

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

in Rs. crore

Consolidated Balance Sheet as at	Schedule	December 31, 2005	March 31, 2005
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	1	137	135
Reserves and surplus	2	<u>7,175</u>	<u>5,090</u>
		7,312	5,225
MINORITY INTEREST		60	-
PREFERENCE SHARES ISSUED BY SUBSIDIARY*	3	<u>-</u>	<u>94</u>
		<u>7,372</u>	<u>5,319</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
Original cost	4	2,958	2,287
Less: Depreciation and amortization		<u>1,309</u>	<u>1,031</u>
Net book value		1,649	1,256
Add: Capital work-in-progress		<u>447</u>	<u>318</u>
		2,096	1,574
INVESTMENTS	5	2,205	1,211
DEFERRED TAX ASSETS	6	57	45
CURRENT ASSETS, LOANS AND ADVANCES			
Sundry debtors	7	1,394	1,322
Cash and bank balances	8	1,694	1,576
Loans and advances	9	<u>1,496</u>	<u>1,023</u>
		4,584	3,921
LESS: CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	10	849	656
Provisions	11	<u>721</u>	<u>776</u>
NET CURRENT ASSETS		<u>3,014</u>	<u>2,489</u>
		<u>7,372</u>	<u>5,319</u>
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS			
	23		

* refer to note 23.2.16

The schedules referred to above are 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

Claude Smadja
Director

Sridar A. Iyengar
Director

David L. Boyles
Director

K. Dinesh
Director

Bangalore
January 11, 2006

S. D. Shibulal
Director

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 December 31,		Nine months ended December 31,	
		2005	2004	2005	2004
Income from software services, products and business process management		2,532	1,876	6,897	5,142
Software development and business process management expenses	12	<u>1,327</u>	<u>992</u>	<u>3,644</u>	<u>2,723</u>
GROSS PROFIT		1,205	884	3,253	2,419
Selling and marketing expenses	13	158	117	448	344
General and administration expenses	14	<u>186</u>	<u>149</u>	<u>547</u>	<u>407</u>
		344	266	995	751
OPERATING PROFIT BEFORE INTEREST, DEPRECIATION, AMORTIZATION, MINORITY INTEREST		861	618	2,258	1,668
Interest		-	-	-	-
Depreciation and amortization		<u>117</u>	<u>74</u>	<u>293</u>	<u>187</u>
OPERATING PROFIT BEFORE TAX AND MINORITY INTEREST		744	544	1,965	1,481
Other income	15	(5)	46	68	92
Provision for investments		-	-	1	-
NET PROFIT BEFORE TAX, MINORITY INTEREST		739	590	2,032	1,573
Provision for taxation	16	<u>83</u>	<u>93</u>	<u>233</u>	<u>240</u>
NET PROFIT AFTER TAX AND BEFORE MINORITY INTEREST		656	497	1,799	1,333
Minority interest		7	-	13	-
NET PROFIT AFTER TAX AND MINORITY INTEREST		649	497	1,786	1,333
Balance Brought Forward		2,350	751	1,415	70
Less: Residual dividend paid		-	-	-	2
Additional dividend tax		-	-	-	2
		<u>2,350</u>	<u>751</u>	<u>1,415</u>	<u>66</u>
AMOUNT AVAILABLE FOR APPROPRIATION		2,999	1,248	3,201	1,399
Dividend					
Interim		-	-	177	134
Final		-	-	-	-
Total dividend		-	-	177	134
Dividend tax		-	-	25	17
Balance in profit and loss account		<u>2,999</u>	<u>1,248</u>	<u>2,999</u>	<u>1,248</u>
		2,999	1,248	3,201	1,399
EARNINGS PER SHARE *					
Equity shares of par value Rs. 5/- each					
Basic		23.68	18.50	65.59	49.77
Diluted		23.02	17.95	63.73	48.69
Number of shares used in computing earnings per share					
Basic		27,37,71,476	26,87,73,742	27,22,89,379	26,78,62,078
Diluted		28,16,04,953	27,71,10,460	28,02,43,496	27,37,70,692

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

23

* refer to note 23.2.17

The schedules referred to above are 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	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
	Claude Smadja Director	Sridar A. Iyengar Director	David L. Boyles Director	K. Dinesh Director
Bangalore January 11, 2006	S. D. Shibulal Director	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

