INFOSYS TECHNOLOGIES LTD
Form 6-K
January 25, 2010

Form 6-K

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer

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

For the quarter ended December 31, 2009

Commission File Number 000-25383

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

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

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

Indicate by check mark whether the registrant files or will file Annual Reports under cover of Form 20-F or Form 40-F.

Form 20-F x Form 40-F o

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

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

Currency of presentation and certain defined terms

In this Quarterly Report, references to "U.S." or "United States" are to the United States of America, its territories and its possessions. References to "India" are to the Republic of India. References to "$" or "dollars" or "U.S. dollars" are to the legal currency of the United States and references to "Rs." or "rupees" or "Indian rupees" are to the legal currency of India. Our financial statements are presented in U.S. dollars and are prepared in accordance with the

International Financial Reporting Standards as issued by the International Accounting Standards Board, or IFRS. References to "Indian GAAP" are to Indian Generally Accepted Accounting Principles. References to a particular "fiscal" year are to our fiscal year ended March 31 of such year.

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

Except as otherwise stated in this Quarterly Report, all translations from Indian rupees to U.S. dollars effected are based on the fixing rate in the City of Mumbai on December 31, 2009 for cable transfers in Indian rupees as published by the Foreign Exchange Dealers' Association of India, or FEDAI, which was Rs. 46.53 per $1.00. No representation is made that the Indian rupee amounts have been, could have been or could be converted into U.S. dollars at such a rate or any other rate. Any discrepancies in any table between totals and sums of the amounts listed are due to rounding.

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Part I - Financial Information

Item I. Financial Statements

Infosys Technologies Limited and subsidiaries

Unaudited Consolidated Balance Sheets as of

(Dollars in millions except share data)

| | Note | December 31, 2009 | March 31, 2009 |
|---|---|---|---|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 2.1 | $1,972 | $2,167 |
| Available-for-sale financial assets | | 1,133 | - |
| Trade receivables | | 724 | 724 |
| Unbilled revenue | | 173 | 148 |
| Derivative financial instruments | 2.6 | 16 | - |
| Prepayments and other assets | 2.3 | 117 | 81 |
| Total current assets | | 4,135 | 3,120 |
| Non-current assets | | | |
| Property, plant and equipment | 2.4 | 961 | 920 |
| Goodwill | 2.5 | 178 | 135 |
| Intangible assets | 2.5 | 15 | 7 |
| Deferred income tax assets | 2.16 | 136 | 88 |
| Income tax assets | 2.16 | 80 | 54 |
| Other non-current assets | 2.3 | 73 | 52 |
| Total non-current assets | | 1,443 | 1,256 |
| Total assets | | $5,578 | $4,376 |
| LIABILITIES AND EQUITY | | | |
| Current liabilities | | | |
| Trade payables | | $3 | $5 |
| Derivative financial instruments | 2.6 | - | 22 |
| Current income tax liabilities | 2.16 | 154 | 115 |
| Client deposits | | 3 | 1 |
| Unearned revenue | | 133 | 65 |
| Employee benefit obligations | 2.7 | 30 | 21 |
| Provisions | 2.8 | 16 | 18 |
| Other liabilities | 2.9 | 358 | 290 |
| Total current liabilities | | 697 | 537 |
| Non-current liabilities | | | |
| Deferred income tax liabilities | 2.16 | 8 | 7 |
| Employee benefit obligations | 2.7 | 46 | 48 |
| Other liabilities | 2.9 | 9 | - |
| Total liabilities | | 760 | 592 |
| Equity | | | |
| Share capital-Rs. 5 ($0.16) par value 600,000,000 equity shares authorized, issued and outstanding 570,701,633 and 572,830,043 as of December 31, 2009 and March 31, 2009, respectively | | 64 | 64 |
| Share premium | | 685 | 672 |
| Retained earnings | | 4,262 | 3,618 |
| Other components of equity | | (193) | (570) |
| Total equity attributable to equity holders of the company | | 4,818 | 3,784 |
| Total liabilities and equity | | $5,578 | $4,376 |

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

Infosys Technologies Limited and subsidiaries

Unaudited Consolidated Statements of Comprehensive Income

(Dollars in millions except share data)

