–	–	35,20,12,240	35,20,12,240
Leasehold improvements	12,20,700	51,29,266	–	63,49,966	40,146	6,37,477	(19,741)	6,97,364	56,52,602	11,80,554
Plant and machinery	3,80,48,206	31,53,193	17,825	4,11,83,574	1,61,08,557	88,80,008	(4,49,603)	2,54,38,168	1,57,45,406	2,19,39,649
Computer equipment	6,48,28,334	1,36,10,283	17,78,090	7,66,60,527	4,86,34,385	1,57,69,703	7,71,751	6,36,32,337	1,30,28,190	1,61,93,949
Furniture and fixtures	1,97,37,039	47,64,474	–	2,45,01,513	1,45,30,834	34,57,449	(2,67,345)	1,82,55,628	62,45,885	52,06,205
Vehicles	10,53,791	8,764	–	10,62,555	10,53,791	–	(8,764)	10,62,555	–	–
	47,69,00,310	2,66,65,980	17,95,915	50,17,70,375	8,03,67,713	2,87,44,637	26,298	10,90,86,052	39,26,84,323	39,65,32,597
Previous Year	43,13,77,193	4,55,23,117	–	47,69,00,310	5,24,06,309	2,61,83,774	(17,77,630)	8,03,67,713	39,65,32,597	

in ₹

As at March 31,	2011	2010
4 SUNDRY DEBTORS		
Other debts		
Unsecured		
Considered good	30,19,54,060	25,49,29,932
	30,19,54,060	25,49,29,932
Less : Provision for doubtful debts	4,63,330	–
	30,14,90,730	25,49,29,932
5 CASH AND BANK BALANCES		
Cash on hand	2,79,952	5,13,812
Balances with non-scheduled banks in foreign currency		
In deposit accounts	21,00,20,597	7,81,50,000
In current accounts	2,85,86,101	3,10,49,294
	23,88,86,650	10,97,13,106

in ₹

As at March 31,	2011	2010
7 CURRENT LIABILITIES		
Sundry creditors		
Goods and services	50,18,136	51,38,288
Accrued salaries and benefits		
Salaries	2,67,49,950	2,65,72,096
Bonus and incentives	4,06,02,650	2,40,70,208
For other liabilities		
Provision for expenses	3,49,06,586	2,50,07,425
Withholding and other taxes payable	6,55,80,206	64,50,712
Mark-to-market on options / forward contracts	1,75,05,715	–
Others	–	(56,48,023)
Unearned revenue	65,34,082	3,63,14,956
	19,68,97,325	11,79,05,662
8 PROVISIONS		
Provision for		
Income taxes	1,23,52,593	12,75,470
Post-sales client support and warranties	1,21,61,964	1,02,32,501
Unavailed leave	3,95,04,262	3,25,95,757
	6,40,18,819	4,41,03,728

Schedules to Profit and Loss account

in ₹

For the Year Ended March 31,	2011	2010
9 SOFTWARE DEVELOPMENT AND BUSINESS PROCESS MANAGEMENT EXPENSES		
Salaries and bonus including overseas staff expenses	60,23,02,166	53,38,24,502
Group health insurance	23,43,750	1,19,477
Contribution to provident and other funds	9,69,90,690	9,09,00,392
Staff welfare	1,71,41,269	1,07,73,026
Technical sub-contractors	2,44,93,839	1,40,09,477
Overseas travel expenses	10,77,478	7,49,00,800
Communication expenses	5,59,29,926	6,46,09,653
Rent	7,40,03,245	7,09,10,502
Miscellaneous expenses	13,10,03,933	2,47,09,446
	1,00,52,86,296	88,47,57,275

10 SELLING AND MARKETING EXPENSES		
Commission and earnout charges	51,66,805	–
	51,66,805	–

11 GENERAL AND ADMINISTRATION EXPENSES		
Salaries and bonus including overseas staff expenses	7,75,66,417	7,35,38,488
Overseas group health insurance	18,12,859	44,12,174
Contribution to provident and other funds	97,56,462	1,18,80,890
Telephone charges	1,41,28,956	1,36,35,725
Professional charges	66,36,752	30,09,905
Traveling and conveyance	76,67,592	1,55,60,752
Overseas travel expenses	71,972	(15,40,289)
Office maintenance	4,41,18,511	4,47,09,396
Insurance charges	21,77,890	22,80,165
Printing and stationery	4,23,894	5,17,648
Donations	11,61,989	8,75,156
Rent	39,06,059	61,35,882
Advertisement	62,12,329	45,05,215
Rates and taxes	1,29,00,120	1,24,62,568
Books and periodicals	5,99,837	3,33,957
Postage and courier	1,66,55,692	1,72,19,505
Recruitment and training	1,61,06,176	23,06,833
Provision for bad and doubtful debts	3,49,419	1,81,359
Bank charges and commission	10,95,626	15,67,644
Miscellaneous expenses	26,09,881	38,25,646
	22,59,58,433	21,74,18,619

in ₹

For the Year Ended March 31,	2011	2010
12 OTHER INCOME, NET		
Interest received on deposits with banks and others [1]	21,68,752	16,68,823
Miscellaneous income	15,17,579	5,16,565
Exchange gains / (losses)	8,18,839	(87,29,048)
	45,05,170	(65,43,660)

[1] *includes tax deducted at source*

13 PROVISION FOR TAXATION		
Income taxes	2,53,02,906	4,77,32,658
	2,53,02,906	4,77,32,658

Schedules to the financial statements for the year ended March 31, 2011

14. Significant accounting policies and notes on accounts

Company overview

Infosys BPO (Poland) Sp.Z.o.o is a leading provider of business process management services to organizations that outsource their business processes. Infosys BPO (Poland) Sp.Z.o.o is a majority-owned and controlled subsidiary of Infosys BPO Limited. The Company leverages the benefits of service delivery globalization, process redesign and technology and thus drives efficiency and cost effectiveness into clients' business processes and thereby improves their competitive position by managing their business processes in addition to providing increased value.

