

**INFOSYS TECHNOLOGIES LIMITED**

in Rs. crore

Balance Sheet as at	Schedules	March 31, 2004	March 31, 2003
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share capital	1	33.32	33.12
Reserves and surplus	2	3,220.11	2,827.53
		<b>3,253.43</b>	<b>2,860.65</b>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Original cost	3	1,570.23	1,273.31
Less: Depreciation and amortization		803.41	577.15
Net book value		766.82	696.16
Add: Capital work-in-progress		203.48	76.56
		970.30	772.72
<b>INVESTMENTS</b>	4	1,027.38	33.20
<b>DEFERRED TAX ASSETS</b>	5	35.63	36.81
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Sundry debtors	6	632.51	512.14
Cash and bank balances	7	1,638.01	1,336.23
Loans and advances	8	833.12	872.78
		3,103.64	2,721.15
Less: Current liabilities	9	560.44	315.25
Provisions	10	1,323.08	387.98
<b>NET CURRENT ASSETS</b>		1,220.12	2,017.92
		<b>3,253.43</b>	<b>2,860.65</b>

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS 22**

The schedules referred to above and the notes thereon form an integral part of the balance sheet.

This is the balance sheet referred to in our report of even date.

for Bharat S Raut & Co.  
Chartered Accountants

S. Balasubrahmanyam Partner Membership No. 53315	N. R. Narayana Murthy Chairman and Chief Mentor	Nandan M. Nilekani Chief Executive Officer, President and Managing Director	S. Gopalakrishnan Chief Operating Officer and Deputy Managing Director	Deepak M. Satwalekar Director
	Marti G. Subrahmanyam Director	Philip Yeo Director	Omkar Goswami Director	Larry Pressler Director
	Rama Bijapurkar Director	Claude Smadja Director	Sridar A. Iyengar Director	K. Dinesh Director
	S. D. Shibulal Director	T. V. Mohandas Pai Director and Chief Financial Officer	Srinath Batni Director	V. Balakrishnan Company Secretary and Vice President – Finance

Bangalore  
April 13, 2004

## INFOSYS TECHNOLOGIES LIMITED

in Rs. crore, except per share data

Profit and Loss Account for the year ended	Schedules	March 31, 2004	March 31, 2003
<b>INCOME</b>			
Software services and products			
Overseas		4,694.69	3,543.51
Domestic		66.20	79.18
		<u>4,760.89</u>	<u>3,622.69</u>
SOFTWARE DEVELOPMENT EXPENSES	11	2,495.31	1,813.30
<b>GROSS PROFIT</b>		<b>2,265.58</b>	<b>1,809.39</b>
SELLING AND MARKETING EXPENSES	12	335.08	266.98
GENERAL AND ADMINISTRATION EXPENSES	13	346.85	270.37
		<u>681.93</u>	<u>537.35</u>
<b>OPERATING PROFIT BEFORE INTEREST, DEPRECIATION AND AMORTIZATION</b>		<b>1,583.65</b>	<b>1,272.04</b>
Interest		-	-
Depreciation and amortization		230.90	188.95
<b>OPERATING PROFIT AFTER INTEREST, DEPRECIATION AND AMORTIZATION</b>		<b>1,352.75</b>	<b>1,083.09</b>
Other income	14	127.39	99.61
Provision for investments		9.67	23.77
<b>NET PROFIT BEFORE TAX</b>		<b>1,470.47</b>	<b>1,158.93</b>
Provision for taxation	15	227.00	201.00
<b>NET PROFIT AFTER TAX</b>		<b>1,243.47</b>	<b>957.93</b>
<b>AMOUNT AVAILABLE FOR APPROPRIATION</b>		<b>1,243.47</b>	<b>957.93</b>
<b>DIVIDEND</b>			
Interim		96.09	82.76
Final		99.96	96.05
One-time special dividend		666.41	-
Total dividend		862.46	178.81
Dividend tax		110.50	12.30
Amount transferred - general reserve		200.00	766.82
Balance retained in Profit and Loss account		70.51	-
		<u>1,243.47</u>	<u>957.93</u>
<b>EARNINGS PER SHARE</b>			
<i>(Equity shares, par value Rs. 5/- each)</i>			
Basic		187.38	144.68
Diluted		185.05	143.37
Number of shares used in computing earnings per share			
Basic		6,63,61,944	6,62,11,068
Diluted		6,71,96,754	6,68,16,821

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS 22

The schedules referred to above and the notes thereon form an integral part of the profit and loss account.

This is the profit and loss account referred to in our report of even date.

For Bharat S Raut & Co.