| | Note | Three months ended December 31, | | Nine months ended December 31, | |
|---|---|---|---|---|---|
| | | 2009 | 2008 | 2009 | 2008 |
| | | | | | |
| Revenues | | $1,232 | $1,171 | $3,508 | $3,542 |
| Cost of sales | | 700 | 661 | 2,005 | 2,049 |
| Gross profit | | 532 | 510 | 1,503 | 1,493 |
| Operating expenses: | | | | | |
| Selling and marketing expenses | | 68 | 55 | 178 | 184 |
| Administrative expenses | | 82 | 82 | 255 | 265 |
| Total operating expenses | | 150 | 137 | 433 | 449 |
| Operating profit | | 382 | 373 | 1,070 | 1,044 |
| Other income | 2.13 | 50 | 7 | 154 | 50 |
| Profit before income taxes | | 432 | 380 | 1,224 | 1,094 |
| Income tax expense | 2.16 | 98 | 48 | 260 | 134 |
| Net profit | | $334 | $332 | $964 | $960 |
| Other comprehensive income | | | | | |
| Exchange differences on translating foreign operations | | $151 | $(134) | $377 | $(724) |
| Total other comprehensive income | | $151 | $(134) | $377 | $(724) |
| | | | | | |
| Total comprehensive income | | $485 | $198 | $1,341 | $236 |
| | | | | | |
| Profit attributable to: | | | | | |
| Owners of the company | | $334 | $332 | $964 | $960 |
| Non-controlling interest | | - | - | - | - |
| | | $334 | $332 | $964 | $960 |
| Total comprehensive income attributable to: | | | | | |
| Owners of the company | | $485 | $198 | $1,341 | $236 |
| Non-controlling interest | | - | - | - | - |
| | | $485 | $198 | $1,341 | $236 |
| | | | | | |
| Earnings per equity share | | | | | |
| Basic ($) | | 0.59 | 0.58 | 1.69 | 1.69 |
| Diluted ($) | | 0.59 | 0.58 | 1.69 | 1.68 |
| Weighted average equity shares used in computing earnings per equity share | 2.17 | | | | |
| Basic | | 570,602,970 | 569,755,757 | 570,353,792 | 569,571,267 |
| Diluted | | 571,183,310 | 570,449,069 | 571,039,216 | 570,650,033 |

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

Infosys Technologies Limited and subsidiaries

Unaudited Consolidated Statements of Changes in Equity

(Dollars in millions except share data)

| | Shares | Share capital | Share premium | Retained earnings | Other components of equity | Total equity attributable to equity holders of the company |
|---|---|---|---|---|---|---|
| Balance as of April 1, 2008 | 571,995,758 | $64 | $655 | $2,896 | $301 | $3,916 |
| Changes in equity for the nine months ended December 31, 2008 | | | | | | |
| Shares issued on exercise of employee stock options | 645,745 | — | 10 | — | — | 10 |
| Share-based compensation | — | — | 1 | — | — | 1 |
| Dividends (including corporate dividend tax) | — | — | — | (559) | — | (559) |
| Total comprehensive income | — | — | — | 960 | (724) | 236 |
| Balance as of December 31, 2008 | 572,641,503 | $64 | $666 | $3,297 | $(423) | $3,604 |
| Balance as of April 1, 2009 | 572,830,043 | $64 | $672 | $3,618 | $(570) | $3,784 |
| Changes in equity for the nine months ended December 31, 2009 | | | | | | |
| Shares issued on exercise of employee stock options | 705,190 | — | 13 | — | — | 13 |
| Treasury shares* | (2,833,600) | — | — | — | — | — |
| Reserves on consolidation of trusts | — | — | — | 10 | — | 10 |
| Dividends (including corporate dividend tax) | — | — | — | (330) | — | (330) |
| Total comprehensive income | — | — | — | 964 | 377 | 1,341 |
| Balance as of December 31, 2009 | 570,701,633 | $64 | $685 | $4,262 | $(193) | $4,818 |

The accompanying notes form an integral part of the unaudited consolidated interim financial statements
*Treasury shares held by controlled trusts consolidated effective July 1, 2009.

Infosys Technologies Limited and subsidiaries

Unaudited Consolidated Statements of Cash Flows

(Dollars in millions)

| | Note | Nine months ended December 31, 2009 | 2008 |
|---|---|---|---|
| Operating activities: | | | |
| Net profit | | $964 | $960 |
| Adjustments to reconcile net profit to net cash provided by operating activities: | | | |
| Depreciation and amortization | 2.4 and 2.5 | 149 | 120 |
| Share based compensation | 2.15 | - | 1 |
| Income tax expense | 2.16 | 260 | 134 |
| Income on investments | 2.6 | (16) | - |
| Changes in working capital | | | |
| Trade receivables | | 66 | (47) |
| Prepayments and other assets | | (33) | 21 |

| | | | |
|---|---|---|---|
| Unbilled revenue | | (11) | (70) |
| Trade payables | | (3) | (8) |
| Client deposits | | 2 | 4 |
| Unearned revenue | | 60 | 31 |
| Other liabilities and provisions | | (16) | 73 |
| Cash generated from operations | | 1,422 | 1,219 |
| Income taxes paid | 2.16 | (290) | (123) |
| Net cash provided by operating activities | | 1,132 | 1,096 |
| Investing activities: | | | |
| Payment for acquisition of business, net of cash acquired | 2.2 | (37) | (3) |
| Expenditure on property, plant and equipment | 2.4 | (102) | (226) |
| Loans to employees | | 1 | (2) |
| Non-current deposits placed with corporation | | - | (16) |
| Income on investments | | 16 | - |
| Investment in certificates of deposit | | - | (43) |
| Investment in available-for-sale financial assets | | (1,774) | (60) |
| Redemption of available-for-sale financial assets | | 673 | 76 |
| Net cash used in investing activities | | (1,223) | (274) |
| Financing activities: | | | |
| Proceeds from issuance of common stock on exercise of employee stock options | | 13 | 10 |
| Payment of dividends (including corporate dividend tax) | | (330) | (559) |
| Net cash used in financing activities | | (317) | (549) |
| Effect of exchange rate changes on cash and cash equivalents | | 203 | (383) |
| Net (decrease)/ increase in cash and cash equivalents | | (408) | 273 |
| Cash and cash equivalents at the beginning | 2.1 | 2,167 | 2,058 |
| Opening balance of cash and cash equivalents of controlled trusts | | 10 | - |
| Cash and cash equivalents at the end | 2.1 | $1,972 | $1,948 |
| Supplementary information: | | | |
| Restricted cash balance | 2.1 | $15 | $1 |