14.1. Significant accounting policies

14.1.1. Basis of preparation of financial statements

The financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis except for certain financial instruments which are measured at fair values. GAAP comprises mandatory accounting standards as prescribed by the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

14.1.2. Use of estimates

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

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

14.1.3. Revenue recognition

The Company derives its revenues primarily from business process management services, on both the time-and-material and fixed-price, fixed-time frame basis and unit-priced basis. Revenue on time-and-material contracts is recognized as the related services are rendered. Revenue from fixed-price, fixed-time frame contracts, where there is no uncertainty as to measurement and collectability of consideration, is recognized as per the proportionate-completion method. Revenues from unit-priced contracts are recognized as transactions and are processed based on objective measures of output. When the Company receives advances for its services, such amounts are reflected as advance received from clients until all conditions for revenue recognition are met. Cost and earnings in excess of billings are classified as unbilled revenue while billing in excess of cost and earnings is classified as deferred revenue. Provision for estimated losses, if any, on uncompleted contracts are recorded in the year in which such losses become probable based on the current estimates. The Group presents revenues net of service taxes and value added taxes in its Profit and Loss account.

The Company accounts for volume discounts and pricing incentives to customers as a reduction of revenue based on the ratable allocation of the discount/incentive amount to each of the underlying revenue transactions that result in progress by the customer towards earning the discount/incentive. Also when the level of discount varies with increase 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. The Company recognizes changes in the estimated amount of obligation for discount using a cumulative catch-up approach. The discounts are passed on to the customer either as direct payments or as a reduction of payments due from the customer.

14.1.4. Provisions

A provision is recognized if, as a result of a past event, the Company 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.

14.1.5. Foreign currency transactions

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

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

14.1.6. Income taxes

Income tax expense comprises current and deferred income tax. Income tax expense is recognized in net profit 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.

14.1.7. Earnings per share

Basic earnings per 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.

14.1.8. Cash and cash equivalents

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

14.1.9. Leases

Lease under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets acquired are capitalized at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower. Lease payments under operating leases are recognized as an expense on a straight line basis in the Profit and Loss account over the lease term.

14.1.10. Fixed assets

Fixed assets are stated at cost, after reducing accumulated depreciation and impairment upto the date of the Balance Sheet. Direct costs are capitalized until the assets are ready for use and include financing costs relating to any borrowing attributable to acquisition or construction of those fixed assets which necessarily take a substantial period of time to get ready for their intended use. Capital work-in-progress includes the cost of fixed assets that are not yet ready for their intended use and advances paid to acquire fixed assets before the Balance Sheet date. Intangible assets are recorded at the consideration paid for acquisition of such assets and are carried at cost less accumulated amortization and impairment. Goodwill on amalgamation is tested periodically for impairment.

14.1.11. Depreciation

Depreciation on fixed assets is determined using the straight-line method based on useful lives of assets as estimated by the Group. Depreciation for assets purchased/sold during the year is proportionately charged. Individual assets costing ₹5,000 or less are depreciated within a year of acquisition. Leasehold improvements are written off over the lower of the remaining period of lease or the life of the asset. Leasehold land is amortized over the lease period. Intangible assets are amortized over their useful life on a straight line basis commencing from the date the asset is available to the Group for its use. Management estimates the useful lives for the various fixed assets as follows :

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

14.1.12. Compensated absences

The employees of the Company are entitled to compensated absences which are both accumulating and non-accumulating in nature. The expected cost of accumulating absences is determined by actuarial valuation based on the additional amount expected to be paid out 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.

14.2. Notes on accounts

14.2.1. Aggregate expenses

The aggregate amounts incurred on expenses are as follows :

in ₹

	Year ended March 31,	
	2011	2010
Salaries and bonus excluding overseas staff expenses	79,07,72,344	70,82,12,786
Staff welfare	1,71,58,252	1,72,36,162
Communication expenses	7,01,20,779	7,82,45,373
Travelling and conveyance	88,19,346	8,89,21,251
Rent	7,79,09,304	7,70,46,383
Printing and stationery	4,45,43,012	4,52,27,040
Legal and professional charges	3,11,30,591	1,70,19,387
Recruitment and training expenses	1,61,19,401	2,25,35,019
Insurance charges	21,77,890	22,80,164
Rates and taxes	1,29,00,120	1,24,62,562
Donations	11,61,989	8,75,151
Bank charges and commission	10,95,626	15,67,649
Postage and courier	1,66,55,692	1,72,19,512
Provision for bad and doubtful debts	3,49,419	1,81,359
Sales promotion expenses	50,71,788	–
Miscellaneous expenses	14,04,25,980	1,30,81,024
	1,23,64,11,535	1,10,21,10,822

14.2.2. Quantitative details

The Company is primarily engaged in providing business process management services. The sale of such services cannot be expressed in any generic unit. Hence, it is not possible to give the quantitative details of sales and certain information as required under paragraphs 3, 4C and 4D of part II of Schedule VI to the Companies Act, 1956.

