

**INFOSYS TECHNOLOGIES LIMITED
AUDITED FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH U.S. GAAP
YEAR ENDED MARCH 31, 2002**

**INFOSYS TECHNOLOGIES LIMITED
AUDITED FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH U.S. GAAP**

YEAR ENDED MARCH 31, 2002

Table of Contents

Balance Sheets	F-1
Statements of Income	F-2
Statements of Stockholders' Equity and Comprehensive Income	F-3
Statements of Cash Flows	F-5
Statement of Significant Accounting Policies and Notes to Financial Statements	F-6

INFOSYS TECHNOLOGIES LIMITED
BALANCE SHEETS
(Expressed in United States dollars except share data)

	March 31, 2002	March 31, 2001
ASSETS		
<i>Current Assets</i>		
Cash and cash equivalents	210,485,940	124,084,245
Trade accounts receivable, net of allowances	69,017,110	64,942,062
Deferred tax assets	774,107	1,265,142
Prepaid expenses and other current assets	18,875,904	16,452,863
Total current assets	299,153,061	206,744,312
Property, plant and equipment, net	147,211,731	119,773,030
Deferred tax assets	4,560,934	2,070,428
Investments	7,777,393	5,577,393
Advance income taxes	-	180,113
Other assets	12,458,615	8,002,543
TOTAL ASSETS	471,161,734	342,347,819
LIABILITIES AND STOCKHOLDERS' EQUITY		
<i>Current Liabilities</i>		
Accounts payable	-	28,082
Client deposits	2,215,001	1,217,737
Other accrued liabilities	22,424,646	21,830,484
Income taxes payable	678,703	-
Unearned revenue	3,464,018	7,479,815
Total current liabilities	28,782,368	30,556,118
<i>Stockholders' Equity</i>		
Common stock, \$ 0.16 par value; 100,000,000 equity shares authorized, Issued and outstanding – 66,186,130 and 66,158,117 as of March 31, 2002 and 2001, respectively	8,597,001	8,594,106
Additional paid-in capital	123,079,948	122,017,518
Accumulated other comprehensive income	(45,441,148)	(28,664,972)
Deferred stock compensation	(7,620,600)	(12,517,018)
Retained earnings	363,764,165	222,362,067
Total stockholders' equity	442,379,366	311,791,701
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	471,161,734	342,347,819

See accompanying notes to the financial statements

INFOSYS TECHNOLOGIES LIMITED
STATEMENTS OF INCOME
(Expressed in United States dollars except share data)

	Year ended March 31, 2002	Year ended March 31, 2001	Year ended March 31, 2000
Revenues	545,051,214	413,850,510	203,443,754
Cost of revenues	290,032,232	213,613,744	111,080,546
Gross profit	255,018,982	200,236,766	92,363,208
Operating Expenses:			
Selling and marketing expenses	27,113,122	20,682,776	9,643,970
General and administrative	44,348,181	36,957,609	17,102,550
Amortization of stock compensation expense	5,009,772	5,081,795	5,117,635
Total operating expenses	76,471,075	62,722,180	31,864,155
Operating income	178,547,907	137,514,586	60,499,053
Other income, net	13,865,294	9,505,343	9,038,792
Income before income taxes	192,413,201	147,019,929	69,537,845
Provision for income taxes	27,946,892	15,071,825	8,193,317
Net income	164,466,309	131,948,104	61,344,528
Earnings per equity share			
Basic	\$ 2.51	\$ 2.01	\$ 0.93
Diluted	\$ 2.49	\$ 1.98	\$ 0.93
Weighted equity shares used in computing earnings per equity share			
Basic	65,556,648	65,771,256	65,659,625
Diluted	66,084,874	66,714,739	65,863,990

See accompanying notes to the financial statements

INFOSYS TECHNOLOGIES LIMITED
STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME
(Expressed in United States dollars except share data)

	Common stock		Additional paid-in capital	Comprehensive income	Accumulated other comprehensive income	Deferred stock compensation	Retained earnings	Total stockholders' equity
	Shares	Par value						
Balance as of March 31, 1999	66,138,800	8,592,137	120,849,511		(9,100,662)	(21,686,799)	40,955,375	139,609,562
Cash dividends declared	-	-	-		-	-	(2,526,872)	(2,526,872)
Common stock issued	11,900	1,373	405,489		-	-	-	406,862
ADR issue expenses	-	-	(777,923)		-	-	-	(777,923)
Compensation related to stock option grants	-	-	1,029,649		-	(1,029,649)	-	-
Amortization of compensation related to stock option grants	-	-	-		-	5,117,635	-	5,117,635
Comprehensive income								
Net income	-	-	-	61,344,528	-	-	61,344,528	61,344,528
Other comprehensive income								
Translation adjustment	-	-	-	(5,037,271)	(5,037,271)	-	-	(5,037,271)
<i>Comprehensive income</i>	-	-	-	56,307,257	-	-	-	-
Balance as of March 31, 2000	66,150,700	8,593,510	121,506,726		(14,137,933)	(17,598,813)	99,773,031	198,136,521
Cash dividends declared	-	-	-		-	-	(9,359,068)	(9,359,068)
Common stock issued	7,417	596	510,792		-	-	-	511,388
Amortization of compensation related to stock option grants	-	-	-		-	5,081,795	-	5,081,795
Comprehensive income								
Net income	-	-	-	131,948,104	-	-	131,948,104	131,948,104
Other comprehensive income								
Translation adjustment	-	-	-	(14,527,039)	(14,527,039)	-	-	(14,527,039)
<i>Comprehensive income</i>				117,421,065				
Balance as of March 31, 2001	66,158,117	8,594,106	122,017,518		(28,664,972)	(12,517,018)	222,362,067	311,791,701

INFOSYS TECHNOLOGIES LIMITED
STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME
(Expressed in United States dollars except share data)

