

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

Infosys Technologies Limited :

We have audited the accompanying consolidated balance sheets of Infosys Technologies Limited and subsidiaries as of March 31, 2009 and 2008, and the related consolidated income statements, statements of changes in equity, and cash flow statements for each of the years in the two-year period ended March 31, 2009. In connection with our audits of the consolidated financial statements, we also have audited financial statement schedule II. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those 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 management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Infosys Technologies Limited and subsidiaries as of March 31, 2009 and 2008, and the results of their operations and their cash flows for each of the years in the two-year period ended March 31, 2009, in conformity with International Financial Reporting Standards as issued by International Accounting Standards Board ("IFRS"). Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

As discussed in Note 1.2 to the consolidated financial statements, Infosys Technologies Limited and subsidiaries, has changed its basis of accounting to IFRS during the year ended March 31, 2009. Consequently, the Company's consolidated financial statements for 2008 referred to above have been restated to conform with IFRS. Prior to adoption of IFRS, the Company prepared financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for purposes of its' U.S. Securities and Exchange Commission reporting and accounting principles generally accepted in India ("Indian GAAP") for purposes of its' Indian regulatory reporting. Upon adoption of IFRS, Indian GAAP was considered previous GAAP.

Indian GAAP varies in certain significant respects from U.S. GAAP and IFRS. Information relating to the nature and effect of such differences are presented in Note 2.2 and Note 2.3 to the consolidated financial statements.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Infosys Technologies Limited's internal control over financial reporting as of March 31, 2009, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated April 28, 2009 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

KPMG

Bangalore, India

April 28, 2009

Infosys Technologies Limited and subsidiaries

Consolidated Balance Sheets as of March 31,

(Dollars in millions except share data)

	Note	2009	2008
ASSETS			
Current assets			
Cash and cash equivalents	2.4	\$2,167	\$2,058
Available-for-sale financial assets	2.5	–	18
Trade receivables		724	824
Unbilled revenue		148	120
Prepayments and other assets	2.7	81	107
Total current assets		3,120	3,127
Non-current assets			
Property, plant and equipment	2.8	920	1,022
Goodwill	2.9	135	174
Intangible assets	2.9	7	11
Deferred income tax assets	2.20	88	74
Income tax assets		54	55
Other non-current assets	2.7	52	45
Total non-current assets		1,256	1,381
Total assets		\$4,376	\$4,508
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables		\$5	\$12
Derivative financial instruments	2.10	22	29
Current income tax liabilities		115	101
Client deposits		1	1
Unearned revenue		65	71
Employee benefit obligations	2.11	21	22
Provisions	2.12	18	13
Other current liabilities	2.13	290	300
Total current liabilities		537	549
Non-current liabilities			
Deferred income tax liabilities	2.20	7	1
Employee benefit obligations	2.11	48	42
Total liabilities		592	592
Equity			
Share capital-Rs. 5 (\$0.16) par value 600,000,000 equity shares authorized, issued and outstanding 572,830,043 and 571,995,758 as of March 31, 2009 and March 31, 2008, respectively		64	64
Share premium		672	655
Retained earnings		3,618	2,896
Other components of equity		(570)	301
Total equity		3,784	3,916
Total liabilities and equity		\$4,376	\$4,508

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

Infosys Technologies Limited and subsidiaries

Consolidated Income Statements for the years ended March 31,

(Dollars in millions except share data)

	Note	2009	2008
Revenues		\$4,663	\$4,176
Cost of sales		2,699	2,453
Gross profit		1,964	1,723
Operating expenses :			
Selling and marketing expenses		239	230
Administrative expenses		351	334
Total operating expenses		590	564
Operating profit		1,374	1,159
Other income / (expense)	2.17	(86)	4
Finance income	2.10	187	171
Profit before income taxes		1,475	1,334
Income tax expense	2.20	194	171
Net profit		\$1,281	\$1,163
Attributable to :			
Minority interest		—	—
Equity holders		1,281	1,163
Net profit		\$1,281	\$1,163
Earnings per equity share			
Basic (\$)		2.25	2.04
Diluted (\$)		2.25	2.04
Weighted average equity shares used in computing earnings per equity share	2.21		
Basic		569,656,611	568,564,740
Diluted		570,629,581	570,473,287

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

Infosys Technologies Limited and subsidiaries

Consolidated Statements of Changes in Equity

(Dollars in millions except share data)

	Shares	Share capital	Share premium	Retained earnings	Other components of equity	Total	Minority interest	Total equity
Balance as of April 1, 2007 as per Previous GAAP	571,209,862	\$64	\$631	\$1,830	\$85	\$2,610	\$1	\$2,611
Effects of transition (Refer Note 2.2.1)	-	-	-	112	-	112	(1)	111
Balance restated as per IFRS	571,209,862	\$64	\$631	\$1,942	\$85	\$2,722	-	\$2,722
Changes in equity for the year ended March 31, 2008								
Translation differences	-	-	-	-	216	216	-	216
Income tax benefit arising on exercise of share options	-	-	6	-	-	6	-	6
Net income directly recognized in equity	-	-	6	-	216	222	-	222
Net profit	-	-	-	1,163	-	1,163	-	1,163
Total recognized income and expense	-	-	6	1,163	216	1,385	-	1,385
Shares issued	785,896	-	15	-	-	15	-	15
Dividends	-	-	-	(209)	-	(209)	-	(209)
Share-based compensation	-	-	3	-	-	3	-	3
Balance as of March 31, 2008	571,995,758	\$64	\$655	\$2,896	\$301	\$3,916	-	\$3,916
Changes in equity for the year ended March 31, 2009								
Translation differences	-	-	-	-	(871)	(871)	-	(871)
Income tax benefit arising on exercise of share options	-	-	2	-	-	2	-	2
Net income directly recognized in equity	-	-	2	-	(871)	(869)	-	(869)
Net profit	-	-	-	1,281	-	1,281	-	1,281
Total recognized income and expense	-	-	2	1,281	(871)	412	-	412
Shares issued	834,285	-	14	-	-	14	-	14
Dividends	-	-	-	(559)	-	(559)	-	(559)
Share-based compensation	-	-	1	-	-	1	-	1
Balance as of March 31, 2009	572,830,043	\$64	\$672	\$3,618	\$(570)	\$3,784	-	\$3,784

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

Infosys Technologies Limited and subsidiaries

Consolidated Cash Flows Statements for the years ended March 31,

(Dollars in millions)

	Note	2009	2008
Operating activities :			
Net profit		\$1,281	\$1,163
Adjustments to reconcile net profit to net cash provided by operating activities :			
Depreciation and amortization	2.8 and 2.9	165	149
Share-based compensation	2.19	1	3
Income tax expense	2.20	194	171
Income on investments		(3)	(2)
Changes in working capital, net of acquisition			
Trade receivables		(81)	(211)
Prepayments and other assets		11	(49)
Unbilled revenue		(58)	(41)
Trade payables		(6)	7
Client deposits		–	1
Unearned revenue		10	(6)
Other liabilities and provisions		89	109
Cash generated from operations		1,603	1,294
Income taxes paid	2.20	(194)	(137)
Net cash provided by operating activities		1,409	1,157
Investing activities :			
Payment for acquisition of business, net of cash acquired	2.6	(3)	(26)
Expenditure on property, plant and equipment	2.8	(285)	(373)
Loans to employees		(1)	1
Non-current deposits placed with corporation		(20)	(7)
Acquisition of minority interest in subsidiary		–	(6)
Income on investments		3	2
Investment in certificates of deposit		(41)	–
Redemption of certificates of deposit		41	–
Investment in available-for-sale financial assets		(186)	(511)
Redemption of available-for-sale financial assets		202	500
Net cash used in investing activities		(290)	(420)
Financing activities :			
Proceeds from issuance of common stock on exercise of employee stock options		14	15
Payment of dividends		(559)	(209)
Net cash used in financing activities		(545)	(194)
Effect of exchange rate changes on cash and cash equivalents		(465)	121
Net increase in cash and cash equivalents		574	543
Cash and cash equivalents at the beginning	2.4	2,058	1,394
Cash and cash equivalents at the end	2.4	\$2,167	\$2,058
Supplementary information :			
Restricted cash balance		–	\$1

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

Notes to the Consolidated Financial Statements

1. Company Overview and Significant Accounting Policies

1.1 Company overview

Infosys Technologies Limited (Infosys or the company) along with its majority owned and controlled subsidiary, Infosys BPO Limited (Infosys BPO) and, wholly owned and controlled subsidiaries, Infosys Technologies (Australia) Pty. Limited (Infosys Australia), Infosys Technologies (China) Co. Limited (Infosys China), Infosys Consulting, Inc. (Infosys Consulting), Infosys Technologies S. DE R.L. de C.V. (Infosys Mexico) and Infosys Technologies (Sweden) AB (Infosys Sweden), is a leading global technology services corporation. 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 NASDAQ Global Select Market. These consolidated annual financial statements were authorized for issuance by the Company's board of directors and its audit committee on April 28, 2009.

1.2 Basis of preparation of financial statements

These consolidated financial statements as at and for fiscal 2009, have been prepared in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS), under the historical cost convention on the accrual basis except for certain financial instruments which have been measured at fair values. These financial statements are the Group's first IFRS financial statements and are covered by IFRS 1, First-time Adoption of IFRS.

Accounting policies have been applied consistently to all periods presented in the consolidated financial statements.

The Group has adopted all IFRS standards and the adoption was carried out in accordance with IFRS 1. The transition was carried out from accounting principles generally accepted in India (Indian GAAP) which is considered as the Previous GAAP, as defined in IFRS 1. Until the adoption of IFRS, the company's financial statements that were included in its reports filed with or furnished to the U.S. Securities and Exchange Commission were prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Reconciliations and descriptions of the effect of the transition from Indian GAAP to IFRS on the Group's equity and its net profit are provided in Note 2.2. In addition, reconciliations and description of changes in the Group's equity and its net income from U.S. GAAP to Indian GAAP are also provided in Note 2.3.

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. The consolidated financial statements are prepared by applying uniform accounting policies in use at the Group. Minority 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 the consolidated 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 consolidated financial statements.

1.5 Critical accounting estimates

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.

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 expectation on tax positions which are sustainable on a more likely than not basis. Also refer Note 2.20.

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 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 is recognized as per the percentage-of-completion method. 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 consideration after allocating the fair values of undelivered components of a transaction have 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 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.

Revenues from business process management and other services are derived from both, time-and-material and fixed-price contracts. Revenue on time-and-material contracts is recognized as the related services are rendered. Revenue from fixed-price contracts is recognized using the percentage-of-completion method.