Consolidated Cash Flow Statement for the	Schedule	Nine months ended December 31,	
		2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit before tax		2,032	1,573
Adjustments to reconcile net profit before tax to cash provided by operating activities			
(Profit)/ loss on sale of fixed assets		-	-
Depreciation and amortization		293	187
Interest and dividend income		(133)	(78)
Provisions for investments		1	-
Effect of exchange differences on translation of foreign currency cash and cash equivalents		(3)	(9)
Changes in current assets and liabilities			
Sundry debtors		(72)	(387)
Loans and advances	17	(59)	(89)
Current liabilities and provisions	18	176	81
Income taxes paid during the period	19	(257)	(193)
NET CASH GENERATED BY OPERATING ACTIVITIES		<u>1,978</u>	<u>1,085</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of fixed assets and change in capital work-in-progress	20	(815)	(587)
Proceeds on disposal of fixed assets		-	-
Investments in securities	21	(995)	(111)
Interest and dividend income		133	78
NET CASH USED IN INVESTING ACTIVITIES		<u>(1,677)</u>	<u>(620)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issue of preference share capital		-	-
Proceeds from issuance of share capital on exercise of stock options		453	301
Dividends paid during the period, including dividend tax		(403)	(1,020)
NET CASH USED IN FINANCING ACTIVITIES		<u>50</u>	<u>(719)</u>
Effect of exchange differences on translation of foreign currency cash and cash equivalents		4	8
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		<u>355</u>	<u>(246)</u>
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	<u>2,145</u>	<u>1,683</u>
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	23		

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

As per our report attached

for BSR & Co.
Chartered Accountants

Subramanian Suresh
Partner
Membership No. 83673

N. R. Narayana Murthy
Chairman
and Chief Mentor

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CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

in Rs. Crore except per share data

Schedules to the Consolidated Balance Sheet as at **December 31, 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*

137

135

27,45,25,163 (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]

137

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 23.2.17 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

451

439

1,351

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

2,999

1,415

7,175

5,090

3 PREFERENCE SHARES ISSUED BY SUBSIDIARY

Authorized

0.0005% Cumulative convertible preference shares, Rs. 100/- par value

Nil (87,50,000) preference shares

-

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 except as otherwise stated

Particulars	Original cost				Depreciation and amortization				Net book value	
	As at April 1, 2005	Additions	Deletions/ Retirement	As at December 31, 2005	As at April 1, 2005	For the period	Deletions/ Retirement	As at December 31, 2005	As at December 31, 2005	As at March 31, 2005
Goodwill	41	-	-	41	-	-	-	-	41	41
Land: free-hold	30	-	-	30	-	-	-	-	30	30
leasehold	90	11	-	101	-	-	-	-	101	90
Buildings	731	264	-	995	119	44	-	163	832	612
Plant and machinery	395	157	-	552	218	66	-	284	268	177
Computer equipment	610	164	7	767	446	126	7	565	202	164
Furniture and fixtures	341	85	8	418	205	55	8	252	166	136
Leasehold improvements	6	4	-	10	1	2	-	3	7	5
Vehicles	1	1	-	2	-	-	-	-	2	1
Intangible assets										
Intellectual property rights	42	-	-	42	42	-	-	42	-	-
	2,287	686	15	2,958	1,031	293	15	1,309	1,649	1,256
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 December 31, 2005 March 31, 2005

5 INVESTMENTS

Trade (unquoted) – at cost

Long- term investments	16	16
Less: Provision made for investments	<u>14</u>	<u>14</u>
	2	2

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

Liquid mutual funds	<u>2,203</u>	<u>1,209</u>
	<u>2,205</u>	<u>1,211</u>
Aggregate amount of unquoted investments	2,205	1,211

6 DEFERRED TAX ASSETS

Fixed assets	47	33
Sundry debtors	1	3
Leave provisions and others	<u>9</u>	<u>9</u>
	<u>57</u>	<u>45</u>

7 SUNDRY DEBTORS

Debts outstanding for a period exceeding six months

Unsecured		
considered good	-	-
considered doubtful	9	11

Other debts

Unsecured		
considered good*	1,394	1,322
considered doubtful	<u>1</u>	<u>8</u>
	1,404	1,341