Chartered Accountants

S. Balasubrahmanyam Partner Membership No. 53315	N. R. Narayana Murthy Chairman and Chief Mentor	Nandan M. Nilekani Chief Executive Officer, President and Managing Director	S. Gopalakrishnan Chief Operating Officer and Deputy Managing Director	Deepak M. Satwalekar Director
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Bangalore  
April 13, 2004

## INFOSYS TECHNOLOGIES LIMITED

in Rs. crore

Cash flow statement for the year ended	Schedule	March 31, 2004	March 31, 2003
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		1,470.47	1,158.93
Adjustments to reconcile profit before tax to cash provided by operating activities			
(Profit)/Loss on sale of fixed assets		(0.04)	-
Depreciation and amortization		230.90	188.95
Interest and dividend income		(100.28)	(78.05)
Provisions on investments		9.67	23.77
Exchange differences on translation of foreign currency cash and cash equivalents		6.59	(0.97)
Changes in current assets and liabilities			
Sundry debtors		(120.37)	(175.41)
Loans and advances	16	(1.34)	(127.63)
Current liabilities and provisions	17	245.50	158.46
Income taxes paid during the year	18	(107.13)	(232.09)
<b>NET CASH GENERATED BY OPERATING ACTIVITIES</b>		<b>1,633.97</b>	<b>915.96</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds on exercise of stock options		122.27	13.52
Dividends paid during the year, including dividend tax		(216.75)	(165.49)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>(94.48)</b>	<b>(151.97)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of fixed assets and change in capital work-in-progress	19	(429.87)	(219.26)
Proceeds on disposal of fixed assets		1.43	0.33
Investments in securities	20	(1,003.85)	(12.53)
Interest and dividend income		100.28	78.05
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(1,332.01)</b>	<b>(153.41)</b>
Effect of exchange differences on translation of foreign currency cash and cash equivalents		(6.59)	0.97
<b>Net (decrease)/increase in cash and cash equivalents during the year</b>		<b>200.89</b>	<b>611.55</b>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD/YEAR		1,638.51	1,026.96
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>21</b>	<b>1,839.40</b>	<b>1,638.51</b>
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	<b>22</b>		

The schedules referred to above and the notes thereon form an integral part of the cash flow statement.

This is the Cash Flow Statement referred to in our report of even date.

for Bharat S Raut & Co.  
Chartered Accountants

S. Balasubrahmanyam Partner Membership No. 53315	N. R. Narayana Murthy Chairman and Chief Mentor	Nandan M. Nilekani Chief Executive Officer, President and Managing Director	S. Gopalakrishnan Chief Operating Officer and Deputy Managing Director	Deepak M. Satwalekar Director
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Bangalore  
April 13, 2004

**INFOSYS TECHNOLOGIES LIMITED***in Rs. crore*Schedules to the Balance Sheet as at March 31, 2004 March 31, 2003**1. SHARE CAPITAL**

## AUTHORIZED

Equity shares, Rs. 5/- par value

10,00,00,000 equity shares

50.00

50.00

## ISSUED, SUBSCRIBED AND PAID UP

Equity shares, Rs. 5/- par value\*

6,66,41,056 (6,62,43,078) equity shares fully paid up

[Of the above, 5,78,88,200 (5,78,88,200) equity shares, fully paid up have been issued as bonus shares by capitalization of the general reserve]

33.32

33.12

**33.32****33.12**

Forfeited shares amounted to Rs. 1,500/- (Rs. 1,500/-)