	Common stock		Additional paid-in capital	Comprehensive income	Accumulated other comprehensive income	Deferred stock compensation	Retained earnings	Total stockholders' equity
	Shares	Par value						
Balance as of March 31, 2001	66,158,117	8,594,106	122,017,518		(28,664,972)	(12,517,018)	222,362,067	311,791,701
Common stock issued	28,013	2,895	949,076	-	-	-	951,971	
Cash dividends declared	-	-	-	-	-	(23,064,211)	(23,064,211)	
Deferred stock compensation related to stock option grants	-	-	113,354	-	(113,354)	-	-	
Amortization of compensation related to stock option grants	-	-	-	-	5,009,772	-	5,009,772	
Comprehensive income								
Net income	-	-	-	164,466,309	-	-	164,466,309	164,466,309
Other comprehensive income								
Translation adjustment	-	-	-	(16,736,176)	(16,736,176)	-	-	(16,736,176)
<i>Comprehensive income</i>				147,730,133				
Balance as of March 31, 2002	66,186,130	8,597,001	123,079,948		(45,441,148)	(7,620,600)	363,764,165	442,379,366

See accompanying notes to the financial statements

INFOSYS TECHNOLOGIES LIMITED
STATEMENTS OF CASH FLOWS
(Expressed in United States dollars except share data)

	Year ended March 31,		
	2002	2001	2000
OPERATING ACTIVITIES:			
Net income	164,466,309	131,948,104	61,344,528
<i>Adjustments to reconcile net income to net cash provided by operating activities</i>			
Gain on sale of property, plant and equipment	(16,754)	(20,053)	(20,153)
Depreciation and amortization	33,608,391	24,527,867	12,268,169
Deferred tax benefit	(1,999,471)	(769,304)	(850,891)
Amortization of deferred stock compensation expense	5,009,772	5,081,795	5,117,635
Provision for investments	-	3,480,300	-
<i>Changes in assets and liabilities</i>			
Trade accounts receivable	(7,196,700)	(36,310,272)	(11,927,796)
Prepaid expenses and other current assets	(2,052,721)	(2,654,466)	(2,532,524)
Income taxes	869,109	(1,973,114)	961,582
Accounts payable	(27,382)	(901,961)	910,011
Client deposits	1,075,855	833,215	410,555
Unearned revenue	(3,753,943)	3,770,772	(418,230)
Other accrued liabilities	1,492,616	9,651,967	4,984,495
Net cash provided by operating activities	191,475,081	136,664,850	70,247,381
INVESTING ACTIVITIES:			
Expenditure on property, plant and equipment	(68,347,644)	(101,235,420)	(36,913,037)
Proceeds from sale of property, plant and equipment	335,079	49,676	23,555
Loans to employees	(5,547,203)	(4,932,703)	(7,048,879)
Purchase of investments	(2,200,000)	(5,879,755)	(3,000,000)
Net cash used in investing activities	(75,759,768)	(111,998,202)	(46,938,361)
FINANCING ACTIVITIES:			
Proceeds from issuance of common stock	963,351	511,388	406,862
ADR issue expenses	-	-	(777,923)
Payment of dividends	(22,902,618)	(9,220,142)	(2,526,872)
Net cash used in financing activities	(21,939,267)	(8,708,754)	(2,897,933)
Effect of exchange rate changes on cash	(7,374,351)	(8,473,135)	(2,686,564)
Net increase in cash and cash equivalents during the period	86,401,695	7,484,759	17,724,523
Cash and cash equivalents at the beginning of the period	124,084,245	116,599,486	98,874,963
Cash and cash equivalents at the end of the period	210,485,940	124,084,245	116,599,486
Supplementary information:			
Cash paid towards taxes	27,493,194	16,950,802	7,270,137

See accompanying notes to the financial statements

INFOSYS TECHNOLOGIES LIMITED
NOTES TO FINANCIAL STATEMENTS
(Expressed in United States dollars except share data and as otherwise stated)

1 Company overview and significant accounting policies

1.1 Company overview

Infosys, a world leader in consulting and information technology services, partners with Global 2000 companies to provide business consulting, systems integration, application development and product engineering services. Through these services, Infosys enables its clients to fully exploit technology for business transformation.

1.2 Basis of preparation of financial statements

The accompanying financial statements are prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"). All amounts are stated in U.S. dollars, except as otherwise specified.

1.3 Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the year. Examples of estimates include accounting for contract costs expected to be incurred to complete software development, allowance for uncollectible accounts receivable, future obligations under employee benefit plans and the useful lives of property, plant and equipment. Actual results could differ from those estimates.

1.4 Revenue recognition

The company derives its revenues primarily from software services and also from the licensing of software products. Revenue on time-and-material contracts is recognized as the related costs are incurred. Revenue from fixed-price, fixed-time frame contracts is recognized as per the percentage-of-completion method. Provisions for estimated losses on uncompleted contracts are recorded in the period in which such losses become probable based on the current contract estimates. The company provides its clients with a fixed-period warranty for corrections of errors and telephone support on all its fixed-price, fixed-time frame contracts. Costs associated with such support services are accrued at the time related revenues are recorded.

In accordance with SOP 97-2, license fee revenues are recognized when persuasive evidence of an arrangement exists, delivery has occurred, the license fee is fixed and determinable, and the collection of the fee is probable. When other services are provided in conjunction with the licensing arrangement, the revenue from such contracts are allocated to each component of the contract using the residual method, whereby revenue is deferred for the undelivered services and the residual amounts are recognized as revenue for delivered elements. When the company receives advances for software development services and products, such amounts are reported as client deposits until all conditions for revenue recognition are met. Maintenance revenue is deferred and recognized ratably over the term of the underlying maintenance agreement, generally 12 months. Revenue from client training, support and other services arising due to the sale of software products is recognized as the services are performed.

1.5 Cash and cash equivalents

The company considers all highly liquid investments with a remaining maturity at the date of purchase/investment of three months or less to be cash equivalents. Cash and cash equivalents comprise cash, cash on deposit with banks, marketable securities and deposits with corporations.

INFOSYS TECHNOLOGIES LIMITED
NOTES TO FINANCIAL STATEMENTS
(Expressed in United States dollars except share data and as otherwise stated)

1.6 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. 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
Furniture and fixtures	5 years
Computer equipment	2-5 years
Plant and equipment	5 years
Vehicles	5 years

The cost of software purchased for use in software development and services is charged to the cost of revenues at the time of acquisition. Deposits paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date and the cost of property, plant and equipment not put to use before such date are disclosed under "*Capital work-in-progress*".