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 consolidated income statement.

1.7 Property, plant and equipment including capital work-in-progress

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 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 expenditure 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 the income statement when incurred. The cost and related accumulated depreciation are eliminated from the consolidated financial statements upon sale or disposition of the asset and the resultant gains or losses are recognized in the income statement. 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 combinations

Business combinations have been accounted using the purchase method under the provisions of IFRS 3, Business Combinations. Cash and amounts of consideration that are determinable at the date of acquisition are included in determining the cost of the acquired business.

The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the dates of exchange, plus costs directly attributable to the acquisition. 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.

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 excess is negative, it is recognized immediately in the income statement.

Goodwill arising on the acquisition of a minority interest in a subsidiary represents the excess of the cost of the additional investment over the fair value of the net assets acquired at the acquisition date.

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. 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. 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. Loans and receivables are represented by trade receivables, unbilled revenue, cash and cash equivalents and certificates of deposit. 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. 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 equity. When an investment is derecognized, the cumulative gain or loss in equity is transferred to the income statement. 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 the income statement when incurred. Subsequent to initial recognition, derivatives are measured at fair value through profit or loss as exchange gains or losses. 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 the income statement.

(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. The cumulative loss that was recognized in the equity is transferred to the income statement 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 income statement and is not reversed in the subsequent period.

(iii) *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 the income statement 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 an asset other than goodwill is reversed if, and only if, the reversal can be related objectively to an event occurring after the impairment loss was recognized. The carrying amount of an asset 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 the income statement. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

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 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 and Infosys Mexico are the respective local currencies. The consolidated 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 the income statement. 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 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, expense 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. When a subsidiary is disposed off, in part or in full, the relevant amount is transferred to profit or loss.

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 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. Diluted 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 considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares. The diluted potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. the average market value of the outstanding shares). Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date. Dilutive potential equity shares are determined independently for each period presented.

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

1.17 Income taxes

Income tax expense comprises current and deferred income tax. Income tax expense is recognized in income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. 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 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. 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 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 the statement of financial position 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 the income statement 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. Until March 2005, the company made monthly contributions under the superannuation plan (the Plan) to the Infosys Technologies Limited Employees' Superannuation Fund Trust (Infosys Superannuation Trust) based on a specified percentage of each covered employee's salary. The company has no further obligations to the Plan beyond its monthly contributions. Effective April 1, 2005, a portion of the monthly contribution amount was paid directly to the employees as an allowance and the balance amount was contributed to the Infosys Superannuation Trust.

Certain employees of Infosys BPO were 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 were 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 behavior 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.

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 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 Finance income

Finance income comprises interest income on deposits, dividend income, and gains on the disposal of available-for-sale financial assets. Interest income is recognized using the effective interest method. Dividend income is recognized when the right to receive payment is established.

1.23 Recent accounting pronouncements

1.23.1 Standards early adopted by the company

1. IFRS 8, Operating Segments is applicable for annual periods beginning on or after July 1, 2009. This standard was early adopted by the company as at April 1, 2007. IFRS 8 replaces IAS 14, Segment Reporting. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting provided to the chief operating decision maker. The application of this standard did not result in any change in the number of reportable segments. Allocation of goodwill was not required under Previous GAAP and hence goodwill has been allocated in accordance to the requirements of this Standard.

1.23.2 Standards issued but not yet effective and not early adopted by the company

1. IAS 1, Presentation of Financial Statements, applicable for annual periods beginning on or after January 1, 2009. This Standard permits early adoption except to the extent of recent amendment made by IAS 27, Consolidated and Separate Financial Statements (as amended in 2008). This Standard would be adopted, by the company as at April 1, 2009. Consequent to the adoption of the standard, titles for balance sheet and cash flows would be changed to 'Statement of financial position' and 'Statement of cash flows' respectively. Further, it introduces a requirement to include a statement of comprehensive income and to include in a complete set of financial statements, a statement of financial position as at the beginning of the earliest comparative period either upon retrospective application of an accounting policy or upon making a restatement / reclassification of items in the financial statement.
2. IFRS 3 (Revised), Business Combinations, as amended, is applicable for annual periods beginning on or after July 1, 2009. Early adoption is permitted. However, this Standard can be applied only at the beginning of an annual reporting period that begins on or after June 30, 2007. The company would adopt this Standard with effect from April 1, 2009. IFRS 3 (Revised) primarily requires the acquisition-related costs to be recognized as period expenses in accordance with the relevant IFRS. Costs incurred to issue debt or equity securities are required to be recognized in accordance with IAS 39. Consideration, after this amendment, would include fair values of all interests previously held by the acquirer. Re-measurement of such interests to fair value would be required to be carried out through the income statement. Contingent consideration is required to be recognized at fair value even if not deemed probable of payment at the date of acquisition.

IFRS 3 (Revised) provides an explicit option on a transaction-by-transaction basis, to measure any Non-controlling interest (NCI) in the entity acquired at fair value of their proportion of identifiable assets and liabilities or at full fair value. The first method would result in a marginal difference in the measurement of goodwill from the existing IFRS 3; however the second approach would require recording goodwill on NCI as well as on the acquired controlling interest.

Business combinations consummated after April 1, 2009 would be impacted by the revised standard.

3. IAS 27, as amended, is applicable for annual periods beginning on or after July 1, 2009. Earlier adoption is permitted provided IFRS 3 (Revised) is also early adopted. This Standard would be adopted by the company effective April 1, 2009. It requires a mandatory adoption of economic entity model which treats all providers of equity capital as shareholders of the entity. Consequently, a partial disposal of interest in a subsidiary in which the parent company retains control does not result in a gain or loss but in an increase or decrease in equity. Additionally purchase of some or all of the NCI is treated as treasury transaction and accounted for in equity and a partial disposal of interest in a subsidiary in which the parent company loses control triggers recognition of gain or loss on the entire interest. A gain or loss is recognized on the portion that has been disposed off and a further holding gain is recognized on the interest retained, being the difference between the fair value and carrying value of the interest retained. This Standard requires an entity to attribute their share of net profit and reserves to the NCI even if this results in the NCI having a deficit balance.
4. IFRIC Interpretation 18, Transfers of Assets from Customers defines the treatment for property, plant and equipment transferred by customers to companies or for cash received to be invested in property, plant and equipment that must be used either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both.

The item of property, plant and equipment is to be initially recognised by the company at fair value with a corresponding credit to revenue. If an ongoing service is identified as a part of the agreement, the period over which revenue shall be recognised for that service would be determined by the terms of the agreement with the customer. If the period is not clearly defined, then revenue should be recognized over a period no longer than the useful life of the transferred asset used to provide the ongoing service. This interpretation is to be applied prospectively to transfers of assets from customers received on or after July 1, 2009. Earlier application is permitted provided the valuations and other information needed to apply the information to past transfers were obtained at the time the transfer occurred. The company will adopt the interpretation prospectively for all assets transferred after July 1, 2009. The company is currently evaluating the requirements of IFRIC Interpretation 18 and has not yet determined the impact this Interpretation may have on its consolidated financial statements.

2 Notes to the consolidated financial statements

2.1 Transition to IFRS reporting

The financial statements of Infosys Technologies Limited and its subsidiaries have been prepared in accordance with IFRS. Infosys Technologies Limited and its subsidiaries adopted all IFRS standards and the adoption was carried out in accordance to IFRS 1, using April 1, 2007 as the transition date. The transition was carried out from Indian GAAP, which was considered as the Previous GAAP. The effect of adopting IFRS has been summarized in the reconciliations provided.

The transition to IFRS reporting has resulted in changes in the reported financial statements, notes thereto and accounting principles compared to what had been presented previously.

Until the adoption of IFRS, the financial statements included in the Annual Reports on Form 20-F and Quarterly Reports on Form 6-K were prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) under the historical cost convention on the accrual basis. However, for the purposes of the transition, such transition was carried out from Indian GAAP, which has been considered as the Previous GAAP. The reconciliation statements provided in Note 2.2 describe the differences between IFRS and Indian GAAP. In addition, reconciliations from U.S. GAAP to Indian GAAP have been provided in Note 2.3 for the periods presented.

The Group's financial statements for the year ending March 31, 2009 are the first annual financial statements to comply with IFRS.

In preparing these financial statements, the exemptions to which the Company has availed itself in accordance with IFRS 1 are mentioned below :

2.1.1 Exemptions from retrospective application

Following are the optional exemptions which the Group has opted to apply / not to apply :

- 1. Business combinations exemption** – The company has applied the exemption as provided in IFRS 1 on non-application of IFRS 3, Business Combinations to business combinations consummated prior to April 1, 2007 (Transition Date). Pursuant to which goodwill arising from business combinations have been stated at the carrying amount under Indian GAAP in IFRS financial statements as at the date of transition. Further, intangible assets and related deferred tax assets which were subsumed in goodwill were not recognized in the opening balance sheet as at April 1, 2007 as those did not qualify for recognition in the separate balance sheet of the acquired entity.
- 2. Fair value as deemed cost exemption** – The company has not elected to measure any item of property, plant and equipment at its fair value at the date of transition; property, plant and equipment have been measured at cost in accordance with IFRS.
- 3. Employee benefits exemption** – The company has elected not to apply the exemption as provided in IFRS 1 relating to application of the corridor approach. Under Indian GAAP the company recognized all actuarial gains / losses immediately in the income statement. The accounting treatment has not undergone any change upon adoption of IFRS. Further, the company has elected to apply the exemption provided in IFRS 1 relating to the disclosure of amounts representing the present value of defined benefit obligation, fair value of plan assets, surplus or deficit in the plan and experience adjustments, if any, for the previous four annual periods. Accordingly, the company is providing the required disclosures for each accounting period prospectively from the date of transition to IFRS.
- 4. Cumulative translation differences exemption** – The company had accumulated foreign exchange translation gains and losses on subsidiaries in a separate component of equity under Indian

GAAP. IAS 21, The Effects of Changes of Foreign Exchange Rates, require exchange differences arising on net investments in subsidiaries to be classified as equity until disposal. Upon transition to IFRS, the treatment of recording translation differences on subsidiaries in equity did not undergo any change and consequently the optional exemption of setting cumulative translation reserve to zero as at April 1, 2007 was not required to be applied.

