CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

in Rs. crore

Consolidated Balance Sheet as at	Schedule	September 30, 2005	March 31, 2005
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	1	136	135
Reserves and surplus	2	6,323	5,090
		6,459	5,225
MINORITY INTEREST		52	-
PREFERENCE SHARES ISSUED BY SUBSIDIARY*	3	-	94
		6,511	**5,319**
APPLICATION OF FUNDS			
FIXED ASSETS	4		
Original cost		2,757	2,287
Less: Depreciation and amortization		1,202	1,031
Net book value		1,555	1,256
Add: Capital work-in-progress		398	318
		1,953	1,574
INVESTMENTS	5	2,329	1,211
DEFERRED TAX ASSETS	6	52	45
CURRENT ASSETS, LOANS AND ADVANCES			
Sundry debtors	7	1,334	1,322
Cash and bank balances	8	1,396	1,576
Loans and advances	9	1,050	1,024
		3,780	3,922
LESS: CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	10	751	657
Provisions	11	852	776
NET CURRENT ASSETS		2,177	2,489
		6,511	**5,319**
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	23		

* refer to note 23.2.16

The schedules referred to above form an integral part of the consolidated balance sheet

As per our report attached

for BSR & Co.
Chartered Accountants

Subramanian Suresh
Partner
Membership No. 83673

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

Omkar Goswami
Director

Larry Pressler
Director

Rama Bijapurkar
Director

Sridar A. Iyengar
Director

David L. Boyles
Director

K. Dinesh
Director

S. D. Shibulal
Director

Bangalore
October 11, 2005

T. V. Mohandas Pai
Director and Chief Financial Officer

Srinath Batni
Director

V. Balakrishnan
Company Secretary and Senior Vice President – Finance

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

in Rs. crore, except per share data

Consolidated Profit and Loss Account for the	**Schedule**	**Quarter ended September 30, 2005**	**Quarter ended September 30, 2004**	**Half-year ended September 30, 2005**	**Half-year ended September 30, 2004**
Income from software services, products and business process management		2,294	1,749	4,366	3,267
Software development and business process management expenses	12	1,212	927	2,316	1,732
GROSS PROFIT		**1,082**	**822**	**2,050**	**1,535**
Selling and marketing expenses	13	149	122	291	228
General and administration expenses	14	199	139	361	257
		348	261	652	485
OPERATING PROFIT BEFORE INTEREST, DEPRECIATION , AMORTIZATION, MINORITY INTEREST		**734**	**561**	**1,398**	**1,050**
Interest		-	-	-	-
Depreciation and amortization		96	61	176	113
OPERATING PROFIT AFTER INTEREST, DEPRECIATION, AMORTIZATION AND BEFORE MINORITY INTEREST		638	500	1,222	937
Other income	15	44	30	72	45
Provision for investments		1	-	1	-
NET PROFIT BEFORE TAX, MINORITY INTEREST		**681**	**530**	**1,293**	**982**
Provision for taxation on the above	16	69	83	150	147
NET PROFIT AFTER TAX AND BEFORE MINORITY INTEREST		612	447	1,143	835
Minority interest		6	-	6	-
NET PROFIT AFTER TAX AND MINORITY INTEREST		**606**	**447**	**1,137**	**835**
Balance Brought Forward		1,946	456	1,415	71
Less: Residual dividend paid		-	-	-	3
Additional dividend tax		-	2	-	2
		1,946	454	1,415	66
AMOUNT AVAILABLE FOR APPROPRIATION		**2,552**	**901**	**2,552**	**901**
Dividend					
Interim		177	134	177	134
Final		-	-	-	-
Total dividend		177	134	177	134
Dividend tax		25	17	25	17
Balance in profit and loss account		2,350	750	2,350	750
		2,552	**901**	**2,552**	**901**
EARNINGS PER SHARE *					
Equity shares of par value Rs. 5/- each					
Basic		22.26	16.71	41.87	31.25
Diluted		21.63	16.34	40.69	30.64
Number of shares used in computing earnings per share					
Basic		27,21,01,219	26,76,76,465	27,15,48,331	26,74,06,246
Diluted		28,00,30,650	27,37,76,678	27,94,45,295	27,27,68,201
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	23				