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

Notes to the Unaudited Consolidated Financial Statements

## 1. Company Overview and Significant Accounting Policies

### 1.1 Company overview

Infosys Technologies Limited (Infosys or the company) along with its controlled trusts, majority owned and controlled subsidiary, Infosys BPO Limited (Infosys BPO) and wholly owned and controlled subsidiaries, Infosys Technologies (Australia) Pty. Limited (Infosys Australia), Infosys Technologies (China) Co. Limited (Infosys China), Infosys Consulting, Inc. (Infosys Consulting), Infosys Technologies S. DE R.L. de C.V. (Infosys Mexico), Infosys Technologies (Sweden) AB (Infosys Sweden), Infosys Tecnologia DO Brasil LTDA. (Infosys Brasil) and Infosys Public Services, Inc, (Infosys Public Services), is a leading global technology services company. The Infosys group of companies (the Group) provides end-to-end business solutions that leverage technology thereby enabling its clients to enhance business performance. The Group's operations are to provide solutions that span the entire software life cycle encompassing technical consulting, design, development, re-engineering, maintenance, systems integration, package evaluation and implementation, testing and infrastructure management services. In addition, the Group offers software products for the banking industry and business process management services.

The company is a public limited company incorporated and domiciled in India and has its registered office at Bangalore, Karnataka, India. The company has its primary listing on the Bombay Stock Exchange and National Stock Exchange in India. The company's American Depositary Shares representing equity shares are also listed on NASDAQ Global Select Market. The company's consolidated interim financial statements were authorized for issue by the company's Board of Directors on January 25, 2010.

1.2 Basis of preparation of financial statements

These consolidated interim financial statements as at and for the three months and nine months ended December 31, 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 prepared in accordance with IAS 34, Interim Financial Reporting, and should be read in conjunction with the consolidated financial statements and related notes included in the company's Annual Report on Form 20-F for the fiscal year ended March 31, 2009.

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

1.3 Basis of consolidation

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

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

1.4 Use of estimates

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

1.5 Critical accounting estimates

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 to Note 2.16.

1.6 Revenue recognition

The company derives revenues primarily from software development and related services, from business process management services and from the licensing of software products. Arrangements with customers for software development and related services and business process management services are either on a fixed-price, fixed-timeframe or on a time-and-material basis.

Revenue on time-and-material contracts are recognized as the related services are performed and revenue from the end of the last billing to the balance sheet date is recognized as unbilled revenues. Revenue from fixed-price, fixed-timeframe contracts 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 has been allocated to the delivered components for which specific fair values do not exist.

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

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

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

The company presents revenues net of value-added taxes in its statement of comprehensive income.

1.7 Property, plant and equipment 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 expenditures relating to property, plant and equipment is capitalized only when it is probable that future economic benefits associated with these will flow to the Group and the cost of the item can be measured reliably. Repairs and maintenance costs are recognized in the statement of comprehensive income when incurred. The cost and related accumulated depreciation are eliminated from the financial statements upon sale or disposition of the asset and the resultant gains or losses are recognized in the statement of comprehensive income. Assets to be disposed off are reported at the lower of the carrying value or the fair value less cost to sell.

1.8 Business combinations

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

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

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

1.9 Goodwill

Goodwill represents the cost of business acquisition in excess of the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative, it is recognized immediately in the statement of comprehensive income.

Goodwill is measured at cost less accumulated impairment losses.

1.10 Intangible assets

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

Research costs are expensed as incurred. Software product development costs are expensed as incurred unless technical and commercial feasibility of the project is demonstrated, future economic benefits are probable, the company has an intention and ability to complete and use or sell the software and the costs can be measured reliably. 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, prepayments and other assets and certificates of deposit. Cash and cash equivalents comprise cash and bank deposits and deposits with corporations. The company considers all highly liquid investments with a remaining maturity at the date of purchase of three months or less and that are readily convertible to known amounts of cash to be cash equivalents. Certificates of deposit is a negotiable money market instrument for funds deposited at a bank or other eligible financial institution for a specified time period.

(ii) Available-for-sale financial assets

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

(iii) Trade and other payables

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

b. Derivative financial instruments

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

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

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

Derivatives are recognized initially at fair value and attributable transaction costs are recognized in the statement of comprehensive income 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 net profit in the statement of comprehensive income.

(ii) Available-for-sale financial assets

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

b. Non-financial assets

(i) Goodwill

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

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

(ii) Intangible assets and property, plant and equipment

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

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

c. Reversal of impairment loss

An impairment loss for financial assets is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognized for the asset in prior years. A reversal of impairment loss for an asset other than goodwill and available- for-sale financial assets that are equity securities is recognized in the statement of comprehensive income. For available-for-sale financial assets that are equity securities, the reversal is recognized in other comprehensive income.