- 5. Compound financial instruments** – The company does not have any compound financial instrument as on the date of transition. Consequently, upon adoption of IFRS the optional exemption allowed of non-segregation of the liability component if such component was no longer outstanding on the date of transition is not applicable to the company.
- 6. Assets and liabilities of subsidiaries, associates and joint ventures exemption** – All entities of the Group are transitioning to IFRS on the same date; consequent to which this exemption is not required to be applied.
- 7. Share-based payment transaction exemption** – The company has elected to apply the share-based payment exemption available under IFRS 1 on application of IFRS 2, to only grants made after November 7, 2002 and remained unvested as at the Transition Date. Consequent to which fair value of such grants have been recognized in the Income Statement from the Transition Date.
- 8. Fair value measurement of financial assets or liabilities at initial recognition** – The company has not applied the amendment offered by the revision of IAS 39 on the initial recognition of the financial instruments measured at fair value through profit or loss where there is no active market.
- 9. Designation of financial assets and financial liabilities exemption** – The company does not have any financial assets or liabilities which required to be designated and which meet the required criteria given in IFRS 1, as financial asset or financial liability at fair value through profit or loss or available-for-sale as at the Transition Date.
- 10. Changes in decommissioning liabilities included in the cost of property, plant and equipment exemption** – The company does not have material decommissioning, restoration and similar liabilities in the cost of property, plant and equipment and hence the exemption is not applicable.
- 11. Leases exemption** – The company has no arrangements containing a lease as defined under IFRIC 4, Determining whether an Arrangement contains a Lease, as of the Transition Date and hence this exemption has not been applicable to the company.
- 12. Financial asset or an intangible asset accounted for in accordance with IFRIC 12, Service Concession Arrangements exemption** – The company has no arrangements which would be classified under service concession arrangements.
- 13. Borrowing costs** – The company has not taken any loans and hence this Standard and the related exemption is not applicable.

2.1.2 Exceptions from full retrospective application

- 1. Derecognition of financial assets and liabilities exception** – Financial assets and liabilities derecognized before January 1, 2004 are not re-recognized under IFRS. The company has chosen not to apply the IAS 39 derecognition criteria to an earlier date. No arrangements were identified that had to be assessed under this exception.
- 2. Hedge accounting exception** – The company has not identified any hedging relationships. Hence, this exception of not reflecting in its opening IFRS balance sheet a hedging relationship of a type that does not qualify for hedge accounting under IAS 39, is not applicable.

3. *Estimates exception* – Upon an assessment of the estimates made under Indian GAAP, the company has concluded that there was no necessity to revise the estimates under IFRS except where estimates were required by IFRS and not required by Indian GAAP.
4. *Assets classified as held for sale and discontinued operations* – The company did not have any assets classified as held for sale and hence this exemption is not applicable.

2.2 Reconciliations

The following reconciliations provide a quantification of the effect of the transition to IFRS from Previous GAAP in accordance with IFRS 1 :

- equity as at April 1, 2007 (Note 2.2.1)
- equity as at March 31, 2008 (Note 2.2.2)
- net profit for the year ended March 31, 2008 (Note 2.2.3)

Reclassifications

Certain reclassifications from Previous GAAP to IFRS have been made to adhere to the IFRS requirements. These are :

- Deposits with corporations (excluding restricted deposits) have been considered as cash and cash equivalents as these can be withdrawn by the Group at any point without prior notice or penalty on the principal and accordingly reclassified from prepayments and other assets under Previous GAAP.

- In accordance with requirements of IAS 1, Presentation of Financial Statements, assets and liabilities have been classified into current and non-current on the face of the balance sheet. Similar classification was not required under Previous GAAP.
- Minimum Alternate Tax (MAT) considered under prepayments and other assets in Previous GAAP has been considered as deferred income tax asset in IFRS.
- Unbilled revenue and income tax assets grouped under prepayments and other assets in Previous GAAP, have been segregated and shown separately on the face of the balance sheet in IFRS.
- Trade payables, derivative financial instruments, current income tax liabilities, unearned revenue, employee benefit obligations and client deposits grouped under provisions and liabilities in Previous GAAP, have been segregated and shown separately on the face of the balance sheet in IFRS.
- Depreciation on property, plant and equipment shown separately on the face of the income statement in Previous GAAP has been included under cost of sales in IFRS in accordance with the requirements of IAS 1, Presentation of Financial Statements.

There were no reconciliation items between cash flows prepared under Previous GAAP and those prepared under IFRS except for interest income of \$168 million which was presented as investing activities under Previous GAAP as against operating activities under IFRS.

2.2.1 Reconciliation of equity as at April 1, 2007

(Dollars in millions)

	Previous GAAP	Note	Effects of transition to IFRS	IFRS
ASSETS				
Cash and cash equivalents	\$1,394		–	\$1,394
Available-for-sale financial assets	6		–	6
Trade receivables	565		–	565
Unbilled revenue	74		–	74
Derivative financial instruments	3		–	3
Prepayments and other assets	54		–	54
Property, plant and equipment	738		–	738
Goodwill	137	2 and 3	15	152
Deferred income tax assets	21		–	21
Income tax assets	33		–	33
Other assets	37		–	37
Total assets	\$3,062		\$15	\$3,077
LIABILITIES AND EQUITY				
Trade payables	\$6		–	\$6
Current income tax liabilities	4		–	4
Client deposits	1		–	1
Unearned revenue	72		–	72
Other provisions and liabilities	368	1 and 2	(96)	272
Equity				
Share capital	64		–	64
Share premium	631		–	631
Retained earnings	1,830	1 and 3	112	1,942
Other components of equity	85		–	85
Minority interest	1	2	(1)	–
Total equity	2,611		111	2,722
Total liabilities and equity	\$3,062		\$15	\$3,077

Notes :

1. Liability for dividends (including corporate dividend tax) of \$101 million declared and approved after the reporting period, recognized in retained earnings under Previous GAAP, derecognized under IFRS.
2. Deferred purchase agreement entered with minority shareholders of Infosys BPO in February 2007, to purchase 360,417 equity shares of Infosys BPO by February 2008, was recognized in Previous GAAP in February 2008 since the agreement to purchase did not qualify as an investment under the local statutes, the same has been recognized under IFRS in February 2007 as the risks and rewards of ownership had been transferred on that date. This acquisition of minority interest resulted in an increase of \$4 million in goodwill, \$5 million in other current liabilities and a decrease of \$1 million in minority interest.
3. Gains from changes in proportionate share of subsidiary resulting from issuance of stock by subsidiary amounting to \$11 million which was offset against goodwill under Previous GAAP has been recognized separately under IFRS.

2.2.2 Reconciliation of equity as at March 31, 2008

(Dollars in millions)

	Previous GAAP	Note	Effects of transition to IFRS	IFRS
ASSETS				
Cash and cash equivalents	\$2,058		–	\$2,058
Available-for-sale financial assets	18		–	18
Trade receivables	824		–	824
Unbilled revenue	120		–	120
Prepayments and other assets	107		–	107
Property, plant and equipment	1,022		–	1,022
Goodwill	172	1 and 4	2	174
Intangible assets	–	1	11	11
Deferred income tax assets	74		–	74
Income tax assets	55		–	55
Other assets	45		–	45
Total assets	\$4,495		\$13	\$4,508
LIABILITIES AND EQUITY				
Trade payables	\$12		–	\$12
Derivative financial instruments	29		–	29
Current income tax liabilities	101		–	101
Deferred income tax liabilities	–	1	1	1
Client deposits	1		–	1
Unearned revenue	71		–	71
Other provisions and liabilities	833	2	(456)	377
Equity				
Share capital	64		–	64
Share premium	652	3	3	655
Retained earnings	2,432	2,3 and 4	464	2,896
Other components of equity	300		1	301
Total equity	3,448		468	3,916
Total liabilities and equity	\$4,495		\$13	\$4,508

Notes :

1. Intangible assets of \$11 million in relation to acquisition of business from Koninklijke Philips Electronics N.V., subsumed in goodwill under Previous GAAP; recognized separately under IFRS with a corresponding credit of \$10 million to goodwill and \$1 million to deferred income tax liabilities.
2. Liability for dividends (including corporate dividend tax) of \$456 million declared and approved after the reporting period, recognized in retained earnings under Previous GAAP; derecognized under IFRS.
3. Share-based compensation of \$3 million in respect of share options granted after November 7, 2002 that remained unvested as at April 1, 2007, not recognized under Previous GAAP has been recognized under IFRS.
4. Gains from changes in proportionate share of subsidiary resulting from issuance of stock by subsidiary amounting to \$11 million which was offset against goodwill under Previous GAAP has been recognized separately under IFRS. Exchange fluctuation of \$1 million was recorded consequent to this transaction.

2.2.3 Reconciliation of net profit for the year ended March 31, 2008

(Dollars in millions)

	Previous GAAP	Note	Effects of transition to IFRS	IFRS
Revenues	\$4,176		–	\$4,176
Cost of sales	2,452	1	1	2,453
Gross profit	1,724		(1)	1,723
Selling and marketing expenses	229	1	1	230
Administrative expenses	333	1	1	334
Total operating expense	562		2	564
Operating profit	1,162		(3)	1,159
Other income	4		–	4
Finance income	171		–	171
Profit before income taxes	1,337		(3)	1,334
Income tax expense	171		–	171
Profit after tax	1,166		(3)	1,163
Attributable to :				
Minority interest	–		–	–
Equity holders	1,166		(3)	1,163
Net profit	\$1,166		\$(3)	\$1,163

Notes :

1. Share-based compensation of \$3 million, \$1 million each under cost of sales, selling and marketing expenses and administrative expenses, in respect of share options granted after November 7, 2002 that remained unvested as at April 1, 2007, not recognized under Previous GAAP, has been recognized under IFRS.