Less: Provision for doubtful debts

	<u>10</u>	<u>19</u>
	<u>1,394</u>	<u>1,322</u>

* Includes dues from companies where directors are interested

8 CASH AND BANK BALANCES

Cash on hand	-	-
Balances with scheduled banks		
In current accounts *	137	83
In deposit accounts in Indian Rupees	1,279	1,250
Balances with non-scheduled banks		
In deposit accounts in foreign currency	-	26
In current accounts in foreign currency	<u>278</u>	<u>217</u>
	<u>1,694</u>	<u>1,576</u>

*includes balance in unclaimed dividend account

	4	3
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CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

in Rs. crore

Schedules to the Consolidated Balance Sheet as at December 31, 2005 March 31, 2005

9 LOANS AND ADVANCES

Unsecured, considered good		
Advances		
prepaid expenses	20	36
for supply of goods and rendering of services	11	2
advance to gratuity trust	27	-
others	3	16
	<u>61</u>	<u>54</u>
Unbilled revenues	158	141
Advance income tax	579	404
Loans and advances to employees *		
housing and other loans	49	58
salary advances	51	43
Electricity and other deposits	16	17
Rental deposits	15	15
Deposits with financial institutions and body corporate (refer note 23.2.9)	554	280
Deposits with government authorities	-	-
Mark to Market on options/due on forward contracts	-	10
Other assets	13	1
	<u>1,496</u>	<u>1,023</u>
Unsecured, considered doubtful		
Loans and advances to employees	-	-
	<u>1,496</u>	<u>1,023</u>
Less: Provision for doubtful loans and advances to employees	-	-
	<u>1,496</u>	<u>1,023</u>
* 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	6	4
accrued salaries and benefits		
salaries	6	15
bonus and incentives	186	199
unavailed leave	87	77
for other liabilities		
accrual for expenses	207	141
retention monies	13	14
withholding and other taxes payable	102	60
for purchase of intellectual property rights	20	19
others	3	5
	<u>630</u>	<u>535</u>
Advances received from clients	13	29
Unearned revenue	190	89
Unclaimed dividend	4	3
Mark to Market on options/due on forward contracts	12	-
	<u>849</u>	<u>656</u>

11 PROVISIONS

Proposed dividend	-	176
Provision for		
tax on dividend	-	25
income taxes*	709	546
post-sales client support and warranties	12	29
	<u>721</u>	<u>776</u>

* 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 December 31,		Nine months ended December 31,	
	2005	2004	2005	2004
12 SOFTWARE DEVELOPMENT AND BUSINESS PROCESS MANAGEMENT EXPENSES				
Salaries and bonus including overseas staff expenses	1,105	815	2,963	2,203
Contribution to provident and other funds	24	21	67	57
Staff welfare	10	8	24	16
Overseas travel expenses	78	56	258	186
Traveling and conveyance	-	3	-	6
Technical sub-contractors	40	34	111	72
Software packages				
for own use	35	32	102	82
for service delivery to clients	6	4	25	14
Communication expenses	14	13	46	40
Rent	7	4	19	8
Computer maintenance	7	4	15	12
Consumables	4	3	12	11
Provision for post-sales client support and warranties	(9)	(6)	(15)	13
Miscellaneous expenses	6	1	17	3
	<u>1,327</u>	<u>992</u>	<u>3,644</u>	<u>2,723</u>
13 SELLING AND MARKETING EXPENSES				
Salaries and bonus including overseas staff expenses	96	70	271	207
Contribution to provident and other funds	1	1	1	1
Staff welfare	1	-	1	-
Overseas travel expenses	18	14	56	41
Traveling and conveyance	2	4	3	10
Brand building	14	8	37	27
Commission and earnout charges	11	7	28	15
Professional charges	5	5	20	14
Rent	4	3	12	9
Marketing expenses	3	2	9	8
Telephone charges	2	1	4	4
Communication Expenses	-	-	1	-
Printing and stationery	-	-	1	1
Advertisements	-	1	1	2
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	2	3
	<u>158</u>	<u>117</u>	<u>448</u>	<u>344</u>