1.13 Fair value of financial instruments

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

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

1.14 Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

a. Post sales client support

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

b.Onerous contracts

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

1.15 Foreign currency

Functional and presentation currency

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

Transactions and translations

Foreign-currency denominated monetary assets and liabilities are translated into the relevant functional currency at exchange rates in effect at the balance sheet date. The gains or losses resulting from such translations are included in net profit in the statement of comprehensive income. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction.

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

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

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

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

Deferred income tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of changes in tax rates on deferred income tax assets and liabilities is recognized as income or expense in the period that includes the enactment or the substantive enactment date. A deferred income tax asset is recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilized. Deferred income taxes are not provided on the undistributed earnings of subsidiaries and branches where it is expected that the earnings of the subsidiary or branch will not be distributed in the foreseeable future. The income tax provision for the interim period is made based on the best estimate of the annual average tax rate expected to be applicable for the full fiscal year. The company offsets current tax assets and current tax liabilities, where it has a legally enforceable right to set off the recognized amounts and where it intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. 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 its balance sheet as an asset or liability, respectively in accordance with IAS 19, Employee benefits. The discount rate is based on the Government securities yield. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the statement of comprehensive income in the period in which they arise. When the computation results in a benefit to the Group, the recognized asset is limited to the net total of any unrecognized past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

1.18.2 Superannuation

Certain employees of Infosys are also participants in a defined contribution plan. 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 is being paid directly to the employees as an allowance and the balance amount is contributed to the Infosys Superannuation Trust.

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

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

1.18.3 Provident fund

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

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

1.18.4 Compensated absences

The Group has a policy on compensated absences which are both accumulating and non-accumulating in nature. The expected cost of accumulating compensated absences is measured based on the additional amount expected to be paid/availed as a result of the unused entitlement that has accumulated at the balance sheet date. Expense on non-accumulating compensated absences is recognized in the period in which the absences occur.

1.19 Share-based compensation

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

The fair value of each option is estimated on the date of grant using the Black-Scholes-Merton valuation model. The expected term of an option is estimated based on the vesting term and contractual term of the option, as well as expected exercise behaviour of the employee who receives the option. Expected volatility during the expected term of the option is based on historical volatility, during a period equivalent to the expected term of the option, of the observed market prices of the company's publicly traded equity shares.

Expected dividends during the expected term of the option are based on recent dividend activity. Risk-free interest rates are based on the government securities yield in effect at the time of the grant over the expected term.

1.20 Dividends

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

1.21 Operating profit

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

1.22 Other income

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

1.23 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 January 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.

2. IFRS 3 (Revised), Business Combinations, as amended, is applicable for annual periods beginning on or after July 1, 2009. This standard was early adopted by the company as at April 1, 2009. Business Combinations consummated after April 1, 2009 will be impacted by this standard. 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, will include fair values of all interests previously held by the acquirer. Re-measurement of such interests to fair value would be carried out through net profit in the statement of comprehensive income. 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 will result in a marginal difference in the measurement of goodwill from the existing IFRS 3; however the second approach will require recording goodwill on NCI as well as on the acquired controlling interest. Upon consummating a business transaction in future the company is likely to adopt the first method for measuring NCI.

3. IAS 27 Consolidated and Separate Financial Statements, as amended, is applicable for annual periods beginning on or after July 1, 2009. This standard was early adopted by the company as at 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.

1.23.2 Recently adopted accounting pronouncements

1. IAS 1, Presentation of Financial Statements is applicable for annual periods beginning on or after January 1, 2009. This Standard was adopted by the company as at April 1, 2009. Consequent to the adoption of the standard, title for cash flows has been changed to 'Statement of Cash Flow'. Further, the company has included in its complete set of financial statements, a single 'Statement of Comprehensive Income'.

2. 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 applicable prospectively to transfers of assets from customers received on or after July 1, 2009. The company has adopted this interpretation prospectively for all assets transferred after July 1, 2009. There has been no material impact on the company as a result of the adoption of this interpretation.

2 Notes to the unaudited consolidated interim financial statements

2.1 Cash and cash equivalents

Cash and cash equivalents consist of the following:

(Dollars in millions)

| | As of | |
|---|---|---|
| | December 31, 2009 | March 31, 2009 |
| Cash and bank deposits | $1,639 | $1,911 |
| Deposits with corporations | 333 | 256 |
| | $1,972 | $2,167 |

Cash and cash equivalents as of December 31, 2009 include restricted cash balance of $15 million. The restricted cash balance as of March 31, 2009 was less than $1 million. The restrictions are primarily on account of cash balances held by irrevocable trusts controlled by the company and unclaimed dividends.