2.3 The following voluntary reconciliations provide a quantification of reconciliation items between U.S. GAAP and Previous GAAP :

- equity as at April 1, 2007 (Note 2.3.1)
- equity as at March 31, 2008 (Note 2.3.2)
- equity as at March 31, 2009 (Note 2.3.3)
- net income for the year ended March 31, 2008 (Note 2.3.4)
- net income for the year ended March 31, 2009 (Note 2.3.5)

2.3.1 Reconciliation of equity as at April 1, 2007

(Dollars in millions)

	U.S. GAAP	Note	Reconciliation to Previous GAAP	Previous GAAP
ASSETS				
Cash and cash equivalents	\$1,394		—	\$1,394
Investments in liquid mutual fund units	6		—	6
Trade account receivables, net of allowances	565		—	565
Unbilled revenue	74		—	74
Prepaid expenses and other current assets	57		—	57
Property, plant and equipment, net	738		—	738
Goodwill	128	2,5,6 and 8	9	137
Intangible assets, net	20	5	(20)	—
Deferred tax assets	21	5 and 9	—	21
Advance income taxes	33		—	33
Other assets	37		—	37
Total assets	\$3,073		\$(11)	\$3,062
LIABILITIES AND STOCKHOLDERS' EQUITY				
Accounts payable	\$6		—	\$6
Income taxes payable	4		—	4
Client deposits	1		—	1
Unearned revenue	72		—	72
Other current and non-current liabilities	273	1 and 2	95	368
Minority interest	—	2	1	1
Stockholders' equity				
Common stock	64		—	64
Additional paid-in capital	692	3,4 and 6	(61)	631
Retained earnings	1,871	1,3,5,7 and 8	(41)	1,830
Accumulated other comprehensive income	90	4,7 and 9	(5)	85
Total stockholders' equity	2,717		(107)	2,610
Total liabilities and stockholders' equity	\$3,073		\$(11)	\$3,062

Notes :

1. Liability for dividends (including corporate dividend tax) of \$101 million declared and approved after the reporting period, not recognized under U.S. GAAP, has been recognized in retained earnings under Previous GAAP.
2. Deferred purchase agreement entered with minority shareholders of Infosys BPO in February 2007 to purchase 360,417 equity shares of Infosys BPO by February 2008, was recognized under U.S. GAAP but was not recognized under Previous GAAP as the deferred purchase agreement did not qualify as an investment under the local statutes. This transaction was accounted as an acquisition of minority interest under U.S. GAAP and consequently goodwill of \$4 million was recognized under U.S. GAAP with a corresponding increase in other liabilities of \$5 million and decrease in minority interest by \$1 million. Exchange fluctuation of \$1 million was recorded consequent to this transaction.
3. Stock compensation expense of \$48 million recognized under U.S. GAAP was not recognized under Previous GAAP.
4. Translation differences of \$2 million recognized in additional paid-in capital under U.S. GAAP was not recognized under Previous GAAP.
5. Net carrying value of intangible assets amounting to \$20 million (translated at the exchange rate in effect on the reporting date) acquired in business combination and including related deferred tax liabilities of \$3 million were recognized as separately identifiable assets and liabilities under U.S. GAAP have been subsumed in goodwill under Previous GAAP. Amortization of intangible assets recognized under U.S. GAAP has resulted in a reduction of \$5 million in retained earnings when compared to Previous GAAP.
6. Gains from changes in proportionate share of subsidiary resulting from issuance of stock by subsidiary amounting to \$11 million recognized in additional paid-in capital under U.S. GAAP was offset against goodwill under Previous GAAP.
7. Certain gains and losses of \$5 million recognized under U.S. GAAP were not recognized under Previous GAAP.
8. Out of an aggregate fair value of \$3 million relating to Infosys stock options issued to the employees of Infosys BPO in exchange of stock options held by them, \$2 million was allocated to post-combination compensation expense under U.S. GAAP. The same was recognized in goodwill under Previous GAAP.
9. Certain deferred tax credits amounting to \$3 million recognized under U.S. GAAP were not recognized under Previous GAAP.
10. Interest accrued on bank deposits amounting to \$9 million has been reclassified from cash and cash equivalents to prepaid expenses and other assets in U.S. GAAP in the above reconciliation.

2.3.2 Reconciliation of equity as at March 31, 2008

(Dollars in millions)

	U.S. GAAP	Note	Reconciliation to Previous GAAP	Previous GAAP
ASSETS				
Cash and cash equivalents	\$2,058		—	\$2,058
Investments in liquid mutual fund units	18		—	18
Trade account receivables, net of allowances	824		—	824
Unbilled revenue	120		—	120
Prepaid expenses and other current assets	107		—	107
Property, plant and equipment, net	1,022		—	1,022
Goodwill	150	4,6 and 7	22	172
Intangible assets, net	25	7	(25)	—
Deferred tax assets	68	7 and 9	6	74
Advance income taxes	55		—	55
Other assets	45		—	45
Total assets	\$4,492		\$3	\$4,495
LIABILITIES AND STOCKHOLDERS' EQUITY				
Accounts payable	\$12		—	\$12
Income taxes payable	101		—	101
Client deposits	1		—	1
Unearned revenue	71		—	71
Other current and non-current liabilities	397	1 and 9	465	862
Stockholders' equity				
Common stock	64		—	64
Additional paid-in capital	718	2,3,4 and 5	(66)	652
Retained earnings	2,817	1,2,6,7 and 8	(385)	2,432
Accumulated other comprehensive income	311	3,5,7,8 and 9	(11)	300
Total stockholders' equity	3,910		(462)	3,448
Total liabilities and stockholders' equity	\$4,492		\$3	\$4,495

Notes :

1. Liability for dividends (including corporate dividend tax) of \$456 million declared after the reporting period, not recognized under U.S. GAAP, have been recognized in retained earnings under Previous GAAP.
2. Stock compensation expense of \$51 million recognized under U.S. GAAP was not recognized under Previous GAAP.
3. Translation differences of \$2 million recognized in additional paid-in capital under U.S. GAAP was not recognized under Previous GAAP.
4. Gains from changes in proportionate share of subsidiary resulting from issuance of stock by subsidiary amounting to \$11 million recognized in additional paid-in capital under U.S. GAAP was offset against goodwill under Previous GAAP.
5. Recovery of Fringe Benefit Tax, including exchange fluctuations on other transactions, amounting to \$2 million, imposed on employee stock options from employees were recognized through equity under U.S. GAAP was recognized through income under Previous GAAP.
6. Out of an aggregate fair value of \$3 million relating to Infosys stock options issued to the employees of Infosys BPO in exchange of stock options held by them, \$2 million was allocated to post-combination compensation expense under U.S. GAAP. The same was recognized in goodwill under Previous GAAP.
7. Net carrying value of intangible assets amounting to \$25 million (translated at the exchange rate in effect on the reporting date) acquired in business combination and including related deferred tax liabilities of \$3 million were recognized as separately identifiable assets and liabilities under U.S. GAAP have been subsumed in goodwill under Previous GAAP. Amortization of intangible assets recognized under U.S. GAAP has resulted in a reduction of \$13 million in retained earnings when compared to Previous GAAP. Exchange fluctuation of \$4 million, included in goodwill was recorded consequent to these transactions.
8. Certain gains and losses of \$5 million recognized under U.S. GAAP were not recognized under Previous GAAP.
9. 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 reduction of the company's projected benefit obligation amounting to \$9 million. This reduction, net of tax effects of \$3 million, was recognized in other comprehensive income under U.S. GAAP. However, under Previous GAAP, the same was recognized under other current liabilities.

2.3.3 Reconciliation of equity as at March 31, 2009

(Dollars in millions)

	U.S. GAAP	Note	Reconciliation to Previous GAAP	Previous GAAP
ASSETS				
Cash and cash equivalents	\$2,167		—	\$2,167
Trade account receivables, net of allowances	724		—	724
Unbilled revenue	148		—	148
Prepaid expenses and other current assets	81		—	81
Property, plant and equipment, net	920		—	920
Goodwill	116	3,5 and 6	20	136
Intangible assets, net	14	6	(14)	—
Deferred tax assets	83	6,8 and 9	5	88
Advance income taxes	54		—	54
Other assets	52		—	52
Total assets	\$4,359		\$11	\$4,370
LIABILITIES AND STOCKHOLDERS' EQUITY				

Reconciliation of equity as at March 31, 2009 (Contd)

	U.S. GAAP	Note	Reconciliation to Previous GAAP	Previous GAAP
Accounts payable	\$5		—	\$5
Deferred tax liabilities	7		—	7
Income taxes payable	115		—	115
Client deposits	1		—	1
Unearned revenue	65		—	65
Other current and non-current liabilities	393	8	6	399
Stockholders' equity				
Common stock	64		—	64
Additional paid-in capital	736	1,2,3, 4 and 10	(69)	667
Retained earnings	3,533	1,5,6,7 and 10	80	3,613
Accumulated other comprehensive income	(560)	2,4,6,7,8 and 9	(6)	(566)
Total stockholders' equity	3,773		5	3,778
Total liabilities and stockholders' Equity	\$4,359		\$11	\$4,370

Notes :

1. Stock compensation expense of \$52 million recognized under U.S. GAAP was not recognized under Previous GAAP.
2. Translation differences of \$2 million recognized in additional paid-in capital under U.S. GAAP was not recognized under Previous GAAP.
3. Gains from changes in proportionate share of subsidiary resulting from issuance of stock by subsidiary amounting to \$11 million recognized in additional paid-in capital under U.S. GAAP was offset against goodwill under Previous GAAP.
4. Recovery of Fringe Benefit Tax, including exchange fluctuations on other transactions amounting to \$2 million, imposed on employee stock options from employees were recognized through equity under U.S. GAAP was recognized through income under Previous GAAP.
5. Out of an aggregate fair value of \$3 million relating to Infosys stock options issued to the employees of Infosys BPO in exchange of stock options held by them, \$2 million was allocated to post-combination compensation expense under U.S. GAAP. The same was recognized in goodwill under Previous GAAP.
6. Net carrying value of intangible assets amounting \$14 million (translated at the exchange rate in effect on the reporting date) acquired in business combination and including related deferred tax liabilities of \$3 million were recognized as separately identifiable assets and liabilities under U.S. GAAP have been subsumed in goodwill under Previous GAAP. Amortization of intangible assets recognized under U.S. GAAP has resulted in a reduction of \$20 million in retained earnings when compared to Previous GAAP. Exchange fluctuation of \$2 million was recorded in goodwill consequent to these transactions.
7. Certain gains and losses of \$5 million recognized under U.S. GAAP were not recognized under Previous GAAP.
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 reduction of the company's projected benefit obligation amounting to \$9 million. This reduction, net of tax effects of \$3 million, was recognized in other comprehensive income under U.S. GAAP. However, under Previous GAAP, the same was recognized under other current liabilities. The unamortized amount as at March 31, 2009 was \$6 million.
9. Certain deferred tax credits amounting to \$1 million recognized under U.S. GAAP were not recognized under Previous GAAP.
10. Fringe benefit tax expense of \$1 million, including exchange fluctuation of \$1 million, recognized under U.S. GAAP was not recognized under Previous GAAP.