14.2.3. Related party transactions

List of related parties:

Name of Related parties	Country	Holding, as at	
		March 31, 2011	March 31, 2010
Infosys BPO Limited	India	100.00%	100.00%
Infosys Technologies Limited (1)	India	–	–
Infosys BPO s.r.o. (2)	Czech Republic	–	–
Infosys Tecnologia do Brasil Ltda (3)	Brazil	–	–

Notes : (1) Infosys Technologies Limited is holding company of Infosys BPO Limited.
(2) Wholly-owned subsidiaries of Infosys BPO Limited i.e. fellow subsidiaries.
(3) Wholly-owned subsidiaries of Infosys Technologies Limited i.e. fellow subsidiaries.

Details of amounts due to or due from as at March 31, 2011 and March 31, 2010 :

in ₹

Particulars	As at	
	March 31, 2011	March 31, 2010
Sundry debtors		
Infosys Technologies Limited	5,68,440	2,94,883
Infosys BPO Limited	–	58,20,084
Infosys BPO s.r.o.	–	84,987
Infosys Brasil	–	(17,742)
Sundry creditors		
Infosys Technologies Limited	668,204	7,19,515
Infosys BPO Limited	25,341	12,52,147

The details of the related party transactions entered into by the Company and maximum dues from subsidiaries for the period ended March 31, 2011 and March 31, 2010 are as follows :

in ₹

Particulars	As at	
	March 31, 2011	March 31, 2010
Revenue transactions :		
Sale of services		
Infosys Brasil	(6,06,646)	–
Infosys BPO Limited	–	53,08,772
Infosys Technologies Limited	84,85,041	3,00,176
Sale of shared services including facilities and personnel		
Infosys Technologies Limited	7,29,776	95
Infosys BPO Limited	–	44,83,678
Purchase of shared services including facilities and personnel		
Infosys Technologies Limited	39,44,004	97,127
Infosys BPO Limited		7,39,431

14.2.4. Cash and bank balances

The details of balances as on Balance Sheet dates with non-scheduled banks are as follows :

in ₹

Balances with non-scheduled banks	As at	
	March 31, 2011	March 31, 2010
Cash balance	2,79,952	5,13,821
	2,79,952	5,13,821
In current accounts		
Deutsche Bank, PLN	1,18,20,597	2,34,40,967
Deutsche Bank, PLN ES Fund	3,40,542	2,28,729
Deutsche Bank, Euro	1,64,24,962	73,79,595
	2,85,86,101	3,10,49,291
In deposit accounts		
Deutsche Bank, Poland	21,00,20,597	7,81,50,000
	21,00,20,597	7,81,50,000
Total cash and bank balances as per Balance Sheet	23,88,86,650	10,97,13,112

The details of maximum balances during the period with non-scheduled banks are as follows :

in ₹

Maximum balance with non-scheduled banks during the period	Year ended	
	March 31, 2011	March 31, 2010
In current accounts		
Deutsche Bank, Poland	10,11,67,633	7,97,36,353
Deutsche Bank, Poland (Employee Social Fund)	74,29,001	80,95,347
Deutsche Bank, Poland (Euro account)	10,90,39,709	19,05,07,067

14.2.5. Provision for SLA Compliance

The provision for service level agreement compliance is based on estimates made by the management for on going contracts. In accordance with paragraphs 66 and 67 of the Accounting Standard 29, the movement in provision for service level agreement is given below.

in ₹

	As at March	
	2011	2010
Balance at the beginning of the period	1,02,32,501	63,32,706
Additional provisions made during the period	47,84,926	99,39,203
Provisions used during the period	–	–
Unused amounts reversed during the period	28,55,463	60,39,408
Balance at the end of the period	1,21,61,964	1,02,32,501

Management believes that the aforesaid provision will be utilized within a year.

14.2.6. Capital commitments and contingencies

in ₹

	Year ended	
	March 31, 2011	March 31, 2010
Estimated amount of unexecuted capital contracts (net of advance and deposits)	1,22,23,031	
Forward contracts outstanding		
EUR / PLN	EUR 80,00,000	EUR 55,00,000
(Equivalent approximate in ₹)	(50,70,40,000)	(33,24,75,000)

14.2.7. Segment reporting

The Company's operations primarily relate to providing business process management services to organizations that outsource their business processes. Accordingly, revenues represented along industry classes comprise the primary basis of segmental information set out in these financial statements. Secondary segmental reporting is performed on the basis of the geographical location of customers. The accounting principles consistently used in the preparation of the financial statements are also consistently applied to record income in individual segments. These are set out in the note on significant accounting policies. Industry segments at the Company primarily comprise customers relating to financial services, manufacturing, telecom, retail and other industries. Income in relation to segments is categorized based on items that are individually identified to those segments while expenditure is categorized in relation to the associated turnover of the segment. Expenses which form a significant component of total expenses are not specifically allocable to specific segments as the underlying services are used interchangeably. These expenses are separately disclosed as 'unallocated' and adjusted only against the total income of the Company. The Company believes that it is not practical to provide segment disclosures relating to these costs and expenses, and accordingly these expenses are separately disclosed as unallocated and directly charged against total income. Fixed assets or liabilities contracted have not been identified to any reportable segments, as these are used interchangeably between segments. Accordingly no disclosure relating to total segment assets and liabilities are made.