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

The table below provides details of cash and cash equivalents:

(Dollars in millions)

| | As of | |
|---|---|---|
| | December 31, 2009 | March 31, 2009 |
| Current accounts | | |
| ABN Amro Bank, China | $4 | $1 |
| ABN Amro Bank, China (U.S. dollar account) | 6 | 3 |
| Bank of America, USA | 41 | 116 |
| Bank of America, Mexico | 5 | - |
| Citibank N.A., Australia | 5 | 7 |
| Citibank N.A., Brazil | 1 | - |
| Citibank N.A., Czech Republic (Euro account) | - | 1 |
| Citibank N.A., Czech Republic (U.S. dollar account) | - | 1 |
| Citibank N.A., Japan | 1 | - |
| Citibank N.A., New Zealand | 1 | - |
| Citibank N.A., Singapore | 1 | 2 |
| Deutsche Bank, Belgium | 1 | 1 |
| Deutsche Bank, Germany | 1 | 1 |
| Deutsche Bank, India | 4 | 2 |
| Deutsche Bank, Netherlands | 1 | - |
| Deutsche Bank, Switzerland | 1 | - |
| Deutsche Bank, Thailand | 1 | - |
| Deutsche Bank, Philippines (U.S. dollar account) | 1 | - |
| Deutsche Bank, United Kingdom | 8 | 11 |
| Deutsche Bank-EEFC account in Euro, India | 1 | 5 |
| Deutsche Bank-EEFC account in Swiss Franc, India | - | 1 |
| Deutsche Bank-EEFC account in U.S. dollars, India | 2 | 2 |
| HSBC Bank, United Kingdom | - | 2 |
| ICICI Bank, India | 10 | 4 |
| ICICI Bank-EEFC account in United Kingdom Pound Sterling, India | 1 | 1 |
| ICICI Bank-EEFC account in U.S. dollars, India | 7 | 8 |
| National Australia Bank Limited, Australia | 5 | 6 |
| National Australia Bank Limited, Australia (U.S. dollar account) | 2 | 2 |
| Royal Bank of Canada, Canada | 1 | 1 |
| Wachovia Bank, USA | 2 | - |
| | $114 | $178 |
| Deposit accounts | | |
| Andhra Bank, India | $20 | $16 |
| Allahabad Bank | 22 | - |
| Bank of Baroda, India | 183 | 163 |
| Bank of Maharashtra, India | 107 | 106 |
| Barclays Bank, Plc. India | 45 | 28 |
| Canara Bank, India | 191 | 157 |
| Central Bank of India | 22 | - |
| Citibank N.A., Czech Republic | 4 | 1 |
| Corporation Bank, India | 26 | 68 |
| DBS Bank, India | 11 | 5 |
| Deutsche Bank , Poland | 3 | - |
| HSBC Bank, India | - | 56 |
| ICICI Bank, India | 218 | 110 |
| IDBI Bank, India | 115 | 108 |

| | | |
|---|---|---|
| ING Vysya Bank, India | 5 | 10 |
| Indian Overseas Bank | 45 | - |
| National Australia Bank Limited, Australia | 64 | 45 |
| Oriental Bank of Commerce | 20 | - |
| Punjab National Bank, India | 81 | 95 |
| Standard Chartered Bank, India | - | 7 |
| State Bank of Hyderabad, India | 55 | 39 |
| State Bank of India, India | 34 | 416 |
| State Bank of Mysore, India | 107 | 99 |
| Syndicate Bank, India | 107 | 99 |
| The Bank of Nova Scotia, India | - | 69 |
| Union Bank of India, India | 20 | 17 |
| Vijaya Bank, India | 20 | 19 |
| | $1,525 | $1,733 |
| Deposits with corporations | | |
| HDFC Limited, India | $332 | $256 |
| Sundaram BNP Paribus Home Finance Limited | 1 | - |
| | $333 | $256 |
| Total | $1,972 | $2,167 |

2.2 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. Consequent to this acquisition, intellectual property rights amounting to $3 million were recorded. Considering the economic benefits expected to be obtained from the intellectual property rights this amount has been fully amortized during the previous year.

On December 4, 2009, Infosys BPO acquired 100% of the voting interests in McCamish Systems LLC (McCamish), a business process solutions provider based in Atlanta, Georgia, in the United States. The business acquisition was conducted by entering into Membership Interest Purchase Agreement for a cash consideration of $37 million and a contingent consideration of up to $20 million. The fair value of the contingent consideration on the date of acquisition was $9 million.

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

The purchase price has been allocated based on Management’s estimates and an independent appraisal of fair values as follows:

(Dollars in millions)

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

| | |
|---|---|
| Total purchase price | $46 |

The amount of trade receivables acquired from the above business acquisition was $4 million. Based on the past experience, management expects the entire amount to be collected.

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

The acquisition date fair value of each major class of consideration as at the acquisition date is as follows:

(Dollars in millions)

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

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

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

The transaction costs of $1 million related to the acquisition have been included under cost of sales in the statement of comprehensive income.

2.3 Prepayments and other assets

Prepayments and other assets consist of the following:

(Dollars in millions)

| | As of | |
|---|---|---|
| | December 31, 2009 | March 31, 2009 |
| Current | | |
| Rental deposits | $7 | $7 |
| Security deposits with service providers | 11 | 7 |
| Loans to employees | 18 | 22 |
| Prepaid expenses | 7 | 7 |
| Interest accrued and not due | 2 | 1 |
| Withholding taxes | 65 | 33 |
| Advance payments to vendors for supply of goods | 3 | 3 |
| Other assets | 4 | 1 |
| | $117 | $81 |
| Non-current | | |

| | | |
|---|---|---|
| Loans to employees | $6 | $2 |
| Deposit with corporation | 67 | 50 |
| | $73 | $52 |
| | $190 | $133 |
| Financial assets in prepayments and other assets | $176 | $122 |