\* for details of options in respect of the above shares, refer to note 22.2.13

**2. RESERVES AND SURPLUS**

Capital reserve

5.94

5.94

Share premium account as at April 1,

338.83

325.34

Add: received during the year on exercise of  
stock options issued to employees

122.07

13.49

460.90

338.83

General reserve as at April 1,

2,482.76

1,715.94

Add: Transfer from the profit &amp; loss account

200.00

766.82

2,682.76

2,482.76

Balance in Profit and Loss account

70.51

-

**3,220.11****2,827.53**

## INFOSYS TECHNOLOGIES LIMITED

in Rs. crore

## Schedules to the Balance Sheet

## 3. FIXED ASSETS

Particulars	Original cost				Depreciation and amortization				Net book value	
	Cost as at April 1, 2003	Additions during the Year	Deletions during the Year	Cost as at March 31, 2004	As at April 1, 2003	For the year	Deductions during the year	As at March 31, 2004	As at March 31, 2004	As at March 31 2003
Land – free-hold*	15.88	4.17	-	20.05	-	-	-	-	20.05	15.88
– lease-hold	31.40	38.80	-	70.20	-	-	-	-	70.20	31.40
Buildings*	385.53	74.08	-	459.61	51.11	29.36	-	80.47	379.14	334.42
Plant and machinery*	227.32	54.33	0.26	281.39	113.66	51.62	0.18	165.10	116.29	113.66
Computer equipment	361.73	88.86	5.73	444.86	298.51	69.72	4.44	363.79	81.07	63.22
Furniture and fixtures*	208.97	42.62	0.04	251.55	102.27	49.39	0.02	151.64	99.91	106.70
Vehicles	0.35	0.08	-	0.43	0.22	0.05	-	0.27	0.16	0.13
Intangible assets										
Intellectual property rights	42.13	0.01	-	42.14	11.38	30.76	-	42.14	-	30.75
	<b>1,273.31</b>	<b>302.95</b>	<b>6.03</b>	<b>1,570.23</b>	<b>577.15</b>	<b>230.90</b>	<b>4.64</b>	<b>803.41</b>	<b>766.82</b>	<b>696.16</b>
Previous year	<b>960.60</b>	<b>317.86</b>	<b>5.15</b>	<b>1,273.31</b>	<b>393.03</b>	<b>188.95</b>	<b>4.83</b>	<b>577.15</b>		

Note: Buildings include Rs. 250/- being the value of 5 shares of Rs. 50/- each in Mittal Towers Premises Co-operative Society Limited.

\* includes certain assets provided on operating lease to Progeon Limited, a subsidiary company under the same management. Please refer to note 22.2.6 for details

## INFOSYS TECHNOLOGIES LIMITED

in Rs. crore

Schedules to the Balance Sheet as at March 31, 2004 March 31, 2003

## 4. INVESTMENTS

**Trade (unquoted) – at cost**

Long- term investments

**In Subsidiaries**

Progeon Limited, India.

2,44,99,993 (1,22,49,993) equity shares of Rs. 10/- each, fully paid,

Par value of Rs. 10/- each

Infosys Technologies (Shanghai) Co. Limited, China

Infosys Technologies (Australia) Pty Limited, Australia

1,01,08,869 (nil) equity shares of A \$0.11 par value, fully paid,

**In Others\***

Less: Provision for investments

**Non-trade (unquoted), at the lower of cost and fair value, current investments**

Money market mutual funds

Aggregate of unquoted investments - carrying value / cost

\* refer to note 22.2.19 for details of investments

## 5. DEFERRED TAX ASSETS

Fixed assets

Investments

Sundry debtors

## 6. SUNDRY DEBTORS

**Debts outstanding for a period exceeding six months**

Unsecured

considered doubtful

**Other debts**

Unsecured

considered good\*

considered doubtful

Less: Provision for doubtful debts

\* Due from Progeon Limited, India, a subsidiary company.

Includes dues from companies where directors are interested

## 7. CASH AND BANK BALANCES

Cash on hand

Balances with scheduled banks

In current accounts \*

In deposit accounts in Indian rupees

Balances with non-scheduled banks\*\*

In deposit accounts in foreign currency

In current accounts in foreign currency

\*includes balance in unclaimed dividend account

\*\*includes balance in escrow account

\*\* refer to note 22.2.16 for details of balances in non-scheduled banks

	March 31, 2004	March 31, 2003
Progeon Limited, India.	24.50	12.25
Infosys Technologies (Shanghai) Co. Limited, China	4.55	-
Infosys Technologies (Australia) Pty Limited, Australia	66.69	-
	<b>95.74</b>	<b>12.25</b>
<b>In Others*</b>	30.01	53.98
Less: Provision for investments	27.97	33.03
	<b>2.04</b>	<b>20.95</b>
Money market mutual funds	929.60	-
	<b>1,027.38</b>	<b>33.20</b>
Aggregate of unquoted investments - carrying value / cost	1,027.38	33.20
Fixed assets	26.89	22.43
Investments	6.60	12.10
Sundry debtors	2.14	2.28
	<b>35.63</b>	<b>36.81</b>
considered doubtful	9.07	14.09
considered good*	632.51	512.14
considered doubtful	4.29	0.22
	<b>645.87</b>	<b>526.45</b>
Less: Provision for doubtful debts	13.36	14.31
	<b>632.51</b>	<b>512.14</b>
Cash on hand	-	0.01
Balances with scheduled banks		
In current accounts *	179.25	50.76
In deposit accounts in Indian rupees	1,299.28	1,129.53
Balances with non-scheduled banks**		
In deposit accounts in foreign currency	0.04	-
In current accounts in foreign currency	159.44	155.93
	<b>1,638.01</b>	<b>1,336.23</b>
*includes balance in unclaimed dividend account	1.98	1.60
**includes balance in escrow account	0.04	-