1.7 Impairment of long-lived assets

The company evaluates the recoverability of its long-lived assets and certain identifiable intangibles, if any, whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying value of the assets exceeds the fair value of the assets. Assets to be disposed are reported at the lower of the carrying value or the fair value less the cost to sell.

1.8 Research and development

Research and development costs are expensed as incurred. Software product development costs are expensed as incurred until technological feasibility is achieved.

1.9 Foreign currency translation

The accompanying financial statements are reported in U.S. dollars. The functional currency of the company is the Indian rupee ("Rs."). The translation of Rs. to U.S. dollars is performed for balance sheet accounts using the exchange rate in effect at the balance sheet date, and for revenue and expense accounts using a monthly average exchange rate for the respective periods. The gains or losses resulting from such translation are reported as "*Other comprehensive income*", a separate component of stockholders' equity. The method for translating expenses of overseas operations depends upon the funds used. If the payment is made from a rupee denominated bank account, the exchange rate prevailing on the date of the payment would apply. If the payment is made from a foreign currency, i.e., non-rupee denominated account, the translation into rupees is performed at the average monthly exchange rate.

1.10 Earnings per share

In accordance with Statement of Financial Accounting Standards ("SFAS") 128, *Earnings Per Share*, basic earnings per share are computed using the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of common and dilutive common equivalent shares outstanding during the period, using the treasury stock method for options and warrants, except where the result would be anti-dilutive.

INFOSYS TECHNOLOGIES LIMITED
NOTES TO FINANCIAL STATEMENTS
(Expressed in United States dollars except share data and as otherwise stated)

1.11 Income taxes

Income taxes are accounted for using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax bases and operating loss carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates 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 tax assets and liabilities is recognized as income in the period that includes the enactment date. The measurement of deferred tax assets is reduced, if necessary, by a valuation allowance for any tax benefits of which future realization is uncertain.

1.12 Fair value of financial instruments

The carrying amounts reflected in the balance sheets for cash, cash equivalents, accounts receivable and accounts payable approximate their respective fair values due to the short maturities of these instruments.

1.13 Concentration of risk

Financial instruments that potentially subject the company to concentrations of credit risk consist principally of cash equivalents, trade accounts receivable, investment securities and hedging instruments. By their nature, all such financial instruments involve risk including the credit risk of non-performance by counterparties. In management's opinion, as of March 31, 2002 and 2001, there was no significant risk of loss in the event of non-performance of the counterparties to these financial instruments, other than the amounts already provided for in the financial statements, if any. Exposure to credit risk is managed through credit approvals, establishing credit limits and monitoring procedures. The company's cash resources are invested with corporations, financial institutions and banks with high investment grade credit ratings. Limitations are established by the company as to the maximum amount of cash that may be invested with any such single entity.

1.14 Retirement benefits to employees

1.14.1 *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, based upon which, the company contributes to the Infosys Technologies Limited Employees' Gratuity Fund Trust (the "Trust"). Trustees administer contributions made to the Trust and invest in specific designated securities as mandated by law, which generally comprise central and state government bonds and debt instruments of government-owned corporations.

1.14.2 *Superannuation*

Apart from being covered under the Gratuity Plan described above, certain employees of Infosys are also participants of a defined contribution plan. The company makes monthly contributions under the superannuation plan (the "Plan") to the Infosys Technologies Limited Employees Superannuation Fund 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.

1.14.3 *Provident fund*

Eligible employees also receive benefits from a provident fund, which is a defined contribution plan. Both the employee and the company make monthly contributions to this provident fund plan equal to a specified percentage of the covered employee's salary. Infosys contributes a part of the contributions to the Infosys Technologies Limited Employees Provident Fund Trust. The remainders of the contributions are made to the Government administered provident fund. The company has no further obligations under the provident fund plan beyond its monthly contributions.

INFOSYS TECHNOLOGIES LIMITED
NOTES TO FINANCIAL STATEMENTS
(Expressed in United States dollars except share data and as otherwise stated)

1.15 Investments

The company accounts by the equity method for investments between 20% and 50% or where it is otherwise able to exercise significant influence over the financial and operating policies of the investee. Investment securities in which the company controls less than 20% voting interest are currently classified as "Available-for-sale securities". Non-readily marketable equity securities for which there are no readily determinable fair values are recorded at cost.

Investment securities designated as "available-for-sale" are carried at their fair value. Fair value is based on quoted market prices. Unquoted securities are carried at cost, adjusted for declines in value judged to be other than temporary. Temporary unrealized gains and losses, net of the related tax effect are reported as a separate component of stockholders' equity until realized. Realized gains and losses and declines in value judged to be other than temporary on available-for-sale securities are included in the statements of income. The cost of securities sold is based on the specific identification method. Interest and dividend income is recognized when earned.

1.16 Stock-based compensation

The company applies the intrinsic value-based method of accounting prescribed by Accounting Principles Board ("APB") Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations including FASB Interpretation No. 44, *Accounting for Certain Transactions Involving Stock Compensation an interpretation of APB Opinion No. 25*, issued in March 2000, to account for its fixed plan stock options. Under this method, compensation expense is recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price. SFAS 123, *Accounting for Stock-Based Compensation*, established accounting and disclosure requirements using a fair value-based method of accounting for stock-based employee compensation plans. As allowed by SFAS 123, the Company has elected to continue to apply the intrinsic value-based method of accounting described above, and has adopted the disclosure requirements of SFAS 123. All stock options issued to date have been accounted as a fixed stock option plan.

1.17 Dividends

Dividend on common stock and the related dividend tax are recorded as a liability on declaration.

1.18 Derivative financial instruments

On April 1, 2001, the company adopted SFAS 133, *Accounting for Derivative Instruments and Hedging Activities* as amended, when the rules became effective for companies with fiscal years ending March 31. The company enters into forward foreign exchange contracts where the counter party is generally a bank. The company purchases forward foreign exchange contracts to mitigate the risk of changes in foreign exchange rates on accounts receivable and forecasted cash flows denominated in certain foreign currencies. Although these contracts are effective as hedges from an economic perspective, they do not qualify for hedge accounting under SFAS 133, as amended. Any derivative that is either not designated hedge, or is so designated but is ineffective per SFAS 133, is marked to market and recognized in earnings immediately.