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

2.4 Property, plant and equipment

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

(Dollars in millions)

| | Gross carrying value | Accumulated depreciation | Carrying value |
|---|---|---|---|
| Land | $70 | - | $70 |
| Buildings | 688 | (149) | 539 |
| Plant and machinery | 292 | (153) | 139 |
| Computer equipment | 291 | (245) | 46 |
| Furniture and fixtures | 186 | (111) | 75 |
| Vehicles | 1 | - | 1 |
| Capital work-in-progress | 91 | - | 91 |
| | $1,619 | $(658) | $961 |

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 |

Following are the changes in the carrying value of property, plant and equipment for the three months ended December 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 October 1, 2009 | $68 | $523 | $141 | $48 | $78 | $1 | $87 | $946 |
| Translation differences | 1 | 16 | 7 | 2 | 3 | - | 4 | 33 |
| Additions/ (deletions) | 1 | 12 | 6 | 9 | 3 | - | - | 31 |
| Acquisition through business combination | - | - | - | 1 | - | - | - | 1 |
| Depreciation | - | (12) | (15) | (14) | (9) | - | - | (50) |
| Carrying value as at December 31, 2009 | $70 | $539 | $139 | $46 | $75 | $1 | $91 | $961 |

Following are the changes in the carrying value of property, plant and equipment for the three months ended December 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 October 1, 2008 | $57 | $381 | $108 | $47 | $60 | $1 | $295 | $949 |
| Translation differences | (1) | (20) | (6) | - | - | - | (4) | (31) |
| Additions/ (deletions) | - | 89 | 30 | 21 | 20 | - | (102) | 58 |
| Depreciation | - | (9) | (7) | (15) | (7) | - | - | (38) |
| Carrying value as at December 31, 2008 | $56 | $441 | $125 | $53 | $73 | $1 | $189 | $938 |

Following are the changes in the carrying value of property, plant and equipment for the nine months ended December 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, 2009 | $56 | $468 | $130 | $54 | $77 | $1 | $134 | $920 |
| Translation differences | 5 | 43 | 13 | 4 | 6 | - | 10 | 81 |
| Additions/ (deletions) | 9 | 61 | 37 | 30 | 18 | - | (53) | 102 |
| Acquisition through business combination | - | - | - | 1 | - | - | - | 1 |
| Depreciation | - | (33) | (41) | (43) | (26) | - | - | (143) |
| Carrying value as at December 31, 2009 | $70 | $539 | $139 | $46 | $75 | $1 | $91 | $961 |

Following are the changes in the carrying value of property, plant and equipment for the nine months ended December 31, 2008:

(Dollars in millions)

| | Land | Buildings | Plant and machinery | Computer equipment | Furniture and | Vehicles | Capital work-in-progress | Total |
|---|---|---|---|---|---|---|---|---|

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | fixtures | | | |
| Carrying value as at April 1, 2008 | $57 | $395 | $113 | $58 | $68 | - | $331 | $1,022 |
| Translation differences | (10) | (80) | (24) | (13) | (12) | - | (53) | (192) |
| Additions / (deletions) | 9 | 151 | 64 | 52 | 38 | 1 | (89) | 226 |
| Depreciation | - | (25) | (28) | (44) | (21) | - | - | (118) |
| Carrying value as at December 31, 2008 | $56 | $441 | $125 | $53 | $73 | $1 | $189 | $938 |

The depreciation expense for the three months and nine months ended December 31, 2009 and December 31, 2008 is included in cost of sales in the statement of comprehensive income.

Carrying value of land includes $32 million and $22 million as at December 31, 2009 and March 31, 2009, respectively, towards deposits paid under certain lease-cum-sale agreements to acquire land including agreements where the company has an option to purchase the properties on expiry of the lease period. The company has already paid 99% of the market value of the properties prevailing at the time of entering into the lease-cum-sale agreements with the balance payable at the time of purchase.

The contractual commitments for capital expenditure were $57 million and $73 million as of December 31, 2009 and March 31, 2009, respectively.

2.5 Goodwill and intangible assets

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

(Dollars in millions)

| | As of | |
|---|---|---|
| | December 31, 2009 | March 31, 2009 |
| Carrying value at the beginning | $135 | $174 |
| Goodwill recognized on acquisition (Refer Note 2.2) | 30 | - |
| Translation differences | 13 | (39) |
| Carrying value at the end | $178 | $135 |

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

(Dollars in millions)

| Segment | As of | |
|---|---|---|
| | December 31, 2009 | March 31, 2009 |
| Financial services | $87 | $53 |
| Manufacturing | 20 | 18 |
| Telecom | 3 | 2 |
| Retail | 49 | 44 |
| Others | 19 | 18 |
| Total | $178 | $135 |

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

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

The recoverable amount of a CGU is the higher of its fair value less cost to sell and its value-in-use. The fair value of a CGU is determined based on the market capitalization. The value-in-use is determined based on specific calculations. These calculations use pre-tax cash flow projections over a period of five years, based on financial budgets approved by management and an average of the range of each assumption mentioned below. As 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)

| | As of | |
|---|---|---|
| | December 31, 2009 | March 31, 2009 |
| Gross carrying value at the beginning | $11 | $11 |
| Intellectual property rights (Refer Note 2.2) | - | 3 |
| Customer contracts and relationships (Refer Note 2.2) | 10 | - |
| Computer software platform (Refer Note 2.2) | 3 | - |
| Translation differences | 1 | (3) |
| Gross carrying value at the end | $25 | $11 |
| | | |
| Accumulated amortization at the beginning | $4 | - |
| Amortization expense | 6 | 4 |
| Accumulated amortization at the end | $10 | $4 |
| Net carrying value | $15 | $7 |