**INFOSYS TECHNOLOGIES LIMITED***in Rs. crore*

Schedules to the Balance Sheet as at March 31, 2004 March 31, 2003

**8. LOANS AND ADVANCES****Unsecured, considered good**

## Advances

prepaid expenses	37.32	18.38
for supply of goods and rendering of services	5.83	1.77
Others*	4.51	3.28
	<u>47.66</u>	<u>23.43</u>

Unbilled revenues	92.86	91.64
Advance income tax	349.88	289.99
Loans and advances to employees **		
housing and other loans	83.26	102.51
salary advances	33.62	33.93
Electricity and other deposits	9.08	13.37
Rental deposits	14.93	13.57
Deposits with financial institutions and body corporate	201.39	302.28
Other assets	0.44	2.06
	<u>833.12</u>	<u>872.78</u>

**Unsecured, considered doubtful**

Loans and advances to employees	0.09	0.41
	<u>833.21</u>	<u>873.19</u>
Less: Provision for doubtful loans and advances to employees	0.09	0.41
	<u><b>833.12</b></u>	<u><b>872.78</b></u>

* includes dues from Infosys Technologies (Shanghai) Co. Limited, China	0.85	-
** includes dues by non-director officers of the company	-	0.06
Maximum amounts due by non-director officers at any time during the year	0.06	0.08

**9. CURRENT LIABILITIES**

Sundry creditors		
for goods*	11.36	1.17
for accrued salaries and benefits		
salaries	14.58	15.61
bonus and incentives	239.80	76.98
leave provisions	41.45	27.47
for other liabilities		
provision for expenses	59.41	56.11
retention monies	6.88	5.33
withholding and other taxes payable	34.70	23.30
for purchase of intellectual property rights	19.21	24.80
others	3.02	5.78
	<u>430.41</u>	<u>236.55</u>

Advances received from clients	65.19	15.25
Unearned revenue	62.86	61.85
Unclaimed dividend	1.98	1.60
	<u>560.44</u>	<u>315.25</u>

* includes dues to Subsidiary companies		
- Infosys Technologies (Australia) Pty Limited, Australia	11.34	-

**10. PROVISIONS**

Proposed dividend	766.37	96.05
Provision for		
Tax on dividend	98.19	12.30
Income taxes	453.39	274.81
Post-sales client support	5.13	4.82
	<u>1,323.08</u>	<u>387.98</u>

**INFOSYS TECHNOLOGIES LIMITED***in Rs. crore*

Schedules to the Profit and Loss Account for the year ended

March 31, 2004

March 31, 2003

**11. SOFTWARE DEVELOPMENT EXPENSES**

Salaries and bonus including overseas staff expenses	2,015.47	1,433.85
Staff welfare	13.17	7.91
Contribution to provident and other funds	49.90	31.94
Overseas travel expenses	168.19	162.66
Consumables	8.94	6.25
Cost of software packages		
for own use	64.84	54.75
for service delivery to clients	16.04	12.99
Consultancy charges	109.89	75.86
Computer maintenance	11.89	9.33
Communication expenses	32.18	23.94
Provision for post-sales client support	0.30	(6.18)
Rent	4.50	-
	<b>2,495.31</b>	<b>1,813.30</b>

**12. SELLING AND MARKETING EXPENSES**

Salaries and bonus including overseas staff expenses	207.25	141.73
Staff welfare	0.59	0.62
Contribution to provident and other funds	1.73	1.34
Overseas travel expenses	40.45	45.16
Consumables	0.19	0.21
Cost of software packages for own use	0.18	0.21
Computer maintenance	0.02	0.01
Communication expenses	0.01	0.50
Traveling and conveyance	1.43	1.19
Rent	15.19	4.79
Telephone charges	5.06	5.35
Professional charges	5.75	10.63
Printing and stationery	0.99	1.43
Advertisements	0.53	1.04
Brand building	34.23	29.05
Office maintenance	0.24	2.72
Repairs to plant & machinery	-	0.02
Power and fuel	0.04	0.22
Insurance charges	0.11	0.20
Rates and taxes	0.08	0.27
Bank charges and commission	0.02	0.09
Commission charges	7.27	10.58
Marketing expenses	5.99	6.72
Sales promotion expenses	0.69	0.46
Other miscellaneous expenses	7.04	2.44
	<b>335.08</b>	<b>266.98</b>