Geographical segments are segregated based on the location of the customers, or in relation to which the revenue is otherwise recognized. 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 others comprises all other places except, those mentioned above and India. All direct costs are identified to its respective verticals/ geographies on the basis of revenues from the respective verticals/ geographies while unallocable cost consists of depreciation only.

Industry segment

Years ended March 31, 2011 and March 31, *2010*

in ₹

	Financial Services	Manufacturing	Telecom	Retail	Others	Total
Revenue	–	1,39,94,46,655	–	–	9,23,669	1,40,03,70,324
	22,677,914	*1,35,88,65,900*	–	–	–	*1,38,15,43,814*
Identifiable operating expenses	–	64,00,44,048	–	–	7,17,121	64,07,61,169
	2,143,851	*62,11,04,650*	–	–	–	*62,32,48,501*
Allocated segment expenses	–	59,52,87,704	–	–	3,96,992	59,56,84,696
	7,753,148	*47,11,09,173*	–	–	–	*47,88,62,321*
Segmental operation income	–	16,41,14,903	–	–	(1,90,429)	16,39,24,459
	12,780,915	*26,66,52,077*	–	–	–	*27,94,32,992*
Unallocable expenses						2,87,10,305
						2,61,85,155
Operating income						13,52,14,154
						25,32,47,837
Other income						45,05,170
						(81,32,042)
Net profit before tax						13,97,19,324
						24,51,15,795
Income tax						2,53,02,907
						4,77,32,658
Net profit after taxes						11,44,16,417
						19,73,83,137

Geographical segment

Years ended March 31, 2011 and March 31, *2010*

in ₹

	North America	Europe	India	Others	Total
Revenue	41,16,679	1,32,40,52,101	–	7,22,01,544	1,40,03,70,324
	–	*1,38,15,43,814*	–	–	*1,38,15,43,814*
Identifiable operating expenses	–	60,67,49,358	–	3,40,11,811	64,07,61,169
	–	*62,32,48,501*	–	–	*62,32,48,501*
Allocated segment expenses	17,69,318	56,43,07,618	–	2,96,07,760	59,56,84,696
	–	*47,88,62,321*	–	–	*47,88,62,321*
Segmental operation income	23,47,361	15,29,95,125	–	85,81,988	16,39,24,459
	–	*27,94,32,992*	–	–	*27,94,32,992*
Unallocable expenses					2,87,10,305
					2,61,85,155
Operating income					13,52,14,154
					25,32,47,837
Other income					45,05,170
					(81,32,042)
Net profit before tax					13,97,19,324
					24,51,15,795
Income tax					2,53,02,907
					4,77,32,658
Net profit after taxes					11,44,16,417
					19,73,83,137

Financial statements of McCamish Systems LLC

To

The Members of McCamish Systems LLC

We have audited the attached Balance Sheet of McCamish Systems LLC ('the Company') as at 31st March 2011, the Profit and Loss account ('Financial Statement') of the Company for the year ended on that date. These Financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Further, we report that :

a. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;

b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

c. The Balance sheet and the profit and Loss account dealt with by this report are in agreement with the books of accounts;

d. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.

   i. in the case of the Balance Sheet, of the State of affairs of the Company as at March 31, 2011; and

   ii. in the case of Profit and Loss account, of the loss of the Company for the year ended on that date.

For Shenoy & Kamath
Chartered Accountants
Firms Regn. No. 006673S

M. Rathnakar Kamath
Partner
Membership No. 202841

Bangalore
April 11, 2011

Balance Sheet

in ₹

As at Mar 31,	Schedule	2011	2010
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	1	1,15,06,82,854	1,15,06,82,854
Unsecured Loans		17,73,45,985	15,49,973
		1,32,80,28,839	1,15,22,32,827
APPLICATION OF FUNDS			
FIXED ASSETS	2		
Original cost		9,78,97,548	5,63,21,685
Less : Accumulated depreciation		5,56,33,238	2,31,74,189
Net book value		4,22,64,310	3,31,47,496
CURRENT ASSETS, LOANS AND ADVANCES			
Sundry debtors	3	15,34,13,460	15,20,35,951
Cash and bank balances	4	1,41,20,624	6,51,38,613
Loans and advances	5	5,22,38,065	3,82,69,113
		21,97,72,149	25,54,43,677
LESS : CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	6	12,53,81,801	13,44,51,717
Provisions	7	1,58,08,608	1,50,25,584
		14,11,90,409	14,94,77,301
NET CURRENT ASSETS		7,85,81,740	10,59,66,376
PROFIT AND LOSS ACCOUNT	8	1,20,71,82,789	1,01,31,18,955
		1,32,80,28,839	1,15,22,32,827
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS	13		

Note : The schedules referred to above are an integral part of the Balance Sheet.