The intangible customer contracts recognized at the time of Philips acquisition are being amortized over a period of seven years, being management's estimate of the useful life of the respective assets, based on the life over which economic benefits are expected to be realized. During the three months ended December 31, 2009 the amortization of this intangible asset has been accelerated based on the usage pattern of the asset. As of December 31, 2009, the customer contracts have a remaining amortization period of five years.

The intangible customer contracts and relationships, and computer software platform recognized at the time of McCamish acquisition are being amortized over a period of 9 years and 4 months, respectively, being management's estimate of the useful life of the respective assets, based on the life over which economic benefits are expected to be realized.

The aggregate amortization expense included in cost of sales, for the three months and nine months ended December 31, 2009 was $5 million and $6 million, respectively, and for the three months and nine months ended December 31, 2008 was $1 million and $2 million, respectively.

Research and development expense recognized in the statement of comprehensive income, for the three months and nine months ended December 31, 2009 was $25 million and $67 million, respectively and for the three months and nine months ended December 31, 2008 was $18 million and $40 million, respectively.

2.6 Financial instruments

Financial instruments by category

The carrying value and fair value of financial instruments by categories as at December 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/ fair value |
|---|---|---|---|---|---|
| Assets: | | | | | |
| Cash and cash equivalents (Refer Note 2.1) | $1,972 | - | - | - | $1,972 |
| Available-for-sale financial assets | - | - | 1,133 | - | 1,133 |
| Trade receivables | 724 | - | - | - | 724 |
| Unbilled revenue | 173 | - | - | - | 173 |
| Derivative financial instruments | - | 16 | - | - | 16 |
| Prepayments and other assets (Refer Note 2.3) | 176 | - | - | - | 176 |
| Total | $3,045 | $16 | $1,133 | - | $4,194 |
| Liabilities: | | | | | |
| Trade payables | - | - | - | $3 | $3 |
| Client deposits | - | - | - | 3 | 3 |
| Employee benefit obligations (Refer Note 2.7) | - | - | - | 76 | 76 |
| Other liabilities (Refer Note 2.9) | - | - | - | 361 | 361 |
| Total | - | - | - | $443 | $443 |

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/ fair value |
|---|---|---|---|---|---|
| Assets: | | | | | |
| Cash and cash equivalents (Refer Note 2.1) | $2,167 | - | - | - | $2,167 |
| Trade receivables | 724 | - | - | - | 724 |
| Unbilled revenue | 148 | - | - | - | 148 |
| Prepayments and other assets (Refer Note 2.3) | 122 | - | - | - | 122 |
| Total | $3,161 | - | - | - | $3,161 |
| Liabilities: | | | | | |
| Trade payables | - | - | - | $5 | $5 |
| Derivative financial instruments | - | 22 | - | - | 22 |

| | | | | | |
|---|---|---|---|---|---|
| Client deposits | - | - | - | 1 | 1 |
| Employee benefit obligations (Refer Note 2.7) | - | - | - | 69 | 69 |
| Other liabilities (Refer Note 2.9) | - | - | - | 284 | 284 |
| Total | - | $22 | - | $359 | $381 |

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

(Dollars in millions)

| | Three months ended December 31, | | Nine months ended December 31, | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| Interest income on deposits | $34 | $46 | $121 | $135 |
| Income from available-for-sale financial assets | 9 | - | 16 | - |
| | $43 | $46 | $137 | $135 |

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 | |
|---|---|---|
| | December 31, 2009 | March 31, 2009 |
| Forward contracts | | |
| In U.S. dollars | 380 | 278 |
| In Euro | 13 | 27 |
| In United Kingdom Pound Sterling | 10 | 21 |
| Option contracts | | |
| In U.S. dollars | 194 | 173 |

The company recognized a net gain on derivative financial instruments of $22 million and $41 million for the three months and nine months ended December 31, 2009, respectively, as against a net loss on derivative financial instruments of $28 million and $144 million for the three months and nine months ended December 31, 2008, respectively, which are included in other income.

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

(Dollars in millions)

| | As of | |
|---|---|---|
| | December 31, 2009 | March 31, 2009 |
| Not later than one month | $105 | $68 |
| Later than one month and not later than three months | 230 | 197 |
| Later than three months and not later than one year | 274 | 250 |
| | $609 | $515 |

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 | |
|---|---|---|
| | December 31, 2009 | March 31, 2009 |
| Aggregate amount of outstanding forward and option contracts | $609 | $515 |
| Gains / (losses) on outstanding forward and option contracts | $16 | $(22) |