## INFOSYS TECHNOLOGIES LIMITED

in Rs. crore

Schedules to the Profit and Loss Account for the year ended

March 31, 2004

March 31, 2003

**13. GENERAL AND ADMINISTRATION EXPENSES**

Salaries and bonus including overseas staff expenses	73.11	56.24
Contribution to provident and other funds	4.64	3.49
Overseas travel expenses	6.36	7.78
Traveling and conveyance	22.27	16.76
Rent	19.19	24.51
Telephone charges	29.21	21.34
Legal and professional charges	33.92	37.99
Printing and stationery	5.87	4.80
Advertisements	5.50	5.15
Office maintenance	28.83	20.13
Repairs to building	10.28	7.27
Repairs to plant and machinery	4.85	4.75
Power and fuel	28.68	22.38
Insurance charges	23.73	9.83
Rates and taxes	5.38	5.14
Donations	14.29	6.09
Auditor's remuneration		
statutory audit fees	0.31	0.27
certification charges	0.03	0.03
others	0.24	-
out-of-pocket expenses	0.02	0.02
Provision for bad and doubtful debts	15.99	0.73
Provision for doubtful loans and advances	0.14	(0.07)
Bank charges and commission	0.73	0.66
Commission to non-whole time directors	1.49	1.12
Postage and courier	3.91	3.99
Books and periodicals	1.51	1.42
Research grants	0.54	-
Freight charges	0.84	0.58
Professional membership and seminar participation fees	3.57	3.55
Other miscellaneous expenses	1.42	4.42
	<b>346.85</b>	<b>270.37</b>

**14. OTHER INCOME**

Interest received on deposits with banks and others*	82.88	78.05
Dividend received on investment in mutual funds	17.40	-
Miscellaneous income	7.68	3.89
Exchange differences	19.43	17.67
	<b>127.39</b>	<b>99.61</b>
*Tax deducted at source	16.55	14.69

**15. PROVISION FOR TAXATION**

Current Year		
Income taxes	226.31	212.09
Deferred taxes	1.18	(12.59)
	<b>227.49</b>	199.50
Prior Years	(0.49)	1.50
	<b>227.00</b>	<b>201.00</b>

## INFOSYS TECHNOLOGIES LIMITED

in Rs. crore

Schedules to the Statement of Cash flows for the year ended	March 31, 2004	March 31, 2003
<b>16. CHANGE IN LOANS AND ADVANCES</b>		
As per the Balance Sheet	833.12	872.78
Less: Deposits with financial institutions and body corporate, included in cash and cash equivalents	(201.39)	(302.28)
Advance income taxes separately considered	(349.88)	(289.99)
	281.85	280.51
Less: Opening balance considered	(280.51)	(152.88)
	<b>1.34</b>	<b>127.63</b>
<b>17. CHANGE IN CURRENT LIABILITIES AND PROVISIONS</b>		
As per the Balance Sheet	1,883.52	703.23
Add/ (Less): Provisions separately considered in the cash flow Statement		
Income taxes	(453.39)	(274.81)
Dividends	(766.37)	(96.05)
Dividend tax	(98.19)	(12.30)
Non cash transactions – (Also refer 22.2.26c)	-	(24.50)
Less: Opening balance considered	(320.07)	(137.11)
	<b>245.50</b>	<b>158.46</b>
<b>18. INCOME TAXES PAID</b>		
Charge as per the Profit and Loss Account	227.00	201.00
Add: Increase in advance income taxes	59.89	53.74
Increase/(Decrease) in deferred taxes	(1.18)	12.59
Less: (Increase)/Decrease in income tax provision	(178.58)	(35.24)
	<b>107.13</b>	<b>232.09</b>
<b>19. PURCHASES OF FIXED ASSETS AND CHANGE IN CAPITAL WORK-IN-PROGRESS</b>		
As per the Balance Sheet	302.95	317.87
Less: Opening Capital work-in-progress	(76.56)	(150.67)
Less: Non cash transactions – (also refer note 22.2.26c)	-	(24.50)
Add: Closing Capital work-in-progress	203.48	76.56
	<b>429.87</b>	<b>219.26</b>
<b>20. INVESTMENTS IN SECURITIES</b>		
As per the Balance Sheet	1,027.38	33.20
Add: Provisions on investments	9.67	23.77
	1,037.05	56.97
Less: Opening balance considered	(33.20)	(44.44)
	<b>1,003.85</b>	<b>12.53</b>
<b>21. CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		
As per the Balance Sheet	1,638.01	1,336.23
Add: Deposits with financial institutions and body corporate, included herein	201.39	302.28
	<b>1,839.40</b>	<b>1,638.51</b>