2.3.4 Reconciliation of net income for the year ended March 31, 2008

(Dollars in millions)

	U.S. GAAP	Note	Reconciliation to Previous GAAP	Previous GAAP
Revenues	\$4,176		—	\$4,176
Cost of revenues	2,453	1	(1)	2,452
Gross profit	1,723		1	1,724
Selling and marketing expenses	230	1	(1)	229
General and administrative expenses	334	1	(1)	333
Amortization of intangible assets	8	2	(8)	—
Total operating expenses	572		(10)	562
Operating income	1,151		11	1,162
Other income, net	175		—	175
Income before income taxes	1,326		11	1,337
Provision for income taxes	171		—	171
Net income	\$1,155		\$11	\$1,166

Notes :

1. Stock compensation expense of \$3 million, included in cost of revenues, selling and marketing expenses and general and administrative expenses \$1 million each, recognized under U.S. GAAP was not recognized under Previous GAAP.
2. Intangible assets acquired in business combination were recognized as separately identifiable assets under U.S. GAAP have been subsumed in goodwill under Previous GAAP. Consequently, amortization expenses of \$8 million pertaining to such intangible assets recognized under U.S. GAAP were not recognized under Previous GAAP.

2.3.5 Reconciliation of net income for the year ended March 31, 2009

(Dollars in millions)

	U.S. GAAP	Note	Reconciliation to Previous GAAP	Previous GAAP
Revenues	\$4,663		—	\$4,663
Cost of revenues	2,698	1 and 2	(2)	2,696
Gross profit	1,965		2	1,967
Selling and marketing expenses	239		—	239
General and administrative expenses	351		—	351
Amortization of intangible assets	7	3	(7)	—
Total operating expenses	597		(7)	590

	U.S. GAAP	Note	Reconciliation to Previous GAAP	Previous GAAP
Operating income	1,368		9	1,377
Other income, net	101		–	101
Income before income taxes	1,469		9	1,478
Provision for income taxes	194		–	194
Net income	\$1,275		\$9	\$1,284

Notes :

1. Stock compensation expense of \$1 million, included in cost of revenues recognized under U.S. GAAP was not recognized under Previous GAAP. The stock compensation expense included in selling and marketing and general and administrative expenses was less than \$1 million.
2. Fringe benefit tax expense of \$1 million, included in cost of revenues, recognized under U.S. GAAP was not recognized under Previous GAAP.
3. Intangible assets acquired in business combination were recognized as separately identifiable assets have been subsumed in goodwill under Previous GAAP. Consequently, amortization expenses of \$7 million pertaining to such intangible assets recognized under U.S. GAAP were not recognized under Previous GAAP.

2.4 Cash and cash equivalents

Cash and cash equivalents were as follows :

(Dollars in millions)

	As of March 31,	
	2009	2008
Cash and bank deposits	\$1,911	\$1,737
Deposits with corporations	256	321
	\$2,167	\$2,058

Cash and cash equivalents as of March 31, 2008 include a restricted cash balance of \$1 million. The restricted cash balance as of March 31, 2009 was less than \$1 million. The restrictions are primarily on account of unclaimed dividends.

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

(Dollars in millions)

	As of March 31,	
	2009	2008
Current Accounts		
ABN Amro Bank, China	\$1	\$2
ABN Amro Bank account in U.S. dollars, China	3	–
Bank of America, Mexico	–	2
Bank of America, U.S.A	116	81
Citibank N.A., Australia	7	8
Citibank N.A., Czech Republic	–	1
Citibank N.A. account in Euro, Czech Republic	1	–
Citibank N.A. account in U.S. dollars, Czech Republic	1	1
Citibank N.A., Japan	–	1
Citibank N.A., Singapore	2	–
Deutsche Bank, Belgium	1	1
Deutsche Bank, Germany	1	1
Deutsche Bank, India	2	10
Deutsche Bank, Netherlands	–	1
Deutsche Bank, Poland	–	1
Deutsche Bank account in Euro, Poland	–	2
Deutsche Bank, Spain	–	1
Deutsche Bank, Thailand	–	1
Deutsche Bank, United Kingdom	11	19
Deutsche Bank-EEFC account in Euro, India	5	8
Deutsche Bank-EEFC account in Swiss Franc, India	1	3
Deutsche Bank-EEFC account in United Kingdom Pound Sterling, India	–	4
Deutsche Bank-EEFC account in U.S. dollars, India	2	32
HSBC Bank, United Kingdom	2	1

	As of March 31,	
	2009	2008
ICICI Bank, India	4	6
ICICI Bank-EEFC account in Euro, India	–	1
ICICI Bank-EEFC account in United Kingdom Pound Sterling, India	1	1
ICICI Bank-EEFC account in U.S. dollars, India	8	4
National Australia Bank Limited, Australia	6	25
National Australia Bank Limited account in U.S. dollars, Australia	2	–
Royal Bank of Canada, Canada	1	3
	\$178	\$221
Deposit Accounts		
Andhra Bank, India	16	–
Axis Bank, India	–	63
Bank of Baroda, India	163	125
Bank of India, India	–	125
Bank of Maharashtra, India	106	97
Barclays Bank, Plc. India	28	75
Canara Bank, India	157	29
Citibank N.A., Czech Republic	1	–
Corporation Bank, India	68	110
DBS Bank, India	5	–
HDFC Bank, India	–	112
HSBC Bank, India	56	63
ICICI Bank, India	110	256
IDBI Bank, India	108	125
ING Vysya Bank, India	10	5
National Australia Bank Limited, Australia	45	38
Punjab National Bank, India	95	6
Standard Chartered Bank, India	7	–
State Bank of Hyderabad, India	39	–
State Bank of India, India	416	250
State Bank of Mysore, India	99	–
Syndicate Bank, India	99	–
The Bank of Nova Scotia, India	69	37
Union Bank of India, India	17	–
Vijaya Bank, India	19	–
	\$1,733	\$1,516
Deposits with corporations		
HDFC Limited, India	\$256	\$250
GE Capital Services India	–	71
	\$256	\$ 321
Total	\$2,167	\$2,058

2.5 Available-for-sale financial assets

Investment in liquid mutual fund units classified as available-for-sale assets are as follows :

(Dollars in millions)

	As of March 31,	
	2009	2008
Cost	–	\$18
Gross unrealized holding gains	–	–
Fair value	–	\$18

2.6 Business combinations

On April 1, 2008, Infosys Australia acquired 100% of the equity shares of Mainstream Software Pty. Limited (MSPL) for a cash consideration of \$3 million, of which \$1 million is yet to be paid, as at March 31, 2009.

Consequent to this acquisition, intellectual property rights amounting to \$3 million have been recorded. Considering the economic benefits expected to be obtained from the intellectual property rights the same have been fully amortised during the year.

On October 1, 2007, Infosys BPO acquired 100% of the equity shares of P-Financial Services Holding B.V. This business acquisition was conducted by entering into a Sale and Purchase Agreement with Koninklijke Philips Electronics N.V. (Philips), a company incorporated under the laws of the Netherlands, for acquiring the shared service centers of Philips for finance, accounting and procurement business in Poland, Thailand and India for a cash consideration of \$27 million, of which \$1 million was paid during the year ended March 31, 2009. The acquisition of Poland and India centers were consummated on October 1, 2007 and Thailand center on December 3, 2007.

The purchase price has been allocated based on management's estimates and independent appraisals of fair values as follows :

(Dollars in millions)

Component	Acquiree's carrying amount	Fair value adjustments	Purchase price allocated
Property, plant and equipment	\$3	–	\$3
Net current assets	4	–	4
Deferred income tax liabilities	–	(1)	(1)
Intangible assets- Customer contracts	–	11	11
	\$7	\$10	\$17
Goodwill			10
Total purchase price			\$27

The amount of cash acquired from the above business acquisition was less than \$1 million.

The contract strengthens Infosys BPO's presence in Europe and Asia, including new centres in Poland, Thailand and India and consequently, the excess of the purchase consideration paid over the fair value of assets acquired has been attributed towards goodwill. The identified intangible customer contracts are being amortized over a period of seven years, being management's estimate of the useful life of the asset.

2.7 Prepayments and other assets

Prepayments and other assets consist of the following :

(Dollars in millions)

	As of March 31,	
	2009	2008
Current		
Rental deposits	\$7	\$6
Security deposits with service providers	7	8
Loans to employees	22	27
Prepaid expenses	7	8
Interest accrued and not due	1	47
Withholding taxes	33	3
Advance payments to vendors for supply of goods	3	3
Other assets	1	5
	\$81	\$107
Non-current		
Loans to employees	\$2	\$2
Deposit with corporation	50	40
Prepaid gratuity benefit	–	3
	\$52	\$45
	\$133	\$152
Financial assets in prepayments and other assets	\$125	\$136

Withholding taxes primarily consist of input tax credits. Other assets primarily represent advance payments to vendors for rendering of services, 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 amount deposited to settle employee benefit obligations as and when they arise during the normal course of business.

2.8 Property, plant and equipment

Property, plant and equipment consist of the following as of March 31, 2009 :

(Dollars in millions)

	Gross carrying value	Accumulated depreciation	Carrying value
Land	\$56	–	\$56
Buildings	574	(106)	468
Plant and machinery	233	(103)	130
Computer equipment	243	(189)	54
Furniture and fixtures	153	(76)	77
Vehicles	1	–	1
Capital work-in-progress	134	–	134
	\$1,394	\$(474)	\$920

Property, plant and equipment consist of the following as of March 31, 2008 :

(Dollars in millions)

	Gross carrying value	Accumulated depreciation	Carrying value
Land	\$57	—	\$57
Buildings	489	(94)	395
Plant and machinery	217	(104)	113
Computer equipment	269	(211)	58
Furniture and fixtures	154	(86)	68
Vehicles	1	(1)	—
Capital work-in-progress	331	—	331
	\$1,518	\$(496)	\$1,022

Following are the changes in the carrying value of property, plant and equipment for the year ended March 31, 2009 :

(Dollars in millions)

	Land	Buildings	Plant and machinery	Computer equipment	Furniture and fixtures	Vehicles	Capital work-in-progress	Total
Carrying value as at April 1, 2008	\$57	\$395	\$113	\$58	\$68	—	\$331	\$1,022
Translation differences	(13)	(98)	(27)	(17)	(17)	—	(54)	(226)
Additions	12	205	87	68	55	1	(143)	285
Depreciation	—	(34)	(43)	(55)	(29)	—	—	(161)
Carrying value as at March 31, 2009	\$56	\$468	\$130	\$54	\$77	\$1	\$134	\$920

Following are the changes in the carrying value of property, plant and equipment for the year ended March 31, 2008 :

(Dollars in millions)

	Land	Buildings	Plant and machinery	Computer equipment	Furniture and fixtures	Vehicles	Capital work-in-progress	Total
Carrying value as at April 1, 2007	\$40	\$279	\$85	\$59	\$51	—	\$224	\$738
Translation differences	2	22	6	5	5	—	17	57
Acquisition through business combination	—	—	—	3	—	—	—	3
Additions	15	122	57	52	37	—	90	373
Depreciation	—	(28)	(35)	(61)	(25)	—	—	(149)
Carrying value as at March 31, 2008	\$57	\$395	\$113	\$58	\$68	—	\$331	\$1,022

The depreciation expense for the year ended March 31, 2009 and 2008 is included in cost of sales in the income statement.