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

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

(Dollars in millions)

| | U.S. dollars | Euro | United Kingdom Pound Sterling | Australian dollars | Other currencies | Total |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | $52 | $4 | $9 | $76 | $30 | $171 |
| Trade receivables | 495 | 66 | 85 | 2 | 76 | 724 |
| Unbilled revenue | 109 | 18 | 28 | 7 | 8 | 170 |
| Prepayments and other assets | 25 | 1 | 2 | 1 | 3 | 32 |
| Trade payables | - | - | - | - | (2) | (2) |
| Client deposits | (3) | - | - | - | - | (3) |
| Accrued expenses | (51) | (1) | - | (2) | (7) | (61) |
| Accrued compensation to employees | (33) | - | - | (3) | (7) | (43) |
| Other liabilities | (172) | (29) | (15) | (13) | (10) | (239) |

| | | | | | | |
|---|---|---|---|---|---|---|
| Net assets / (liabilities) | $422 | $59 | $109 | $68 | $91 | $749 |

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) |
| Accrued expenses | (41) | (1) | (3) | (1) | (34) | (80) |
| Accrued compensation to employees | (31) | - | - | (2) | (4) | (37) |
| Other liabilities | (73) | (35) | (18) | (10) | (16) | (152) |
| Net assets / (liabilities) | $537 | $44 | $129 | $52 | $38 | $800 |

For the three months ended December 31, 2009 and December 31, 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 0.3% and 0.4%, respectively.

For the nine months ended December 31, 2009 and December 31, 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 0.5% and 0.4%, respectively.

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

Credit risk

Credit risk refers to the risk of default on its obligation by the counterparty resulting in a financial loss. The maximum exposure to the credit risk at the reporting date is primarily from trade receivables amounting to $724 million each as at December 31, 2009 and March 31, 2009. Trade receivables are typically unsecured and are derived from revenue earned from customers primarily located in the United States. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the company grants credit terms in the normal course of business.

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

(In %)

| | Three months ended December 31, | | Nine months ended December 31, | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| Revenue from top customer | 4.7 | 6.2 | 4.6 | 7.2 |
| Revenue from top five customers | 17.6 | 17.3 | 16.7 | 18.3 |

Financial assets that are neither past due nor impaired

Cash and cash equivalents and available-for-sale financial assets are neither past due nor impaired. Cash and cash equivalents include deposits with banks and corporations with high credit-ratings assigned by international and domestic credit-rating agencies. Available-for-sale financial assets include investment in liquid mutual fund units. Of the total trade receivables, $439 million as at December 31, 2009, and $427 million as at March 31, 2009, 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 December 31, 2009 | As of March 31, 2009 |
|---|---|---|
| 31 – 60 | $197 | $248 |
| 61 – 90 | $54 | $36 |
| More than 90 | $33 | $10 |

The allowance for impairment of trade receivables for the three months ended December 31, 2009 was a credit of $5 million whereas the allowance for impairment of trade receivables for the nine months ended December 31, 2009 was $5 million. The allowance for impairment of trade receivables for the three months and nine months ended December 31, 2008 was $2 million and $12 million, respectively. The movement in the allowance for impairment of trade receivables is as follows:

(Dollars in millions)

| | Three months ended December 31, | | Nine months ended December 31, | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| Balance at the beginning | $32 | $17 | $21 | $10 |
| Translation differences | 2 | - | 3 | - |
| Impairment loss recognized | (5) | 2 | 5 | 12 |
| Trade receivables written off | - | - | - | (3) |
| Balance at the end | $29 | $19 | $29 | $19 |

Liquidity risk

As of December 31, 2009, the company had a working capital of $3,438 million including cash and cash equivalents of $1,972 million and available-for-sale financial assets of $1,133 million. 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 December 31, 2009 and March 31, 2009, 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 December 31, 2009:

(Dollars in millions)

| Particulars | Less than 1 year | 1-2 years | 2-4 years | 4-7 years | Total |
|---|---|---|---|---|---|
| Trade payables | $3 | - | - | - | $3 |
| Client deposits | 3 | - | - | - | 3 |
| Incentive accruals (Refer Note 2.7) | 5 | - | 6 | - | 11 |
| Other liabilities (Refer Note 2.9) | $352 | $1 | $2 | $6 | $361 |

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 | 4-7 years | Total |
|---|---|---|---|---|---|
| Trade payables | $5 | - | - | - | $5 |
| Client deposits | 1 | - | - | - | 1 |
| Incentive accruals (Refer Note 2.7) | - | 5 | 6 | - | 11 |
| Other liabilities (Refer Note 2.9) | $284 | - | - | - | $284 |

2.7 Employee benefit obligations

Employee benefit obligations comprise the following:

(Dollars in millions)

| | As of | |
|---|---|---|
| | December 31, 2009 | March 31, 2009 |
| Current | | |
| Compensated absence | $25 | $21 |
| Incentive accruals | 5 | - |
| | $30 | $21 |
| Non-current | | |
| Compensated absence | $40 | $37 |
| Incentive accruals | 6 | 11 |
| | $46 | $48 |
| | $76 | $69 |

2.8 Provisions

Provisions comprise the following:

(Dollars in millions)

| | As of | |
|---|---|---|
| | December 31, 2009 | March 31, 2009 |
| Provision for post sales client support | $16 | $18 |

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

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

(Dollars in millions)

| | Three months ended December 31, | | Nine months ended December 31, | |
|---|---|---|---|---|
| | 2009 | 2008 | | |