1.19 Reclassifications

Certain reclassifications have been made to conform prior period data to the current presentations. These reclassifications had no effect on reported earnings.

INFOSYS TECHNOLOGIES LIMITED
NOTES TO FINANCIAL STATEMENTS
(Expressed in United States dollars except share data and as otherwise stated)

1.20 Recently issued accounting standards

In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS 141, *Business Combinations* and SFAS 142, *Goodwill and Other Intangible Assets*. SFAS 141 requires that all business combinations be accounted for under a single method-the purchase method. Use of the pooling-of-interests method is no longer permitted and is effective for business combinations initiated after June 30, 2001. SFAS 142 requires that goodwill no longer be amortized to earnings, but instead be reviewed for impairment and is effective for fiscal years beginning after December 15, 2001, with earlier application permitted for entities with fiscal years beginning after March 31, 2001.

In August 2001, the FASB issued SFAS 143, *Accounting for Asset Retirement Obligations*. SFAS 143 requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the entity capitalizes a cost by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss upon settlement. The standard is effective for fiscal years beginning after June 15, 2002, with earlier application encouraged.

In August 2001, the FASB also issued SFAS 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. SFAS 144 requires that those long-lived assets be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or in discontinued operations. Under this standard, discontinued operations will no longer be measured at net realizable value or include amounts for operating losses that have not yet occurred. The provisions of SFAS 144 are effective for financial statements issued for fiscal years beginning after December 15, 2001 and, generally, are to be applied prospectively. Early application is encouraged.

Both SFAS 141 and 142 are not currently applicable to the operations of the company. The company is evaluating the impact of SFAS 143 and 144 on its operations.

INFOSYS TECHNOLOGIES LIMITED
NOTES TO FINANCIAL STATEMENTS
(Expressed in United States dollars except share data and as otherwise stated)

2 Notes to the Financial Statements

2.1 Cash and cash equivalents

The cost and fair values for cash and cash equivalents as of March 31, 2002 and 2001, respectively are as follows:

	As of March 31, 2002	As of March 31, 2001
Cost and fair values		
Cash and bank deposits	158,274,886	82,702,111
Deposits with corporations	52,211,054	41,382,134
	210,485,940	124,084,245

Cash and cash equivalents include restricted cash balances in the amount \$ 284,839 and \$ 103,418 as of March 31, 2002 and 2001 respectively.

2.2 Trade accounts receivable

Trade accounts receivable, as of March 31, 2002 and March 31, 2001, net of allowance for doubtful accounts of \$3,941,245 and \$ 3,902,996, respectively amounted to \$69,017,110 and \$ 64,942,062, respectively. The age profile of trade accounts receivable, net of allowances is given below.

	<i>in %</i>	
	2002	2001
Period (in days)		
0 – 30	69.0	69.2
31 – 60	30.0	26.6
61 – 90	0.5	1.7
More than 90	0.5	2.5
	100.0	100.0

2.3 Prepaid expenses and other current assets

Prepaid expenses and other current assets consist of the following:

	2002	2001
Rent deposits	2,079,155	2,484,794
Deposits with government organizations	1,220,401	945,189
Loans to employees	8,331,779	8,091,866
Prepaid expenses	2,990,523	4,349,913
Unbilled revenues	3,635,989	503,694
Other current assets	618,057	77,407
	18,875,904	16,452,863

Other current assets represent advance payments to vendors for the supply of goods and rendering of services and certain costs incurred towards software. Deposits with government organizations relate principally to leased telephone lines and electricity supplies.

INFOSYS TECHNOLOGIES LIMITED
NOTES TO FINANCIAL STATEMENTS
(Expressed in United States dollars except share data and as otherwise stated)

2.4 Property, plant and equipment – net

Property, plant and equipment consist of the following:

	2002	2001
Land	8,955,962	7,865,351
Buildings	58,481,413	33,871,448
Furniture and fixtures	32,683,315	21,579,707
Computer equipment	59,006,470	48,098,099
Plant and equipment	37,685,337	24,064,927
Vehicles	72,085	75,537
Capital work-in-progress	30,881,704	36,651,724
	<u>227,766,286</u>	<u>172,206,793</u>
Accumulated depreciation	(80,554,555)	(52,433,763)
	<u>147,211,731</u>	<u>119,773,030</u>

Depreciation expense amounted to \$ 33,608,391, \$ 24,527,867 and \$ 12,268,169 for fiscal 2002, 2001 and 2000 respectively. The amount of third party software expensed during the fiscal 2002, 2001 and 2000 was \$ 7,147,614, \$ 6,979,492 and \$ 3,816,840 respectively.

2.5 Investments

The amortized cost and fair values of available-for-sale securities by major investment type and class of investment are as follows:

	Carrying cost	Fair value
2002		
M-Commerce Ventures Pte Ltd – 70 units, each unit representing 1 Ordinary Share of S\$ 1 each at par and 9 Redeemable Preference Shares of S\$ 1 each at par, with a premium of S\$ 1,110 per Redeemable Preference Share	399,485	399,485
Asia Net Media BVI Limited – 30,000,000 Ordinary Shares at \$ 0.05 each, fully paid, par value \$ 0.01 each	1,500,000	1,500,000
EC Cubed Inc. – 1,300,108 Series D Convertible Preferred Stock, at \$ 2.3075 each, fully paid, par value \$ 0.0001 each	-	-
Alpha Thinx Mobile Services AG - 27,790 Bearer Shares, at €20 each, fully paid, par value €1 each	-	-
CiDRA Corporation – 33,333 Series D Convertible Preferred Stock, at \$ 90 each, fully paid, par value \$ 0.01 each	2,999,970	2,999,970
Workadia Inc., U.S.A – 880,000 Series B Preferred Stock at \$ 2.5 each, fully paid, par value \$ 0.0005 each	2,200,000	2,200,000
JASDIC Park Company – 480 Common Stock, at ¥ 50,000 each, (fully paid, par value ¥ 50,000 each)	177,576	177,576
Stratify, Inc. (formerly Purple Yogi Inc.) – 276,243 Series D Convertible Preferred Stock, at \$ 1.81 each fully paid, par value \$ 0.001 each	500,000	500,000
Others	362	362
	<u>7,777,393</u>	<u>7,777,393</u>
2001		
M-Commerce Ventures Pte Ltd – 70 units, each unit representing 1 Ordinary Share of S\$ 1 each at par and 9 Redeemable Preference Shares of S\$ 1 each at par, with a premium of S\$ 1,110 per Redeemable Preference Share	399,485	399,485
Asia Net Media BVI Limited – 30,000,000 Ordinary Shares at \$ 0.05 each, fully paid, par value \$ 0.01 each	1,500,000	1,500,000
EC Cubed Inc. – 1,300,108 Series D Convertible Preferred Stock, at \$ 2.3075 each, fully paid, par value \$ 0.0001 each	-	-
Alpha Thinx Mobile Services AG - 27,790 Bearer Shares, at €20 each, fully paid, par value €1 each	-	-
CiDRA Corporation – 33,333 Series D Convertible Preferred Stock, at \$ 90 each, fully paid, par value \$ 0.01 each	2,999,970	2,999,970
JASDIC Park Company – 480 Common Stock, at ¥ 50,000 each, fully paid, par value ¥ 50,000 each	177,576	177,576
Stratify, Inc. (formerly Purple Yogi Inc.) – 276,243 Series D Convertible Preferred Stock, at \$ 1.81 each fully paid, par value \$ 0.001 each	500,000	500,000
Others	362	362
	<u>5,577,393</u>	<u>5,577,393</u>

INFOSYS TECHNOLOGIES LIMITED
NOTES TO FINANCIAL STATEMENTS
(Expressed in United States dollars except share data and as otherwise stated)

2.6 Other assets

Other assets represent the non-current portion of loans to employees.

2.7 Related parties

The company grants loans to employees for acquiring assets such as property and cars. Such loans are repayable over fixed periods ranging from 1 to 100 months. The annual rates of interest at which the loans have been made to employees vary between 0% through 4%. No loans have been made to employees in connection with equity issues. The loans are generally secured by the assets acquired by the employees. As of March 31, 2002 and 2001, amounts receivable from officers amounting to \$ 473,464 and \$ 227,121, respectively are included in prepaid expenses and other current assets, and other assets in the accompanying balance sheets.

The required repayments of loans by employees are as detailed below.

	As of March 31,	
	2002	2001
2002	-	8,091,866
2003	8,331,779	2,517,809
2004	3,755,840	1,718,884
2005	2,670,075	1,033,107
2006	1,826,748	800,198
2007	1,454,086	-
Thereafter	2,751,866	1,932,545
Total	20,790,394	16,094,409

The estimated fair values of related party receivables amounted to \$ 17,905,507 and \$ 12,465,374 as of March 31, 2002 and 2001, respectively. These amounts have been determined using available market information and appropriate valuation methodologies. Considerable judgment is required to develop these estimates of fair value. Consequently, these estimates are not necessarily indicative of the amounts that the company could realize in the market.

2.8 Other accrued liabilities

Other accrued liabilities comprise the following:

	2002	2001
Accrued compensation to staff	11,575,996	12,332,869
Accrued dividends	229,839	103,418
Provision for post sales client support	2,255,573	1,578,859
Employee withholding taxes payable	2,614,479	25,000
Provision for expenses	3,356,760	3,768,256
Retention money	1,918,203	2,425,439
Others	473,796	1,596,643
	22,424,646	21,830,484

INFOSYS TECHNOLOGIES LIMITED
NOTES TO FINANCIAL STATEMENTS
(Expressed in United States dollars except share data and as otherwise stated)

2.9 Employee post-retirement benefits

2.9.1 *Gratuity*

The following tables set out the funded status of the Gratuity Plan and the amounts recognized in the company's financial statements in fiscal 2002, 2001 and 2000.

	2002	2001	2000
<i>Change in benefit obligations</i>			
Benefit obligations at the beginning of the year	13,581,972	11,043,208	10,551,069
Effect of changes in assumptions used	–	–	(2,142,149)
Amortization of unrecognized actuarial loss	–	(329,928)	(368,548)
Service cost	1,341,313	2,627,599	3,418,688
Interest cost	1,376,398	1,183,461	939,603
Benefits paid	(175,364)	(184,247)	(128,803)
Effect of exchange rate changes	(272,421)	(758,121)	(1,226,652)
Benefit obligations at the end of the year	<u>15,851,898</u>	<u>13,581,972</u>	<u>11,043,208</u>
<i>Change in plan assets</i>			
Fair value of plan assets at the beginning of the year	10,147,905	4,375,821	2,497,335
Effect of exchange rate changes	(524,191)	(468,275)	(134,018)
Actual return on plan assets	1,324,702	1,061,611	404,526
Employer contributions	1,675,480	5,362,995	1,736,781
Benefits paid	(175,364)	(184,247)	(128,803)
Plan assets at the end of the year	<u>12,448,532</u>	<u>10,147,905</u>	<u>4,375,821</u>
<i>Funded status</i>	<u>(3,403,366)</u>	<u>(3,434,067)</u>	<u>(6,667,387)</u>
Excess of actual return over estimated return on plan assets	141,394	301,791	93,716
Unrecognized transitional obligation	594,784	639,319	694,446
Unrecognized actuarial cost	3,131,389	4,216,291	4,546,219
(Accrued) / prepaid benefit	<u>464,201</u>	<u>1,723,334</u>	<u>(1,333,006)</u>

Net gratuity cost for fiscal 2002, 2001 and 2000 comprises the following components:

	2002	2001	2000
Service cost	1,341,313	2,627,599	3,418,688
Interest cost	1,376,398	1,183,461	939,603
Expected return on assets	(1,183,308)	(759,820)	(310,810)
Amortization of unrecognized transitional obligation	44,535	55,127	58,245
Amortization of unrecognized actuarial loss	105,330	329,928	368,548
Net gratuity cost	<u>1,684,268</u>	<u>3,436,295</u>	<u>4,474,274</u>

The assumptions used in accounting for the Gratuity Plan in fiscal 2002, 2001 and 2000 are set out below.