Carrying value of land includes \$22 million and \$25 million as at March 31, 2009 and 2008, 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 existing 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 \$73 million and \$166 million as of March 31, 2009 and 2008, respectively.

2.9 Goodwill and intangible assets

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

(Dollars in millions)

	As of March 31,	
	2009	2008
Carrying value at the beginning	\$174	\$152
Goodwill recognized on acquisition (Refer Note 2.6)	—	10
Translation differences	(39)	12
Carrying value at the end	\$135	\$174

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

(Dollars in millions)

Segment	As of March 31,	
	2009	2008
Financial services	\$53	\$67
Manufacturing	18	26
Telecom	2	3
Retail	44	56
Others	18	22
Total	\$135	\$174

The entire goodwill relating to Infosys BPO's acquisition of business during the year ended March 31, 2008, has been allocated to the 'Manufacturing' 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 based on financial budgets approved by management and average of the range of each assumption mentioned below. As at the date of transition to IFRS, there was no impairment of goodwill. Further, as at March 31, 2009, 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	13.3%

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)

	Year ended March 31,	
	2009	2008
Gross carrying value at the beginning	\$11	–
Customer contracts acquired (Refer Note 2.6)	–	11
Intellectual property rights acquired (Refer Note 2.6)	3	–
Translation differences	(3)	–
Gross carrying value at the end	\$11	\$11
Accumulated amortization at the beginning	–	–
Amortization expense	4	–
Accumulated amortization at the end	4	–
Net carrying value	\$7	\$11

The identified intangible customer contracts recognized consequent to the 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 gained. As of March 31, 2009, the customer contracts have a remaining amortization period of six years.

The aggregate amortization expense included in cost of sales, for the year ended March 31, 2009 was \$4 million. For the year ended March 31, 2008, the aggregate amortization expense was less than \$1 million.

Research and development expenses recognized in the income statement were \$51 million and \$50 million for the year ended March 31, 2009 and 2008, respectively.

2.10 Financial instruments

Financial instruments by category

The carrying value and fair value of financial instruments by categories as at March 31, 2009 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	Total fair value
Assets :						
Cash and cash equivalents	\$2,167	–	–	–	\$2,167	\$2,167
Investments in non-marketable equity securities	–	–	2	–	2	–
Accumulated impairment on investment in non-marketable equity securities	–	–	(2)	–	(2)	–
Trade receivables	724	–	–	–	724	724
Unbilled revenue	148	–	–	–	148	148
Prepayments and other assets (Refer Note 2.7)	125	–	–	–	125	125
Total	\$3,164	–	–	–	\$3,164	\$3,164
Liabilities :						
Trade payables	–	–	–	\$5	\$5	\$5
Derivative financial instruments	–	22	–	–	22	22
Client deposits	–	–	–	1	1	1
Employee benefit obligations (Refer Note 2.11)	–	–	–	69	69	69
Other current liabilities (Refer Note 2.13)	–	–	–	284	284	284
Total	–	\$22	–	\$359	\$381	\$381

The carrying value and fair value of financial instruments by categories as at March 31, 2008 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	Total fair value
Assets :						
Cash and cash equivalents	\$2,058	—	—	—	\$2,058	\$2,058
Available-for-sale financial assets	—	—	18	—	18	18
Investments in non- marketable equity securities	—	—	3	—	3	—
Accumulated impairment on investment in non- marketable equity securities	—	—	(3)	—	(3)	—
Trade receivables	824	—	—	—	824	824
Unbilled revenue	120	—	—	—	120	120
Prepayments and other assets (Refer Note 2.7)	136	—	—	—	136	136
Total	\$3,138	—	\$18	—	\$3,156	\$3,156
Liabilities :						
Trade payables	—	—	—	\$12	\$12	\$12
Derivative financial instruments	—	29	—	—	29	29
Client deposits	—	—	—	1	1	1
Employee benefit obligations (Refer Note 2.11)	—	—	—	64	64	64
Other current liabilities (Refer Note 2.13)	—	—	—	291	291	291
Total	—	\$29	—	\$368	\$397	\$397

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 March 31,	
	2009	2008
Forward contracts		
In U.S. dollars	278	586
In Euro	27	15
In United Kingdom Pound Sterling	21	3
Option contracts		
In U.S. dollars	173	100
In United Kingdom Pound Sterling	—	8
In Euro	—	17

The company recognized a net loss on derivative financial instruments of \$165 million for the year ended March 31, 2009, and a net gain on derivative financial instruments of \$26 million during the year ended March 31, 2008, which are included in other income.

The foreign exchange forward contracts and options mature between 1 to 12 months.

The table below analyzes the derivative financial instruments into relevant maturity groupings based on the remaining period as at the balance sheet date :

(Dollars in millions)

	As of March 31,	
	2009	2008
Not later than one month	\$68	\$19
Later than one month and not later than three months	197	316
Later than three months and not later than one year	250	422
	\$515	\$757

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

(Dollars in millions)

	Year ended March 31,	
	2009	2008
Interest income	\$186	\$169
Income from available-for-sale financial assets	1	2
	\$187	\$171

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 March 31,	
	2009	2008
Aggregate amount of outstanding forward and option contracts	\$515	\$757
Losses on outstanding forward and option contracts	\$22	\$29

The outstanding foreign exchange forward and option contracts as at March 31, 2009 and 2008, mature between one to twelve months.

The following table analyzes foreign currency risk from financial instruments as at March 31, 2009 :

(Dollars in millions)

	U.S dollars	Euro	United Kingdom Pound Sterling	Australian dollars	Other currencies	Total
Cash and cash equivalents	\$125	\$8	\$14	\$59	\$11	\$217
Trade receivables	481	58	116	3	61	719
Unbilled revenue	77	14	19	3	20	133
Prepayments and other assets	3	–	1	–	1	5
Trade payables	(3)	–	–	–	(1)	(4)
Client deposits	(1)	–	–	–	–	(1)
Unearned revenue	(36)	(8)	(11)	(3)	(4)	(62)
Accrued expenses	(41)	(1)	(3)	(1)	(34)	(80)
Accrued compensation to employees	(31)	–	–	(2)	(4)	(37)
Other liabilities	(73)	(35)	(18)	(10)	(16)	(152)
	\$501	\$36	\$118	\$49	\$34	\$738

The following table analyzes foreign currency risk from financial instruments as at March 31, 2008 :

(Dollars in millions)

	U.S dollars	Euro	United Kingdom Pound Sterling	Australian dollars	Other currencies	Total
Cash and cash equivalents	\$115	\$13	\$25	\$71	\$18	\$242
Trade receivables	452	58	238	5	62	815
Unbilled revenue	52	15	31	3	16	117
Prepayments and other assets	9	1	22	–	(3)	29
Trade payables	(1)	–	–	–	(3)	(4)
Client deposits	–	(1)	–	–	–	(1)
Unearned revenue	(41)	(7)	(10)	(2)	(7)	(67)
Accrued expenses	(42)	(1)	(4)	(1)	(5)	(53)
Accrued compensation to employees	(9)	–	–	(2)	(3)	(14)
Other liabilities	(35)	(56)	(30)	(14)	(30)	(165)
	\$500	\$22	\$272	\$60	\$45	\$899

For the year ended March 31, 2009 and 2008, 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 0.4% and 0.5%, 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 \$724 million and \$824 million, as at March 31, 2009 and 2008, 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 %)

	Year ended March 31,	
	2009	2008
Revenue from top customer	6.9	9.1
Revenue from top five customers	18.0	20.9

Financial assets that are neither past due nor impaired

Cash and cash equivalents are neither past due nor impaired. These include deposits with banks and corporations with high credit-ratings assigned by international and domestic credit-rating agencies. Of the total trade receivables \$427 million as at March 31, 2009 and \$478 million as at March 31, 2008 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 past due but not impaired except for trade receivables. 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 that are past due, is given below :

(Dollars in millions)

Period (in days)	As of March 31,	
	2009	2008
31 – 60	\$248	\$248
61 – 90	\$36	\$30
More than 90	\$13	\$68

The allowance for impairment in respect of trade receivables for the year ended March 31, 2009 and 2008, was \$16 million and \$11 million, respectively. The movement in the allowance for impairment in respect of trade receivables is as follows :

(Dollars in millions)

	Year ended March 31,	
	2009	2008
Balance at the beginning	\$10	\$5
Translation differences	(2)	–
Impairment loss recognized	16	11
Trade receivables written off	(3)	(6)
Balance at the end	\$21	\$10

Liquidity Risk

As of March 31, 2009, the company had a working capital of \$2,583 million including cash and cash equivalents of \$2,167 million. As of March 31, 2008, the company had a working capital of \$2,578 million including cash and cash equivalents of \$2,058 million and available-for-sale financial assets of \$18 million.

As of March 31, 2009 and 2008, the company had no outstanding bank borrowings and accordingly, no liquidity risk is perceived.

The table below provides details regarding the contractual maturities of significant financial liabilities as at March 31, 2009 :

(Dollars in millions)

Particulars	Less than 1 year	1-2 years	2-4 years	Total
Trade payables	\$5	–	–	\$5
Client deposits	1	–	–	1
Incentive accruals (Refer Note 2.11)	–	5	6	11
Other current liabilities (Refer Note 2.13)	\$284	–	–	\$284

The table below provides details regarding the contractual maturities of significant financial liabilities as at March 31, 2008 :

(Dollars in millions)

Particulars	Less than 1 year	1-2 years	2-4 years	Total
Trade payables	\$12	–	–	\$12
Client deposits	1	–	–	1
Incentive accruals (Refer Note 2.11)	5	5	6	16
Other current liabilities (Refer Note 2.13)	\$291	–	–	\$291

2.11 Employee benefit obligations

Employee benefit obligations comprise the following :

(Dollars in millions)

	As of March 31,	
	2009	2008
Current		
Compensated absence	\$21	\$17
Incentive accruals	–	5
	\$21	\$22
Non-current		
Compensated absence	\$37	\$31
Incentive accruals	11	11
	\$48	\$42
	\$69	\$64

2.12 Provisions

Provisions comprise the following :

(Dollars in millions)

	As of March 31,	
	2009	2008
Provision for post sales client support	\$18	\$13

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)

	Year ended March 31,	
	2009	2008
Balance at the beginning	\$13	\$5
Translation differences	(3)	–
Provision recognized	8	12
Provision utilized	–	(4)
Balance at the end	\$18	\$13

Provision for post sales client support for the year ended March 31, 2009 and 2008 is included in cost of sales in the income statement.