For Shenoy & Kamath
Chartered Accountants
Firms Regn. No. 006673S

M. Rathnakar Kamath
Partner
Membership No : 202841

D. Swaminathan
Chairman

Gordon Beckham
Chief Executive Officer

Eric Paternoster
Member

Ritesh M. Idnani
Member

Sam Thomas
Member

Bangalore
April 11, 2011

Profit and Loss account

in ₹

For the year ended	Schedule	March 31, 2011	March 31, 2010
Income from software services, products and business process management		1,49,87,76,205	38,02,29,857
Software development and business process management expenses	9	1,42,11,99,534	46,26,48,128
GROSS PROFIT		7,75,76,671	(8,24,18,272)
Selling and marketing expenses	10	7,41,63,328	2,04,14,765
General and administration expenses	11	16,58,24,682	4,84,95,133
		23,99,88,010	6,89,09,898
OPERATING PROFIT BEFORE INTEREST AND DEPRECIATION AND MINORITY INTEREST		(16,24,11,339)	(15,13,28,170)
Interest		11,36,260	15,84,169
Depreciation		3,33,75,215	2,38,96,325
OPERATING PROFIT BEFORE TAX, MINORITY INTEREST AND EXCEPTIONAL ITEMS		(19,69,22,814)	(17,68,08,663)
Other income, net	12	78,800	98,061
NET PROFIT BEFORE TAX		(19,68,44,014)	(17,67,10,602)
Provision for taxation		–	–
NET PROFIT AFTER TAX		(19,68,44,014)	(17,67,10,602)
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS	13		

Note : The schedules referred to above are an integral part of the Profit and Loss account.

For Shenoy & Kamath
Chartered Accountants
Firms Regn. No. 006673S

M. Rathnakar Kamath
Membership No : 202841

D. Swaminathan
Chairman

Gordon Beckham
Chief Executive Officer

Eric Paternoster
Member

Ritesh M. Idnani
Member

Sam Thomas
Member

Bangalore
April 11, 2011

Schedules to the Balance Sheet as at

in ₹

As at March 31,	2011	2010
1 SHARE CAPITAL		
Membership equity	1,15,06,82,854	1,15,06,82,854
	1,15,06,82,854	1,15,06,82,854
3 SUNDRY DEBTORS		
Other debts		
Unsecured		
Considered good	15,34,13,460	15,20,35,951
	15,34,13,460	15,20,35,951
Less : Provision for doubtful debts		–
	15,34,13,460	15,20,35,951
4 CASH AND BANK BALANCES		
Cash on hand	–	22,450
Balances with non-scheduled banks in foreign currency		
In current accounts	1,41,20,624	6,51,16,163
	1,41,20,624	6,51,38,613
5 LOANS AND ADVANCES		
Advances		
Prepaid expenses	2,10,01,538	2,29,51,036
For supply of goods and rendering of services	10,73,879	–
Loans and advances to employees	22,003	–
Unbilled revenues	2,94,71,645	1,46,44,577
Electricity and other deposits	6,69,000	6,73,500
	5,22,38,065	3,82,69,113

in ₹

As at March 31,	2011	2010
6 CURRENT LIABILITIES		
Sundry creditors		
Goods and services	2,12,56,430	35,80,920
Accrued salaries and benefits		
Bonus and incentives	2,20,61,265	3,29,42,929
For other liabilities		
Provision for expenses	5,54,52,063	4,78,91,431
Others	3,23,400	1,01,72,515
	9,90,93,158	9,45,87,794
Unearned revenue	2,62,88,643	3,98,63,923
	12,53,81,801	13,44,51,717
7 PROVISIONS		
Provision for		
Post-sales client support and warranties	1,04,37,297	1,01,95,668
Others	53,71,311	48,29,916
	1,58,08,608	1,50,25,584
8 PROFIT AND LOSS ACCOUNT		
Translation Difference	26,82,597	(97,583)
Profit and Loss Account		
Opening balance	(1,01,30,21,372)	(83,63,10,711)
Add : Transfer during the year	(19,68,44,014)	(17,67,10,661)
Total	(1,20,98,65,386)	(1,01,30,21,372)
	(1,20,71,82,789)	(1,01,31,18,955)

Schedules to Profit and Loss account

in ₹

For the year ended March 31,	2011	2010
9 SOFTWARE DEVELOPMENT AND BUSINESS PROCESS MANAGEMENT EXPENSES		
Salaries and bonus including overseas staff expenses	78,30,09,230	30,12,63,405
Overseas group health insurance	4,46,77,267	2,26,14,129
Staff welfare	22,47,299	11,35,953
Technical sub-contractors	39,96,85,706	7,75,82,539
Overseas travel expenses	2,09,40,315	22,45,486
Software packages :		
For own use	3,00,19,370	31,58,298
Communication expenses	51,90,228	22,48,225
Computer maintenance	9,89,64,309	3,50,59,711
Consumables	10,19,613	7,13,100
Rent	2,91,89,769	1,12,57,123
Miscellaneous expenses	62,56,428	53,70,160
	1,42,11,99,534	46,26,48,128