* refer to note 23.2.18

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

As per our report attached

for BSR & Co.
Chartered Accountants

Subramanian Suresh
Partner
Membership No. 83673

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CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

in Rs. crore

Consolidated Cash Flow Statement for the	Schedule	Half-year ended September 30, 2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit before tax		1,293	982
Adjustments to reconcile net profit before tax to cash provided by operating activities			
(Profit)/ loss on sale of fixed assets		-	-
Depreciation and amortization		176	113
Interest and dividend income		(81)	(52)
Provisions for investments		1	-
Effect of exchange differences on translation of foreign currency cash and cash equivalents		(12)	(9)
Changes in current assets and liabilities			
Sundry debtors		(12)	(275)
Loans and advances	17	(81)	(60)
Current liabilities and provisions	18	87	52
Income taxes paid during the period	19	(164)	(109)
NET CASH GENERATED BY OPERATING ACTIVITIES		**1,207**	**642**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of fixed assets and change in capital work-in-progress	20	(555)	(330)
Proceeds on disposal of fixed assets		-	-
Investments in securities	21	(1,119)	(21)
Interest and dividend income		81	52
NET CASH USED IN INVESTING ACTIVITIES		**(1,593)**	**(299)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issue of preference share capital		-	-
Proceeds from issuance of share capital on exercise of stock options		249	125
Dividends paid during the period, including dividend tax		(201)	(869)
NET CASH USED IN FINANCING ACTIVITIES		**48**	**(744)**
Effect of exchange differences on translation of foreign currency cash and cash equivalents		14	10
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(324)**	**(391)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		1,790	1,929
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	22	**1,466**	**1,538**
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	23		

The schedules referred to above form an integral part of the consolidated cash flow statement.

As per our report attached

for BSR & Co.
Chartered Accountants

Subramanian Suresh
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CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

in Rs. crore

Schedules to the Consolidated Balance Sheet as at	September 30, 2005	March 31, 2005
1 SHARE CAPITAL		
Authorized		
Equity shares, Rs. 5/- par value		
30,00,00,000 (30,00,00,000) equity shares	150	150
Issued, Subscribed and Paid Up		
Equity shares, Rs. 5/- par value*	136	135
27,26,59,512 (27,05,70,549) equity shares fully paid up		
[Of the above, 25,84,92,302 (25,84,92,302) equity shares fully paid up have been issued as bonus shares by capitalization of the general reserve]		
	136	**135**
Forfeited shares amounted to Rs. 1,500/- (Rs 1,500/-)		
* For details of options in respect of equity shares, refer to note 23.2.7		
* Refer to note 23.2.18 for details of basic and diluted shares		
2 RESERVES AND SURPLUS		
Capital reserve	6	6
Capital reserve on consolidation	49	-
Share premium account - As at April 1,	900	461
Add: Receipts on exercise of stock options issued to employees	248	439
	1,148	900
Foreign currency translation adjustment	-	(1)
General reserve - As at April 1,	2,770	2,680
Less: Capitalized for issue of bonus shares	-	100
Add: Transfer from the profit and loss account	-	190
	2,770	2,770
Balance in profit and loss account	2,350	1,415
	6,323	**5,090**
3 PREFERENCE SHARES ISSUED BY SUBSIDIARY		
Authorized		
0.0005% Cumulative convertible preference shares, Rs. 100/- par value		
87,50,000 (87,50,000) preference shares	88	88
Issued, Subscribed and Paid Up		
0.0005% Cumulative convertible preference shares, Rs. 100/- par value		
nil (87,50,000) preference shares fully paid up*	-	88
Premium received on issue of preference shares	-	6
	-	**94**

* Refer to note 23.2.16

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

Schedules to the Consolidated Balance Sheet

4 FIXED ASSETS

in Rs. crore

Particulars	**Original cost**				**Depreciation and amortization**				**Net book value**	
	As at April 1, 2005	Additions	Deletions/ Retirement	As at September 30, 2005	As at April 1, 2005	For the period	Deletions/ Retirement	As at September 30, 2005	As at September 30, 2005	As at March 31, 2005
Goodwill	41	-	-	41	-	-	-	-	41	41
Land: free-hold	30	-	-	30	-	-	-	-	30	30
leasehold	90	4	-	94	-	-	-	-	94	90
Buildings	731	183	-	914	119	28	-	147	767	612
Plant and machinery	395	110	-	505	218	38	-	256	249	178
Computer equipment	610	116	3	723	446	78	3	521	202	164
Furniture and fixtures	341	61	2	400	205	31	2	234	166	136
Leasehold improvements	6	1	-	7	1	1	-	2	5	5
Vehicles	1	-	-	1	-	-	-	-	1	1
Intangible assets										
Intellectual property rights	42	-	-	42	42	-	-	42	-	-
	2,287	**475**	**5**	**2,757**	**1,031**	**176**	**5**	**1,202**	**1,555**	**1,257**
Previous year	**1,634**	**728**	**75**	**2,287**	**810**	**288**	**67**	**1,031**		