2.13 Other current liabilities

Other current liabilities comprise the following :

(Dollars in millions)

	As of March 31,	
	2009	2008
Accrued compensation to employees	\$107	\$118
Accrued expenses	120	102
Withholding taxes payable	43	54
Retainage	11	13
Unamortized negative past service cost	6	9
Others	3	4
	\$290	\$300
Financial liabilities included in other current liabilities	\$284	\$291

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 consist of unclaimed dividends and amount payable towards acquisition of business.

2.14 Expenses by nature

(Dollars in millions)

	Year ended March 31,	
	2009	2008
Employee benefit costs (Refer Note 2.15.4)	\$2,456	\$2,218
Depreciation and amortization charges (Refer Note 2.8 and 2.9)	165	149
Travelling costs	184	177
Consultancy and professional charges	141	119
Cost of software packages	77	56
Communication costs	54	52
Power and fuel	32	30
Repairs and maintenance	54	45
Commission	3	16
Branding and marketing expenses	19	19
Provision for post-sales client support (Refer Note 2.12)	8	12
Allowance for impairment of trade receivables (Refer Note 2.10)	16	11
Operating lease payments (Refer Note 2.18)	25	22
Others	55	91
Total cost of sales, selling and marketing expenses and administrative expenses	\$3,289	\$3,017

2.15 Employee benefits

2.15.1 Gratuity

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

(Dollars in millions)

	As of March 31,	
	2009	2008
Change in benefit obligations		
Benefit obligations at the beginning	\$56	\$51
Actuarial gains	–	(2)
Service cost	11	14
Interest cost	3	4
Benefits paid	(5)	(6)
Plan amendments	–	(9)
Translation differences	(13)	4
Benefit obligations at the end	\$52	\$56

	As of March 31,	
	2009	2008
Change in plan assets		
Fair value of plan assets at the beginning	\$59	\$51
Expected return on plan assets	4	4
Actuarial gains	–	1
Employer contributions	7	4
Benefits paid	(5)	(6)
Translation differences	(13)	5
Fair value of plan assets at the end	\$52	\$59
Funded status	–	\$3
Prepaid benefit	–	\$3

Net gratuity cost for the year ended March 31, 2009 and 2008, comprises the following components :

(Dollars in millions)

	Year ended March 31,	
	2009	2008
Service cost	\$11	\$14
Interest cost	3	4
Expected return on assets	(4)	(4)
Actuarial gains	–	(3)
Plan amendments	(1)	(1)
Net gratuity cost	\$9	\$10

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 :

(Dollars in millions)

	Year ended March 31,	
	2009	2008
Cost of sales	\$8	\$9
Selling and marketing expenses	1	1
Administrative expenses	–	–
	\$9	\$10

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 \$6 million as at March 31, 2009 has been included under other current liabilities.

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

	As of March 31,	
	2009	2008
Discount rate	7.0%	7.9%
Rate of increase in compensation levels	5.1%	5.1%

The weighted-average assumptions used to determine net periodic benefit cost for the year ended March 31, 2009 and 2008 are set out below :

	Year ended March 31,	
	2009	2008
Discount rate	7.9%	8.0%
Rate of increase in compensation levels	5.1%	5.1%
Rate of return on plan assets	7.9%	8.0%

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 March 31, 2009 and 2008, the plan assets have been primarily invested in government securities. Actual return on assets for the year ended March 31, 2009 and 2008 was \$4 million and \$5 million, respectively.

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 year ended March 31, 2009 and 2008 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 approximately \$8 million to the gratuity trusts during fiscal 2010.

2.15.2 Superannuation

The company contributed \$17 million and \$11 million to the superannuation plan during the year ended March 31, 2009 and 2008, respectively. Since fiscal 2008, a substantial portion of the monthly contribution amount has been paid directly to the employees as an allowance and a nominal 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)

	Year ended March 31,	
	2009	2008
Cost of sales	\$15	\$10
Selling and marketing expenses	1	1
Administrative expenses	1	–
	\$17	\$11

2.15.3 Provident fund

Infosys 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 \$33 million and \$30 million to the provident fund during the year ended March 31, 2009 and 2008, respectively.

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)

	Year ended March 31,	
	2009	2008
Cost of sales	\$29	\$27
Selling and marketing expenses	2	2
Administrative expenses	2	1
	\$33	\$30

2.15.4 Employee benefit costs include :

(Dollars in millions)

	Year ended March 31,	
	2009	2008
Salaries and bonus	\$2,396	\$2,164
Defined contribution plans	20	13
Defined benefit plans	39	38
Share-based compensation	1	3
	\$2,456	\$2,218

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

(Dollars in millions)

	Year ended March 31,	
	2009	2008
Cost of sales	\$2,177	\$1,976
Selling and marketing expenses	179	153
Administrative expenses	100	89
	\$2,456	\$2,218

2.16 Equity

Share capital and share premium

Infosys 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 the income statement is credited to share premium.

Retained earnings

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

Other components of equity

Other components of equity consists of currency translation.

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 at March 31, 2009, the company has only one class of equity shares and has no debt. Consequent to the above capital structure there are no externally imposed capital requirements.

The rights of equity shareholders are set out below.

2.16.1 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.

2.16.2 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 year ended March 31, 2009 and 2008 was \$0.89 and \$0.31, respectively.

2.16.3 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. The amount distributed will be in proportion to the number of equity shares held by the shareholders.

2.16.4 Share options

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

2.17 Other income / (expenses)

Other income / (expenses) consist of the following :

(Dollars in millions)

	Year ended March 31,	
	2009	2008
Exchange gains / (losses) on forward and options contracts	\$(165)	\$26
Exchange gains / (losses) on translation of other assets and liabilities	71	(24)
Others	8	2
	\$(86)	\$4

Other income for the year ended March 31, 2009 includes a net amount of \$4 million, consisting of \$7 million received from Axon Group Plc as inducement fees offset by \$3 million of expenses incurred towards the transaction.

2.18 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 \$25 million and \$22 million for the year ended March 31, 2009 and 2008, respectively.

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

(Dollars in millions)

	As of March 31,	
	2009	2008
Within one year of the balance sheet date	\$16	\$16
Due in a period between one year and five years	44	36
Due after five years	\$14	\$19

The activity in the 1998 Plan and 1999 Plan during the year ended March 31, 2009 and March 31, 2008 are set out below.

	Year ended March 31, 2009		Year ended March 31, 2008	
	Shares arising out of options	Weighted average exercise price	Shares arising out of options	Weighted average exercise price
1998 Plan :				
Outstanding at the beginning	1,530,447	\$20	2,084,124	\$21
Forfeited and expired	(158,102)	\$38	(53,212)	\$51
Exercised	(455,586)	\$19	(500,465)	\$19
Outstanding at the end	916,759	\$18	1,530,447	\$20
Exercisable at the end	916,759	\$18	1,530,447	\$20
1999 Plan :				
Outstanding at the beginning	1,494,693	\$29	1,897,840	\$26
Forfeited and expired	(190,188)	\$39	(117,716)	\$44
Exercised	(378,699)	\$13	(285,431)	\$16
Outstanding at the end	925,806	\$25	1,494,693	\$29
Exercisable at the end	851,301	\$23	1,089,041	\$20

The weighted average share price of options exercised under the 1998 Plan during the year ended March 31, 2009 and March 31, 2008 were \$36.17 and \$40.81, respectively. The weighted average share price of options exercised under the 1999 Plan during the year ended March 31, 2009 and year ended March 31, 2008 were \$33.65 and \$40.66, respectively.

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.

2.19 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 will end on June 11, 2009.

The following table summarizes information about share options outstanding and exercisable as of March 31, 2009 :

Range of exercise prices per share (\$)	Options outstanding			Options exercisable		
	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	431,762	1.58	\$12	431,762	1.58	\$12
16-30	428,997	1.39	\$21	428,997	1.39	\$21
31-45	46,720	0.32	\$37	46,720	0.32	\$37
46-60	9,280	0.10	\$51	9,280	0.10	\$51
61-83	—	—	—	—	—	—
	916,759	1.41	\$18	916,759	1.41	\$18
1999 Plan :						
5-15	446,185	1.26	\$10	446,185	1.26	\$10
16-30	77,893	0.52	\$19	77,893	0.52	\$19
31-53	401,728	1.06	\$42	327,223	0.75	\$42
	925,806	1.11	\$25	851,301	1.00	\$23

The following table summarizes information about share options outstanding and exercisable as of March 31, 2008 :

Range of exercise prices per share (\$)	Options outstanding			Options exercisable		
	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	621,953	2.45	\$12	621,953	2.45	\$12
16-30	746,834	1.93	\$22	746,834	1.93	\$22
31-45	101,880	0.94	\$38	101,880	0.94	\$38
46-60	29,860	0.65	\$54	29,860	0.65	\$54
61-83	29,920	0.87	\$68	29,920	0.87	\$68
	1,530,447	2.03	\$20	1,530,447	2.03	\$20
1999 Plan :						
5-15	526,359	2.11	\$11	526,359	2.11	\$11
16-30	413,030	1.28	\$20	413,030	1.28	\$20
31-53	555,304	1.83	\$53	149,652	0.95	\$52
	1,494,693	1.78	\$29	1,089,041	2.44	\$20

Infosys BPO's 2002 Plan (the 2002 Plan) provides for the grant of share options to its employees and was approved by its Board of Directors and shareholders in June 2002. All options under the 2002 Plan are exercisable for equity shares. The 2002 Plan is administered by a Compensation Committee whose members are directors of Infosys BPO. The 2002 Plan provides for the issue of 5,250,000 equity shares to employees, at an exercise price, which shall not be less than the FMV. Options may also be issued to employees at exercise prices that are less than FMV only if specifically approved by the shareholders of Infosys BPO in a general meeting. The options issued under the 2002 Plan vest in periods ranging between one through six years, although accelerated vesting based on performance conditions is provided in certain instances and expire in six months from the date of completion of last vesting.

The activity in the 2002 Plan during the year ended March 31, 2009 and 2008 are set out below.