	2002	2001	2000
Discount rate	10%	10%	10%
Rate of increase in compensation levels	9%	9%	9%
Rate of return on plan assets	10%	10%	10%

The company assesses these assumptions with its projected long-term plans of growth and prevalent industry standards.

2.9.2 *Superannuation*

The company contributed \$ 1,220,716, \$ 796,739 and \$ 244,248 to the superannuation plan in fiscal 2002, 2001 and 2000, respectively.

2.9.1 *Provident fund*

The company contributed \$ 3,146,742, \$ 2,339,794 and \$ 1,198,772 to the provident fund in fiscal 2002, 2001 and 2000, respectively.

INFOSYS TECHNOLOGIES LIMITED
NOTES TO FINANCIAL STATEMENTS
(Expressed in United States dollars except share data and as otherwise stated)

2.10 Stockholders' equity

The company has only one class of capital stock referred to as equity shares. All references in these financial statements to number of shares, per share amounts and market prices of the company's equity shares have been retroactively restated to reflect stock splits made by the company.

2.11 Equity shares

2.11.1 *Voting*

Each holder of equity shares is entitled to one vote per share. The equity shares represented by American Depositary Shares ("ADS") carry similar rights to voting and dividends as the other equity shares. Two ADS represent one underlying equity share.

2.11.2 *Dividends*

Should the company declare and pay dividends, such dividends will be paid in Indian Rupees. Indian law mandates that any dividend be declared out of distributable profits only after the transfer of a specified percentage of net income computed in accordance with current regulations to a general reserve. Moreover, the remittance of dividends outside India is governed by Indian law on foreign exchange and is subject to applicable taxes.

2.11.3 *Liquidation*

In the event of a liquidation of the company, the holders of common stock shall be entitled to receive any of the remaining assets of the company, after distribution of all preferential amounts. The amounts will be in proportion to the number of equity shares held by the stockholders.

2.11.4 *Stock options*

There are no voting, dividend or liquidation rights to the holders of warrants issued under the company's stock option plan.

2.12 Other income, net

Other income, net, consists of the following:

	2002	2001	2000
Interest income and others	10,423,654	8,526,635	5,729,653
Income from sale of special import licenses	-	14,800	426,407
Exchange gains	2,749,162	4,444,208	2,882,732
Provision for investments	-	(3,480,300)	-
Others	692,478	-	-
	13,865,294	9,505,343	9,038,792

INFOSYS TECHNOLOGIES LIMITED
NOTES TO FINANCIAL STATEMENTS
(Expressed in United States dollars except share data and as otherwise stated)

2.13 Operating leases

The company has various operating leases for office buildings that are renewable on a periodic basis. Rental expense for operating leases in fiscal 2002, 2001 and 2000 were \$ 5,109,690, \$ 3,689,822 and \$ 2,387,334, respectively. The operating leases can be renewed or canceled at the company's option.

The company leases some of its office space under non-cancelable operating leases for periods ranging between three through ten years. The schedule of future minimum rental payments in respect of these leases is set out below.

Year ending March 31,	
2003	3,473,587
2004	3,517,933
2005	3,112,407
2006	2,218,192
2007	765,395
Thereafter	1,475,671
	14,563,185

2.14 Research and development

General and administrative expenses in the accompanying statements of income include research and development expenses of \$ 3,083,994, \$ 3,610,550 and \$ 1,904,123 for fiscal 2002, 2001 and 2000, respectively.

INFOSYS TECHNOLOGIES LIMITED
NOTES TO FINANCIAL STATEMENTS
(Expressed in United States dollars except share data and as otherwise stated)

2.15 Employees' Stock Offer Plans ("ESOP")

In September 1994, the company established the 1994 plan, which provided for the issue of 6,000,000 warrants, as adjusted, to eligible employees. The warrants were issued to an employee welfare trust (the "Trust"). In 1997, in anticipation of a share dividend to be declared by the company, the Trust exercised all warrants held by it and converted them into equity shares. As and when the Trust issued options/stock to eligible employees, the difference between the market price and the exercise price was accounted as deferred stock compensation expense and amortized over the vesting period. Such amortized deferred compensation expense was \$ 5,009,772, \$ 5,081,795 and \$ 5,117,635 in the fiscal 2002, 2001 and 2000, respectively. The 1994 plan lapsed in fiscal 2000, and consequently no further shares will be issued to employees under this plan.

1998 Employees Stock Offer Plan (the "1998 Plan"). The company's 1998 Plan provides for the grant of non-statutory stock options and incentive stock options to employees of the company. The establishment of the 1998 Plan was approved by the board of directors in December 1997 and by the stockholders in January 1998. The Government of India has approved the 1998 Plan, subject to a limit of 1,470,000 equity shares representing 2,940,000 American Depositary Shares ("ADS") to be issued under the 1998 Plan. Unless terminated sooner, the 1998 Plan will terminate automatically in January 2008. All options under the 1998 Plan will be exercisable for equity shares represented by American Depositary Shares (ADSs). The 1998 Plan is administered by a Compensation Committee comprising five members, all of who are independent directors on the Board of Directors. All options under the 1998 Plan are exercisable for equity shares represented by ADSs.

1999 Stock Offer Plan (the "1999 Plan"). In fiscal 2000, the company instituted the 1999 Plan. The stockholders and the Board of Directors approved the 1999 Plan in June 1999. The 1999 Plan provides for the issue of 6,600,000 equity shares to employees. The 1999 Plan is administered by a Compensation Committee comprising five members, all of who are independent directors on the Board of Directors. Under the 1999 Plan, options will be issued to employees at an exercise price, which shall not be less than the Fair Market Value ("FMV"). Under the 1999 Plan, options may also be issued to employees at exercise prices that are less than FMV only if specifically approved by the members of the company in a general meeting. All options under the 1999 plan are exercised for equity shares.