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

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

in Rs. crore

Schedules to the Consolidated Balance Sheet as at	**September 30, 2005**	**March 31, 2005**
5 INVESTMENTS		
Trade (unquoted) – at cost		
Long- term investments	16	16
Less: Provision for investments	14	14
	2	2
Non-trade (unquoted), current investments, at the lower of cost and fair value		
Liquid mutual funds	2,327	1,209
	2,329	**1,211**
Aggregate amount of unquoted investments	2,329	1,211
6 DEFERRED TAX ASSETS		
Fixed assets	40	33
Sundry debtors	2	3
Leave provisions and others	10	9
	52	**45**
7 SUNDRY DEBTORS		
Debts outstanding for a period exceeding six months		
Unsecured		
considered good	-	-
considered doubtful	13	11
Other debts		
Unsecured		
considered good*	1,334	1,322
considered doubtful	3	8
	1,350	1,341
Less: Provision for doubtful debts	16	19
	1,334	**1,322**
* Includes dues from companies where directors are interested	-	-
8 CASH AND BANK BALANCES		
Cash on hand	-	-
Balances with scheduled banks		
In current accounts *	142	83
In deposit accounts in Indian Rupees	984	1,250
Balances with non-scheduled banks		
In deposit accounts in foreign currency	-	26
In current accounts in foreign currency	270	217
	1,396	**1,576**
*includes balance in unclaimed dividend account	3	3

in Rs. crore

Schedules to the Consolidated Balance Sheet as at	September 30, 2005	March 31, 2005
9 LOANS AND ADVANCES		
Unsecured, considered good		
Advances		
prepaid expenses	32	36
for supply of goods and rendering of services	6	2
advance to gratuity trust	14	-
others	9	16
	61	54
Unbilled revenues	179	141
Advance income tax	493	404
Loans and advances to employees *		
housing and other loans	51	58
salary advances	49	43
Electricity and other deposits	17	17
Rental deposits	14	15
Deposits with financial institutions (refer note 23.2.9)	173	280
Deposits with government authorities	-	-
Mark to Market forward contracts and options	1	11
Other assets	12	1
	1,050	1,024
Unsecured, considered doubtful		
Loans and advances to employees	-	-
	1,050	1,024
Less: Provision for doubtful loans and advances to employees	-	-
	1,050	**1,024**
* includes dues by non-director officers of the company	-	-
Maximum amounts due by non-director officers at any time during the period/ year	-	-
10 CURRENT LIABILITIES		
Sundry creditors		
capital goods	-	1
goods and services	4	4
accrued salaries and benefits		
salaries	9	15
bonus and incentives	145	199
unavailed leave	78	77
for other liabilities		
accrual for expenses	191	141
retention monies	17	14
withholding and other taxes payable	80	60
for purchase of intellectual property rights	20	19
others	10	6
	554	536
Advances received from clients	9	29
Unearned revenue	178	89
Unclaimed dividend	3	3
Mark to Market forward contracts and options valuation	7	-
	751	**657**
11 PROVISIONS		
Proposed dividend	177	176
Provision for		
tax on dividend	25	25
income taxes*	628	546
post-sales client support and warranties	22	29
	852	**776**

* refer to note 23.2.8.

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

in Rs. crore

Schedules to Consolidated Profit and Loss Account for the	Quarter ended September 30,		Half-year ended September 30,	
	2005	2004	2005	2004
12 SOFTWARE DEVELOPMENT AND BUSINESS PROCESS MANAGEMENT EXPENSES				
Salaries and bonus including overseas staff expenses	978	736	1,858	1,388
Contribution to provident and other funds	22	20	43	36
Staff welfare	7	5	13	8
Overseas travel expenses	99	66	180	130
Traveling and conveyance	-	2	-	4
Technical sub-contractors	35	25	71	39
Software packages				
for own use	34	28	67	50
for service delivery to clients	8	6	19	10
Communication expenses	16	14	32	27
Rent	6	2	12	4
Computer maintenance	4	5	8	8
Consumables	4	5	8	8
Provision for post-sales client support and warranties	(7)	12	(6)	19
Other miscellaneous expenses	6	1	11	1
	1,212	927	2,316	1,732
13 SELLING AND MARKETING EXPENSES				
Salaries and bonus including overseas staff expenses	88	71	174	137
Contribution to provident and other funds	-	-	1	1
Staff welfare	-	-	-	-
Overseas travel expenses	18	13	38	27
Traveling and conveyance	1	5	2	6
Brand building	12	13	22	18
Commission and earnout charges	8	7	18	8
Professional charges	11	6	15	9
Rent	4	3	8	6
Marketing expenses	3	-	6	7
Telephone charges	1	2	3	3
Printing and stationery	1	-	1	1
Advertisements	1	1	1	1
Sales promotion expenses	-	-	1	1
Office maintenance	-	-	-	1
Insurance charges	-	-	-	-
Consumables	-	-	-	-
Software packages				
for own use	-	-	-	-
Computer maintenance	-	-	-	-
Rates and taxes	-	-	-	-
Miscellaneous expenses	1	1	1	2
	149	122	291	228