	Year ended March 31,			
	2009		2008	
	Shares arising out of options	Weighted average exercise price	Shares arising out of options	Weighted average exercise price
2002 Plan :				
Outstanding at the beginning	—	—	2,200	\$2.72
Forfeited and expired	—	—	(2,200)	\$2.72
Exercised	—	—	—	—
Outstanding at the end	—	—	—	—
Exercisable at the end	—	—	—	—

The company recorded share-based compensation of \$1 million and \$3 million for the year ended March 31, 2009 and 2008, respectively.

2.20 Income taxes

Income tax expense in the income statement comprises :

(Dollars in millions)

	Year ended March 31,	
	2009	2008
Current income tax		
Domestic	\$153	\$133
Foreign	68	88
	\$221	\$221
Deferred income tax		
Domestic	\$(31)	\$(47)
Foreign	4	(3)
	\$(27)	\$(50)
Income tax expense	\$194	\$171

Entire deferred tax income for the year ended March 31, 2009 and March 31, 2008 relates to origination and reversal of temporary differences.

Income tax benefits of \$2 million and \$6 million on exercise of employee stock options have been recognized directly in equity for the year ended March 31, 2009 and 2008, respectively.

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)

	Year ended March 31,	
	2009	2008
Profit before income taxes	\$1,475	\$1,334
Enacted tax rates in India	33.99%	33.99%
Computed expected tax expense	\$501	\$453
Tax effect due to non-taxable income for Indian tax purposes	(325)	(282)
Tax reversals, net	(23)	(30)
Interest and penalties	1	11
Effect of unrecognized deferred tax assets	6	6
Effect of differential foreign tax rates	18	11
Effect of non-deductible expenses	6	–
Temporary difference related to branch profits	7	–
Others	3	2
Income tax expense	\$194	\$171

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 presently include those for facilities set up under the Special Economic Zones Act, 2005 and an exemption from payment of Indian corporate income taxes for a period of ten consecutive years of operation of 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. Certain of our STP units have already completed the tax holiday period and for the remaining STP units the tax holiday will expire by fiscal 2010. 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.

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 at March 31, 2009, Infosys' U.S. branch net assets amounted to approximately \$481 million. As of March 31, 2009, the company had not triggered the BPT. The company has recorded a deferred tax liability on its net assets in the United States, to the extent it intends to distribute its branch profits in the foreseeable future.

Deferred income tax liabilities have not been recognized on temporary differences amounting to \$166 million and \$114 million as at March 31, 2009 and 2008, 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 year ended March 31, 2009 and 2008 is as follows :

(Dollars in millions)

	Year ended March 31,	
	2009	2008
Net current income tax asset / (liability) at the beginning	\$(46)	\$29
Translation differences	10	3
Income tax benefit arising on exercise of stock options	2	6
Income tax paid	194	137
Income tax expense	(221)	(221)
Net current income tax asset / (liability) at the end	\$(61)	\$(46)

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

(Dollars in millions)

	As of March 31,	
	2009	2008
Deferred income tax assets		
Property, plant and equipment	\$26	\$23
Minimum alternate tax credit carry-forwards	56	44
Others	6	7
Total deferred income tax assets	88	74
Deferred income tax liabilities		
Intangible asset	–	(1)
Temporary difference related to branch profits	(7)	–
Total deferred income tax liabilities	(7)	(1)
Deferred income tax assets	\$81	\$73
Deferred income tax assets to be recovered after more than 12 months	\$81	\$67
Deferred income tax liability to be recovered after more than 12 months	–	(1)
Deferred income tax assets to be recovered within 12 months	7	7
Deferred income tax liability to be recovered within 12 months	(7)	–
	\$81	\$73

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 year ended March 31, 2009 and March 31, 2008 is as follows :

(Dollars in millions)

	Year ended March 31,	
	2009	2008
Net deferred income tax asset at the beginning	\$73	\$21
Translation differences	(19)	3
Acquisition of subsidiary	–	(1)
Credits relating to temporary differences	27	50
Net deferred income tax asset at the end	\$81	\$73

2.21 Earnings per share

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

	Year ended March 31,	
	2009	2008
Basic earnings per equity share - weighted average number of equity shares outstanding	569,656,611	568,564,740
Effect of dilutive common equivalent shares - share options outstanding	972,970	1,908,547
Diluted earnings per equity share - weighted average number of equity shares and common equivalent shares outstanding	570,629,581	570,473,287

Options to purchase 48,000 shares and 59,780 shares for the year ended March 31, 2009 and 2008, respectively, under the 1998 Plan and 401,728 shares and 550,592 shares for the year ended March 31, 2009 and 2008, respectively under the 1999 Plan were not considered for calculating diluted earnings per share as their effect was anti-dilutive.

2.22 Related party transactions

List of subsidiaries :

Particulars	Country	Holding as at March 31,	
		2009	2008
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**	Czech Republic	99.98%	99.98%
Infosys Sweden#	Sweden	–	–
P-Financial Services Holding B.V.*	Netherlands	–	99.98%
Infosys BPO (Poland) Sp.Z.o.o**	Poland	99.98%	99.98%
Pan Financial Shared Services India Private Limited*	India	–	99.98%
Infosys BPO (Thailand) Limited**	Thailand	99.98%	99.98%
Mainstream Software Pty. Ltd***	Australia	100%	–

* During the year ended March 31, 2009, the investments held by P-Financial Services Holding B.V. in its wholly-owned subsidiaries Pan-Financial Shared Services India Private Limited, Infosys BPO (Poland) Sp. Z.o.o., and Infosys BPO (Thailand) Limited was transferred to Infosys BPO, consequent to which P-Financial Services Holding B.V. was liquidated. Further, during the three months ended March 31, 2009, Infosys BPO merged its wholly-owned subsidiary Pan-Financial Shared Services India Private Limited, retrospectively with effect from April 1, 2008, vide a scheme of amalgamation sanctioned by the Karnataka and Tamil Nadu High courts.

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

*** Mainstream Software Pty. Ltd, is a wholly owned subsidiary of Infosys Australia.

On March 5, 2009, the company incorporated a wholly owned subsidiary, Infosys Technologies (Sweden) AB.

List of other related parties :

Particulars	Country	Nature of relationship
Infosys Technologies Limited Employees' Gratuity Fund Trust	India	Post-employment benefit plans of Infosys
Infosys Technologies Limited Employees' Provident Fund Trust	India	Post-employment benefit plans of Infosys
Infosys Technologies Limited Employees' Superannuation Fund Trust	India	Post-employment benefit plans 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

Refer Note 2.15 for information on transactions with post-employment benefit plans mentioned above.

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

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)

	Year ended March 31,	
	2009	2008
Salaries and other short-term employee benefits	\$6	\$4

2.23 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 in relation to segments is categorized based on items that are individually identifiable to that segment, while expenditure is categorized in relation to the associated turnover of the segment. Allocated expenses of segments include expenses incurred for rendering services from the company's offshore software development centers and on-site expenses. 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.

2.23.1 Industry segments

(Dollars in millions)

Year ended March 31, 2009	Financial services	Manufacturing	Telecom	Retail	Others	Total
Revenues	\$1,582	\$920	\$844	\$585	\$732	\$4,663
Identifiable operating expenses	657	393	310	241	289	1,890
Allocated expenses	418	243	221	154	197	1,233
Segment profit	507	284	313	190	246	1,540
Unallocable expenses						166
Operating profit						1,374
Other income						(86)
Finance income						187
Profit before income taxes						1,475
Income tax expense						194
Net profit						\$1,281
Depreciation and amortization						\$165
Non-cash expenses other than depreciation and amortization						\$1

(Dollars in millions)

Year ended March 31, 2008	Financial services	Manufacturing	Telecom	Retail	Others	Total
Revenues	\$1,494	\$615	\$900	\$492	\$675	\$4,176
Identifiable operating expenses	611	270	327	205	277	1,690
Allocated expenses	420	172	253	139	189	1,173
Segment profit	463	173	320	148	209	1,313
Unallocable expenses						154
Operating profit						1,159
Other income						4
Finance income						171
Profit before income taxes						1,334
Income tax expense						171
Net profit						\$1,163
Depreciation and amortization						\$149
Non-cash expenses other than depreciation and amortization						\$3

2.23.2 Geographic segments

(Dollars in millions)

Year ended March 31, 2009	North America	Europe	India	Rest of the World	Total
Revenues	\$2,949	\$1,230	\$60	\$424	\$4,663
Identifiable operating expenses	1,232	492	14	152	1,890
Allocated expenses	780	325	15	113	1,233
Segment profit	937	413	31	159	1,540
Unallocable expenses					166
Operating profit					1,374
Other income					(86)
Finance income					187
Profit before income taxes					1,475
Income tax expense					194
Net profit					\$1,281
Depreciation and amortization					\$165
Non-cash expenses other than depreciation and amortization					\$1

Geographic segments (Contd)

(Dollars in millions)

Year ended March 31, 2008	North America	Europe	India	Rest of the World	Total
Revenues	\$2,589	\$1,172	\$55	\$360	\$4,176
Identifiable operating expenses	1,094	452	11	133	1,690
Allocated expenses	727	329	16	101	1,173
Segment profit	768	391	28	126	1,313
Unallocable expenses					154
Operating profit					1,159
Other income					4
Finance income					171
Profit before income taxes					1,334
Income tax expense					171
Net profit					\$1,163
Depreciation and amortization					\$149
Non-cash expenses other than depreciation and amortization					\$3

2.23.3 Significant clients

No client individually accounted for more than 10% of the revenues in fiscal 2009 and 2008.

2.24 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.

2.25 Tax contingencies

The company has received demands from the Indian taxation authorities for payment of additional tax of \$42 million, including interest of \$9 million, upon completion of their tax review for fiscal 2004 and fiscal 2005. The demands for fiscal 2004 and fiscal 2005 were received during fiscal 2007 and fiscal 2009, 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 related to fiscal 2004 and 2005 is pending before the Commissioner of Income Tax (Appeals), Bangalore.

Financial Statement Schedule - II

(Schedule II of Reg. §210.5-04(c) of Regulation S-X-17 of the Securities Act of 1933 and Securities Exchange Act of 1934)

Valuation and qualifying accounts

Allowance for impairment of trade receivables

(Dollars in millions)

Description	Balance at beginning of the year	Translation differences	Charged to cost and expenses	Write offs	Balance at end of the year
Fiscal 2009	\$10	\$(2)	\$16	\$(3)	\$21
Fiscal 2008	\$5	—	\$11	\$(6)	\$10