10 SELLING AND MARKETING EXPENSES		
Salaries and bonus including overseas staff expenses	3,35,60,931	99,88,630
Group health insurance	–	1,78,301
Staff welfare	23,85,448	3,31,196
Overseas travel expenses	47,43,746	16,76,679
Travelling and conveyance	10,70,490	1,50,486
Commission and earnout charges	2,73,93,855	70,01,914
Brand building	22,65,819	5,69,980
Rent	7,08,706	2,38,604
Marketing expenses	6,32,655	1,07,705
Sales promotion expenses	4,47,262	1,59,732
Communication Expenses	9,11,243	11,538
Professional charges	43,171	–
	7,41,63,328	2,04,14,765

in ₹

For the year ended March 31,	2011	2010
11 GENERAL AND ADMINISTRATION EXPENSES		
Salaries and bonus including overseas staff expenses	11,53,59,231	3,05,61,369
Group health insurance	–	1,89,941
Telephone charges	47,23,335	10,12,616
Professional charges	71,10,499	22,91,189
Power and fuel	14,80,341	2,26,026
Travel and conveyance	48,724	6,42,649
Overseas travel expenses	5,52,044	10,33,688
Office maintenance	–	2,30,979
Printing and stationery	53,758	9,34,740
Donations	–	1,80,302
Rent	24,10,259	8,11,472
Repairs to plant and machinery	9,99,569	6,36,689
Rates and taxes	28,32,921	9,79,508
Postage and courier	87,22,641	38,22,688
Books and periodicals	2,78,709	94,104
Recruitment and training	7,78,680	54,502
Bank charges and commission	8,53,402	92,124
Auditor's remuneration :		
Statutory audit fees	12,00,490	6,17,715
Miscellaneous expenses	1,84,20,080	40,82,832
	16,58,24,682	4,84,95,133

12 OTHER INCOME, NET		
Interest received on deposits with banks and others [(1)]	78,800	98,061
	78,800	98,061

[(1)] *includes tax deducted at source*

2. FIXED ASSETS

in ₹

Particulars	Original cost				Accumulated depreciation				Net book value	
	Cost as at April 1, 2010	Additions during the year	Deletions during the year	Cost as at March 31, 2011	As at April 1, 2010	For the year	Deductions during the year	As at March 31, 2011	As at March 31, 2011	As at March 31, 2010
Goodwill			–	–		–	–	–	–	–
Land - Leasehold			–	–		–	–	–	–	–
Buildings			–	–		–	–	–	–	–
Leasehold improvements	22,19,222	(14,827)	–	22,04,395	2,32,393	7,29,044	16,559	9,44,878	12,59,517	19,86,829
Plant and machinery	5,00,135	11,28,607	–	16,28,742	1,66,909	3,59,701	8,883	5,17,727	11,11,015	3,33,226
Computer equipment	4,34,53,921	4,05,29,890	–	8,39,83,811	2,14,62,618	2,87,49,370	8,08,080	4,94,03,908	3,45,79,903	2,19,91,303
Furniture and fixtures	1,01,48,407	(67,807)	–	1,00,80,600	13,12,269	35,37,100	82,644	47,66,725	53,13,875	88,36,138
Vehicles	–		–	–		–	–	–	–	–
	5,63,21,685	4,15,75,863	–	9,78,97,548	2,31,74,189	3,33,75,215	9,16,166	5,56,33,238	4,22,64,310	3,31,47,496
Previous year	–	5,63,21,685	–	5,63,21,685	-	2,38,96,282	7,22,093	2,31,74,189	3,31,47,496	

Schedules to the financial statements for the year ended March 31, 2011

13. Significant accounting policies and notes on accounts

Company overview

McCamish Systems LLC is a leading provider of business process management services to organizations that outsource their business processes. McCamish Systems LLC is a majority owned and controlled of Infosys BPO Limited. The Company leverages the benefits of service delivery globalization, process redesign and technology and thus drives efficiency and cost effectiveness into client's business processes and thereby improve their competitive position by managing their business processes in addition to providing increased value.

13.1. Significant accounting policies

13.1.1. Basis of preparation of financial statements

The financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis except for certain financial instruments which are measured at fair values. GAAP comprises mandatory accounting standards as prescribed by the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

13.1.2. Use of estimates

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

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

13.1.3. Revenue recognition

The Company derives its revenues primarily from business process management services, on both the time-and-material and fixed-price, fixed-time frame basis and unit-priced basis. Revenue on time-and-material contracts is recognized as the related services are rendered. Revenue from fixed-price, fixed-time frame contracts, where there is no uncertainty as to measurement and collectability of consideration, is recognized as per the proportionate-completion method. Revenues from unit-priced contracts are recognized as transactions are processed based on objective measures of output. When the Company receives advances for its services, such amounts are reflected as advance received from clients until all conditions for revenue recognition are met. Cost and earnings in excess of billings are classified as unbilled revenue while billing in excess of cost and earnings is classified as deferred revenue. Provision for estimated losses, if any, on uncompleted contracts are recorded in the year in which such losses become probable based on the current estimates. The Group presents revenues net of service taxes and value added taxes in its Profit and Loss account.

The Company accounts for volume discounts and pricing incentives to customers as a reduction of revenue based on the ratable allocation of the discount / incentive amount to each of the underlying revenue transactions that result in progress by the customer towards earning the discount / incentive. Also when the level of discount varies with increase 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. The Company recognizes changes in the estimated amount of obligation for discount using cumulative catch-up approach. The discounts are passed on the customer either as direct payments or as a reduction of payments due from customer.

13.1.4. Provisions

A provision is recognized if, as a result of a past event, the Company 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.

13.1.5. Foreign currency transactions

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

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

13.1.6. Income taxes

Income tax expense comprises current and deferred income tax. Income tax expense is recognized in net profit 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.

13.1.7. Earnings per share

Basic earnings per 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.