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

in Rs. crore

Schedules to Consolidated Profit and Loss Account for the	Quarter ended September 30,		Half-year ended September 30,	
	2005	2004	2005	2004
14 GENERAL AND ADMINISTRATION EXPENSES				
Salaries and bonus including overseas staff expenses	39	29	79	55
Contribution to provident and other funds	2	2	4	4
Staff welfare	-	-	-	-
Telephone charges	24	13	41	23
Professional charges	26	18	43	31
Power and fuel	17	10	32	20
Office maintenance	18	11	33	19
Traveling and conveyance	16	10	31	19
Overseas travel expenses	4	3	11	5
Insurance charges	6	8	13	15
Printing and stationery	2	3	5	5
Rates and taxes	3	2	6	5
Donations	5	5	8	9
Rent	3	6	6	10
Advertisements	4	3	7	5
Professional membership and seminar participation fees	2	1	5	3
Repairs to building	5	3	8	4
Repairs to plant and machinery	3	2	4	3
Postage and courier	1	1	3	3
Books and periodicals	1	1	2	1
Recruitment and training	3	-	4	1
Provision for bad and doubtful debts	9	5	9	12
Provision for doubtful loans and advances	-	-	-	-
Commission to non-whole time directors	1	-	1	1
Auditor's remuneration	-			
statutory audit fees	-	-	1	-
certification charges	-	-	-	-
others	-	-	-	-
out-of-pocket expenses	-	-	-	-
Bank charges and commission	1	1	1	1
Freight charges	1	-	-	-
Research grants	-	-	-	-
Software packages			-	
for own use	-	-	-	1
Miscellaneous expenses	3	2	4	2
	199	**139**	**361**	**257**
15 OTHER INCOME				
Interest received on deposits with banks and others*	24	14	49	35
Dividend received on investment in liquid mutual funds (non-trade unquoted)	18	9	32	18
Miscellaneous income, net (refer to note 23.2.10)	2	-	2	1
Exchange differences	-	6	(11)	(8)
	44	**29**	**72**	**46**
*Tax deducted at source	5	2	10	7
16 PROVISION FOR TAXATION				
Income taxes*	72	83	157	151
Deferred taxes	(3)	-	(7)	(4)
	69	**83**	**150**	**147**

* refer to note 23.2.8.

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

in Rs. crore

Schedules to Consolidated Cashflow Statements for the	Half-year ended September 30, 2005	2004
17 CHANGE IN LOANS AND ADVANCES		
As per the Balance Sheet	1,050	852
Less: Deposits with financial institutions, included in cash and cash equivalents (refer to note 23.2.19.b)	(70)	(213)
Advance income taxes separately considered	(493)	(276)
	487	363
Less: Opening balance considered	(406)	(303)
	81	60
18 CHANGE IN CURRENT LIABILITIES AND PROVISIONS		
As per the Balance Sheet	1,603	1,215
Add/ (Less): Provisions separately considered in the cash flow Statement		
Income taxes	(628)	(425)
Dividends	(177)	(134)
Dividend tax	(25)	(17)
	773	639
Less: Opening balance considered	(686)	(587)
	87	**52**
19 INCOME TAXES PAID		
Charge as per the Profit and Loss Account	150	147
Add: Increase in advance income taxes	89	66
Increase / (Decrease) in deferred taxes	7	5
Less: (Increase) / Decrease in income tax provision	(82)	(109)
	164	**109**
20 PURCHASE OF FIXED ASSETS AND CHANGE IN CAPITAL WORK-IN-PROGRESS		
As per the schedule 4 to Balance Sheet	475	284
Less: Opening Capital work-in-progress	(318)	(208)
Add: Closing Capital work-in-progress	398	254
	555	**330**
21 INVESTMENTS IN / (DISPOSAL OF) SECURITIES *		
As per the Balance Sheet	2,329	966
Add: Provisions on investments	1	- ^
	2,330	966
Less: Opening balance considered	(1,211)	(945)
	1,119	**21**
* refer to note 23.2.11 for details of investments and redemptions		
22 CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		
As per the Balance Sheet	1,396	1,326
Add: Deposits with financial institutions, included herein*	70	213
	1,466	**1,539**

* refer to note 23.2.19b