The company adopted the proforma disclosure provisions of SFAS No. 123, *Accounting for Stock-Based Compensation*. Had compensation cost for the company's stock-based compensation plan been determined in a manner consistent with the fair value approach described in SFAS No. 123, the company's net income as reported would have reduced to the proforma amounts of \$ 105,181,094, \$ 99,690,666 and \$ 54,649,727 in fiscal 2002, 2001 and 2000, respectively. Basic earnings per share would have reduced to the proforma amounts of \$ 1.60, \$ 1.52 and \$ 0.83 in fiscal 2002, 2001 and 2000, respectively. Diluted earnings per share would have reduced to the proforma amounts of \$ 1.59, \$ 1.49 and \$ 0.83 in fiscal 2002, 2001 and 2000, respectively.

The fair value of each warrant is estimated on the date of grant using the Black-Scholes model with the following assumptions:

	2002	2001	2000
Dividend yield %	0.2%	0.1%	0.1%
Expected life	5 years	5 years	5 years
Risk free interest rate	9.5%	10.8%	10.8%
Volatility	69.0%	44.0%	44.0%

INFOSYS TECHNOLOGIES LIMITED
NOTES TO FINANCIAL STATEMENTS
(Expressed in United States dollars except share data and as otherwise stated)

2.15 Employees' Stock Offer Plans ("ESOP") (continued)

The activity in the warrants/equity shares of the 1994, 1998 and 1999 Employees Stock Offer Plans in fiscal 2002, 2001 and 2000 are set out below.

	2002		2001		2000	
	Shares arising out of options	Weighted average exercise price	Shares arising out of options	Weighted average exercise price	Shares arising out of options	Weighted average exercise price
1994 Option plan:						
Outstanding at the beginning of the period	330,000	—	341,400	—	328,000	—
Granted	—	—	—	—	30,000	\$ 1.15
Forfeited	(8,600)	\$ 1.15	(10,600)	\$ 1.15	(16,600)	\$ 1.15
Exercised	—	—	(800)	\$ 1.15	—	—
Outstanding at the end of the period	321,400	—	330,000	—	341,400	—
Exercisable at the end of the period	—	—	—	—	—	—
Weighted-average fair value of grants during the period at less than market		—		—		<u>\$ 35.48</u>
1998 Option plan:						
Outstanding at the beginning of the period	782,753	—	344,750	—	213,000	—
Granted	454,250	\$ 98.06	482,420	\$ 230.88	147,150	\$ 228.60
Forfeited	(77,773)	\$ 240.90	(38,200)	\$ 172.58	(3,500)	\$ 34.00
Exercised	(27,983)	\$ 44.32	(6,217)	\$ 53.82	(11,900)	\$ 34.00
Outstanding at the end of the period	1,131,347	—	782,753	—	344,750	—
Exercisable at the end of the period	164,527	—	55,558	—	18,100	—
Weighted-average fair value of grants during the period		<u>\$ 98.06</u>		<u>\$ 230.88</u>		<u>\$ 228.60</u>
1999 Option plan:						
Outstanding at the beginning of the period	2,793,980	—	1,006,800	—	—	—
Granted	2,050,500	\$ 64.74	1,957,830	\$ 136.68	1,014,500	\$ 99.12
Forfeited	(175,635)	\$ 119.23	(169,450)	\$ 110.06	(7,700)	\$ 127.98
Exercised	(30)	\$ 84.95	(1,200)	\$ 89.98	—	—
Outstanding at the end of the period	4,668,815	—	2,793,980	—	1,006,800	—
Exercisable at the end of the period	448,530	—	93,400	—	—	—
Weighted-average fair value of grants during the period		<u>\$ 64.74</u>		<u>\$ 136.68</u>		<u>\$ 99.12</u>

INFOSYS TECHNOLOGIES LIMITED
NOTES TO FINANCIAL STATEMENTS
(Expressed in United States dollars except share data and as otherwise stated)

The following table summarizes information about stock option outstanding as of March 31, 2002

Range of exercise price	Outstanding		Exercisable		
	Number of shares arising out of options	Weighted average remaining contractual life	Weighted average exercise price	Number of shares arising out of options	Weighted average exercise price
\$ 1.15 - \$ 304.04	6,106,712	2.84 years	\$ 56.36	613,057	\$ 205.54

2.16 Income taxes

The provision for income taxes comprises:

	2002	2001	2000
Current taxes			
Domestic taxes	6,483,255	5,315,961	2,505,952
Foreign taxes	23,463,108	10,525,168	6,538,256
	<u>29,946,363</u>	<u>15,841,129</u>	<u>9,044,208</u>
Deferred taxes			
Domestic taxes	27,126	(769,304)	(850,891)
Foreign taxes	(2,026,597)	-	-
	<u>(1,999,471)</u>	<u>(769,304)</u>	<u>(850,891)</u>
Aggregate taxes	<u>27,946,892</u>	<u>15,071,825</u>	<u>8,193,317</u>

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities and a description of the financial statement items that created these differences are as follows:

	2002	2001	2000
Deferred tax assets:			
Property, plant and equipment	2,989,348	1,519,016	2,480,883
Provision for doubtful debts	1,448,407	1,587,629	110,000
Investments	1,571,586	1,598,712	-
Others	-	217,842	85,383
	<u>6,009,341</u>	<u>4,923,199</u>	<u>2,676,266</u>
Less: Valuation allowance	(674,300)	(1,587,629)	(110,000)
Net deferred tax assets	<u>5,335,041</u>	<u>3,335,570</u>	<u>2,566,266</u>

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. Management considers the scheduled reversal of the projected future taxable income, and tax planning strategies in making this assessment. Based on the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes that it is more likely than not the company will realize the benefits of those deductible differences, net of the existing valuation differences at March 31, 2002. The amount of the deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carry forward period are reduced.

All deferred tax expenses / (benefits) are allocated to the continuing operations of the company.

INFOSYS TECHNOLOGIES LIMITED
NOTES TO FINANCIAL STATEMENTS
(Expressed in United States dollars except share data and as otherwise stated)

2.16 Income taxes (continued)

A reconciliation of the income tax provision to the amount computed by applying the statutory income tax rate to the income before provision for income taxes is summarized below.