13.1.8. Cash and cash equivalents

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

13.1.9 Fixed Assets

Fixed assets are stated at cost, after reducing accumulated depreciation and impairment upto the date of the Balance Sheet. Direct costs are capitalized until the assets are ready for use and include financing costs relating to any borrowing attributable to acquisition or construction of those fixed assets which necessarily take a substantial period of time to get ready for their intended use. Capital work-in-progress includes the cost of fixed assets that are not yet ready for their intended use and advances paid to acquire fixed assets before the Balance Sheet date. Intangible assets are recorded at the consideration paid for acquisition of such assets and are carried at cost less accumulated amortisation and impairment. Goodwill on amalgamation is tested periodically for impairment.

13.1.10 Depreciation

Depreciation on fixed assets is determined using the straight-line method based on useful lives of assets as estimated by the Group. Depreciation for assets purchased / sold during the year is proportionately charged. Individual assets costing ₹5,000 or less are depreciated within a year of acquisition. Leasehold improvements are written off over the lower of the remaining period of lease or the life of the asset. Leasehold land is amortised over the lease period. Intangible assets are amortised over their useful life on a straight line basis commencing from the date the asset is available to the Group for its use. Management estimates the useful lives for the various fixed assets as follows :

Buildings	Fifteen years
Computer equipment	Two years
Plant and machinery	Five years
Furniture and fixtures	Five years
Vehicles	Five years

13.1.11 Compensated absences

The employees of the Company are entitled to compensated absences which are both accumulating and non-accumulating in nature. The expected cost of accumulating absences is determined by actuarial valuation based on the additional amount expected to be paid out 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.

13.1.12 Leases

Lease under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets acquired are capitalized at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower. Lease payments under operating leases are recognized as an expense on a straight line basis in the Profit and Loss account over the lease term.

13.2 Notes on Accounts

13.2.1. Aggregate expenses

The aggregate amounts incurred on expenses are as follows :

in ₹

	Year ended March 31, 2011	Period ended March 31, 2010
Salaries and bonus excluding overseas staff expenses	97,66,06,660	36,31,09,918
Staff welfare	46,32,747	31,52,994
Contribution to provident and other funds		
Foreign Travel expenses	52,95,790	39,22,155
Consumables	10,19,613	48,05,926
Computer maintenance	9,89,64,309	3,50,59,727
Cost of software for own use	3,00,19,370	31,58,307
Communication expenses	1,08,24,807	32,72,362
Consultancy charges		7,75,82,531
Travel and conveyance	2,20,59,530	21,69,293
Rent	3,23,08,734	1,23,07,230
Printing & stationery	53,758	18,02,151
Legal & professional charges	40,68,39,376	22,91,169
Brand building	22,65,819	5,69,923
Recruitment & training expenses	7,78,680	4,72,391
Power & fuel	14,80,341	2,25,253
Insurance charges	–	36,78,703
Rates & taxes	28,32,921	9,77,258
Auditor's remuneration :		
Audit fees	12,00,490	6,17,715
Bank charges & commission	8,53,402	91,979
Postage & courier	87,22,641	38,22,671
Marketing expenses	6,32,655	1,07,705
Sales promotion	4,47,262	1,59,726
Other miscellaneous expenses	5,33,48,640	82,01,045
	1,66,11,87,544	53,15,58,132

13.2.2. Related party transactions

List of related parties :

Name of related parties	Country	Holding, as at March 31, 2011	Holding, as at March 31, 2010
Infosys BPO Limited	India	100.00%	100.00%
Infosys Technologies Limited	India	0.00%	0.00%
Infosys Consulting	U. S.	0.00%	0.00%

On December 4, 2009, Infosys BPO acquired 100% of the voting interests in McCamish Systems LLC (McCamish), a business process solutions provider based in Atlanta, Georgia, in the United States. The business acquisition was conducted by entering into Membership Interest Purchase Agreement for a cash consideration of ₹171 crore and a contingent consideration of ₹67 crore. The acquisition was completed during the year and accounted as a business combination which resulted in goodwill of ₹227 crore.

Details of amounts due to or due from as at March 31, 2011 and March 31, 2010 :

in ₹

Particulars	As at March 31, 2011	As at March 31, 2010
Sundry debtors :		
Infosys Technologies Limited	446	97,63,056
Sundry creditors :		
Infosys Technologies Limited	1,93,19,089	11,89,401
Infosys Consulting	19,37,360	–

The details of the related party transactions entered into by the Company and maximum dues from subsidiaries for the year ended March 31, 2011 and March 31, 2010 are as follows :

in ₹

Particulars	As at March 31, 2011	As at March 31, 2010
Capital transactions :		
Infosys BPO Limited	17,73,45,985	15,49,993
Revenue transactions :		
Sale of services :		
Infosys BPO Limited	2,70,308	–
Infosys Technologies Limited	10,53,84,310	80,35,068
Purchase of services :		
Infosys Technologies Limited	20,43,19,844	–
Infosys Consulting	8,36,52,246	–
Infosys BPO Limited	11,769,143	–
Sale of shared services including facilities and personnel :		
Infosys Technologies Limited	3,55,61,135	18,89,300
Infosys BPO Limited	2,52,74,559	–
Purchase of shared services including facilities and personnel :		
Infosys Consulting	8,63,674	–
Infosys BPO Limited	–	23,90,915
Infosys Technologies Limited	3,90,00,061	–