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

in Rs. crore

Schedules to Consolidated Profit and Loss Account for the	Quarter ended December 31,		Nine months ended December 31,	
	2005	2004	2005	2004
14 GENERAL AND ADMINISTRATION EXPENSES				
Salaries and bonus including overseas staff expenses	43	36	122	91
Contribution to provident and other funds	2	2	6	6
Staff welfare	1	-	1	1
Telephone charges	20	12	60	35
Professional charges	27	20	70	51
Power and fuel	17	11	49	31
Office maintenance	20	11	53	30
Traveling and conveyance	17	9	47	27
Overseas travel expenses	5	3	16	8
Insurance charges	6	7	18	23
Printing and stationery	3	3	9	8
Rates and taxes	3	2	9	7
Donations	4	8	13	17
Rent	2	4	8	14
Advertisements	3	3	10	7
Professional membership and seminar participation fees	2	2	7	5
Repairs to building	3	3	11	7
Repairs to plant and machinery	3	2	8	5
Postage and courier	1	1	4	4
Books and periodicals	1	1	3	2
Recruitment and training	2	1	5	2
Provision for bad and doubtful debts	(4)	6	6	17
Provision for doubtful loans and advances	-	-	-	-
Commission to non-whole time directors	-	-	1	1
Auditor's remuneration				
statutory audit fees	-	-	1	1
certification charges	-	-	-	-
others	-	-	-	-
out-of-pocket expenses	-	-	-	-
Bank charges and commission	1	-	1	1
Freight charges	-	-	1	1
Research grants	1	-	1	-
Software packages				
for own use	1	-	1	1
Miscellaneous expenses	2	2	6	4
	<u>186</u>	<u>149</u>	<u>547</u>	<u>407</u>
15 OTHER INCOME				
Interest received on deposits with banks and others*	27	16	76	51
Dividend received on investment in liquid mutual funds (non-trade unquoted)	25	9	57	27
Miscellaneous income, net (refer to note 23.2.10)	1	-	3	1
Exchange differences	(58)	21	(68)	13
	<u>(5)</u>	<u>46</u>	<u>68</u>	<u>92</u>
*Tax deducted at source	4	2	14	9
16 PROVISION FOR TAXATION				
Income taxes*	81	93	245	245
Deferred taxes	2	-	(12)	(5)
	<u>83</u>	<u>93</u>	<u>233</u>	<u>240</u>

* 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

Nine months ended
December 31,

2005 2004

17 CHANGE IN LOANS AND ADVANCES

As per the Balance Sheet	1,496	946
Less: Deposits with financial institutions and body corporate, included in cash and cash equivalents	(451)	(213)
Advance income taxes separately considered	<u>(579)</u>	<u>(341)</u>
	466	392
Less: Opening balance considered	<u>(407)</u>	<u>(303)</u>
	<u>59</u>	<u>89</u>

18 CHANGE IN CURRENT LIABILITIES AND PROVISIONS

As per the Balance Sheet	1,570	1,165
Add/ (Less): Provisions separately considered in the cash flow statement		
Income taxes	(709)	(497)
Dividends	-	-
Dividend tax	<u>-</u>	<u>-</u>
	861	668
Less: Opening balance considered	<u>(685)</u>	<u>(587)</u>
	<u>176</u>	<u>81</u>

19 INCOME TAXES PAID

Charge as per the Profit and Loss Account	233	240
Add: Increase in advance income taxes	175	131
Increase / (Decrease) in deferred taxes	12	3
Less: (Increase) / Decrease in income tax provision	<u>(163)</u>	<u>(181)</u>
	<u>257</u>	<u>193</u>

20 PURCHASE OF FIXED ASSETS AND CHANGE IN CAPITAL WORK-IN-PROGRESS

As per the schedule 4 to Balance Sheet	686	581
Less: Opening Capital work-in-progress	(318)	(208)
Add: Closing Capital work-in-progress	<u>447</u>	<u>214</u>
	<u>815</u>	<u>587</u>

21 INVESTMENTS IN SECURITIES *

As per the Balance Sheet	2,205	1,057
Add: Provisions made on investments	<u>1</u>	<u>-</u>
	2,206	1,057
Less: Opening balance considered	<u>(1,211)</u>	<u>(946)</u>
	<u>995</u>	<u>111</u>

* 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	1,694	1,470
Add: Deposits with financial institutions, included herein	<u>451</u>	<u>213</u>
	<u>2,145</u>	<u>1,683</u>