13.2.3. Cash and bank balances

The details of balances as on Balance Sheet dates with non-scheduled banks are as follows :

in ₹

Balances with non-scheduled banks	As at March 31, 2011	As at March 31, 2010
Cash balance	–	22,450
	–	22,450
In current accounts :		
Wachovia Bank N.A, U.S.	–	6,51,16,163
Bank of America, U.S.	1,38,97,624	–
Bank of America, U.S. – Trust Fund	2,23,000	–
	14,120,624	65,116,163
Total cash and bank balances as per Balance Sheet	14,120,624	65,138,613

The details of maximum balances during the period with non-scheduled banks are as follows:

in ₹

Maximum balance with non-scheduled banks during the year	Year ended March 31, 2011	Year ended March 31, 2010
In current accounts :		
Wachovia Bank N.A	11,22,73,493	23,90,23,722
Bank of America, California	16,98,52,950	–
Bank of America – Trust account, California	2,23,000	–

13.2.4. Provision for SLA compliance

The provision for service level agreement compliance is based on estimates made by the management for ongoing contracts. In accordance with paragraphs 66 and 67 of the Accounting Standard 29, the movement in provision for service level agreement is as follows :

in ₹

	As at March 31, 2011	As at March 31, 2010
Balance at the beginning of the period	10,195,668	–
Additional provisions made during the period	2,429,181	10,195,668
Provisions used during the period	–	–
Unused amounts reversed during the period	2,187,552	–
Balance at the end of the period	10,437,297	10,195,668

Management believes that the aforesaid provision will be utilized within a year.

13.2.5. Capital commitments and contingent liabilities

in ₹

	Year ended March 31, 2011	Year ended March 31, 2010
Estimated amount of unexecuted capital contracts (net of advance and deposits)	1,38,63,014	–

13.2.6. Segmental reporting

The Company's operations primarily relate to providing business process management services to organizations that outsource their business processes. Accordingly, revenues represented along industry classes comprise the primary basis of segmental information set out in these financial statements. Secondary segmental reporting is performed on the basis of the geographical location of customers. The accounting principles consistently used in the preparation of the financial statements are also consistently applied to record income in individual segments. These are set out in the note on significant accounting policies. Industry segments at the Company primarily comprise customers relating to financial services, manufacturing, telecom, retail and other industries. Income in relation to segments is categorized based on items that are individually identified to those segments while expenditure is categorized in relation to the associated turnover of the segment. Expenses which form a significant component of total expenses are not specifically allocable to specific segments as the underlying services are used interchangeably. These expenses are separately disclosed as 'unallocated' and adjusted only against the total income of the Company. The Company believes that it is not practical to provide segment disclosures relating to these costs and expenses, and accordingly these expenses are separately disclosed as unallocated and directly charged against total income. Fixed assets or liabilities contracted have not been identified to any reportable segments, as these are used interchangeably between segments. Accordingly no disclosure relating to total segment assets and liabilities are made. Geographical segments are segregated based on the location of the customers, or in relation to which the revenue is otherwise recognized. 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 others comprises all other places except, those mentioned above and India. All direct costs are identified to its respective verticals / geographies on the basis of revenues from the respective verticals / geographies while unallocable cost consists of depreciation only.

Industry segments

Years ended March 31, 2011 and March 31, *2010*

in ₹

	Financial Services	Manufacturing	Telecom	Retail	Others	Total
Revenue	1,49,35,62,178	17,06,406	1,66,663	–	33,40,958	1,49,87,76,205
	38,02,29,857	–	–	–	–	*38,02,29,857*
Identifiable operating expenses	61,03,31,085	3,67,682	36,314	–	7,18,721	61,14,53,803
	3,72,164	–	–	–	–	*3,72,164*
Allocated segment expenses	1,04,58,26,239	13,02,791	1,22,176	–	24,82,606	1,04,97,33,811
	53,11,85,862	–	–	–	–	*53,11,85,862*
Segmental operation income	(16,25,95,146)	35,933	8,173	–	1,39,659	(16,24,11,409)
	(15,13,28,265)	–	–	–	–	*(15,13,28,169)*
Unallocable expenses						3,45,11,405
						2,38,96,325
Operating income						(19,69,22,814)
						(17,52,24,494)
Other income						78,800
						(14,86,108)
Net profit before tax						(19,68,44,014)
						(17,67,10,602)
Income tax						–
						–
Net profit after taxes						(19,68,44,014)
						(17,67,10,602)

Geographical segments

Years ended March 31, 2011 and Mar 31, *2010*

in ₹

	North America	Europe	India	Others	Total
Revenue	1,49,87,76,205	–	–	–	1,49,87,76,205
	38,02,29,857	–	–	–	*38,02,29,857*
Identifiable operating expenses	61,14,53,803	–	–	–	61,14,53,803
	3,72,164	–	–	–	*3,72,164*
Allocated segment expenses	1,04,97,33,811	–	–	–	1,04,97,33,811
	53,11,85,862	–	–	–	*53,11,85,862*
Segmental operation income	(16,24,11,381)	–	–	–	(16,24,11,409)
	(15,13,28,265)	–	–	–	*(15,13,28,169)*
Unallocable expenses					3,45,11,405
					2,38,96,325
Operating income					(19,69,22,814)
					(17,52,24,494)
Other income					78,800
					(14,86,108)
Net profit before tax					(19,68,44,014)
					(17,67,10,602)
Income tax					–
					–
Net profit after taxes					(19,68,44,014)
					(17,67,10,602)