	2002	2001	2000
Net income before taxes	192,413,201	147,019,929	69,537,845
Enacted tax rates in India	35.70%	39.55%	38.50%
Computed expected tax expense	68,691,513	58,146,382	26,772,070
Less: Tax effect due to non-taxable income for Indian tax purposes	(67,338,527)	(57,334,527)	(24,019,942)
Others	5,014,830	3,437,865	(1,121,972)
Effect of tax rate change	142,565	(8,077)	(29,771)
Effect of prior period tax adjustments	-	305,014	54,676
Provision for Indian income tax	6,510,381	4,546,657	1,655,061
Effect of tax on foreign income	21,436,511	10,525,168	6,538,256
Aggregate taxes	27,946,892	15,071,825	8,193,317

The provision for foreign taxes is due to income taxes payable overseas, principally in the United States of America. The company benefits from certain significant tax incentives provided to software firms under Indian tax laws. These incentives presently include: (i) an exemption from payment of Indian corporate income taxes for a period of ten consecutive years of operation of software development facilities designated as "Software Technology Parks" (the "STP Tax Holiday"); and (ii) a tax deduction for profits derived from exporting computer software (the "Export Deduction"). All but one of the company's software development facilities are located in a designated Software Technology Park ("STP"). The Government of India has recently amended the tax incentives available to companies set up in designated STPs. The period of the STP Tax Holiday available to such companies is restricted to 10 consecutive years beginning from the financial year when the unit started producing computer software or March 31, 2000, whichever is earlier. Additionally, the Export Deduction will be phased out equally over a period of five years starting from fiscal 2000.

2.17 Earnings per share

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

	2002	2001	2000
Basic earnings per equity share – weighted average number of common shares outstanding excluding unallocated shares of ESOP	65,556,648	65,771,256	65,659,625
Effect of dilutive common equivalent shares – stock options outstanding	528,226	943,483	204,365
Diluted earnings per equity share – weighted average number of common shares and common equivalent shares outstanding	66,084,874	66,714,739	65,863,990

Shares held by the Trust were excluded for the purposes of computing basic earnings per share.

INFOSYS TECHNOLOGIES LIMITED
NOTES TO FINANCIAL STATEMENTS
(Expressed in United States dollars except share data and as otherwise stated)

2.18 Derivative financial instruments

The Company enters into forward foreign exchange contracts where the counter party is generally a bank. The Company considers the risks of non-performance by the counter party as non-material. Infosys held foreign exchange forward contracts of \$ 2,000,000 and \$ 20,000,000 as of March 31, 2002 and 2001, respectively. The foreign forward exchange contracts mature between one to six months.

2.19 Segment reporting

SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information*, establishes standards for the way that public business enterprises report information about operating segments and related disclosures about products and services, geographic areas, and major customers. The company's operations predominantly relate to providing IT solutions, delivered to customers located globally, across various industry segments. In the year ended March 31, 2000, the company provided segmental disclosures based on the geographical segment. However, from the fiscal year ended March 31, 2001, the Chief Operating Decision Maker evaluates the company's performance and allocates resources based on an analysis of various performance indicators by industry classes and geographic segmentation of customers. Accordingly, revenues represented along industry classes comprise the principal basis of segmental information set out in these financial statements. Secondary segmental reporting is performed on the basis of the geographical location of customers. The accounting principles consistently used in the preparation of the financial statements are consistently applied to record revenue and expenditure in individual segments, and are as set out in the summary of significant accounting policies.

Industry segments for the company are primarily *financial services* comprising enterprises providing banking finance and insurance services, *manufacturing* enterprises, enterprises in the *telecommunications* ("*telecom*") and *retail* industries, and *others* such as utilities, transportation and logistics companies.

Revenue in relation to segments is categorized based on items that are individually identifiable to that segment, while expenditure is categorized in relation to the associated turnover of the segment. Certain expenses such as depreciation, which form a significant component of total expenses, are not specifically allocable to specific segments as the underlying services are used interchangeably. Management believes that it is not practical to provide segment disclosures relating to those costs and expenses, and accordingly these expenses are separately disclosed as "unallocated" and adjusted only against the total income of the company.

Geographic segmentation is driven based on the location of the respective client. *North America* comprises the United States of America, Canada and Mexico; *Europe* includes continental Europe (both the east and the west), Ireland and the United Kingdom; and the *Rest of the World* comprising all other places except those mentioned above and *India*.

Fixed assets used in the company's business are not identified to any of the reportable segments, as these are used interchangeably between segments. Management believes that it is currently not practicable to provide segment disclosures relating to total assets and liabilities since a meaningful segregation of the available data is onerous.

Geographical information on revenue and industry revenue information is collated based on individual customers invoiced or in relation to which the revenue is otherwise recognized.

INFOSYS TECHNOLOGIES LIMITED
NOTES TO FINANCIAL STATEMENTS
(Expressed in United States dollars except share data and as otherwise stated)

2.19 Segment reporting (continued)

2.19.1 *Industry segments*

Year ended March 31, 2002

	Financial services	Manufacturing	Telecom	Retail	Others	Total
Revenues	199,725,558	93,404,474	85,190,054	67,027,323	99,703,805	545,051,214
Identifiable operating expenses	74,364,097	38,112,096	23,873,023	18,696,233	34,831,145	189,876,594
Allocated expenses	51,905,935	23,321,898	21,273,366	16,667,939	24,840,829	138,009,967
Segmental operating income	73,455,526	31,970,480	40,043,665	31,663,151	40,031,831	217,164,653
Unallocable expenses						<u>38,616,746</u>
Operating income						178,547,907
Other income (expense), net						<u>13,865,294</u>
Net income before taxes						192,413,201
Taxes						<u>27,946,892</u>
Net income after taxes						<u>164,466,309</u>

Year ended March 31, 2001

	Financial services	Manufacturing	Telecom	Retail	Others	Total
Revenues	139,616,739	74,004,867	76,412,722	37,684,446	86,131,736	413,850,510
Identifiable operating expenses	49,021,150	28,363,069	19,219,376	11,893,574	26,233,048	134,730,217
Allocated expenses	38,589,808	19,736,596	20,423,026	10,057,009	23,189,607	111,996,046
Segmental operating income	52,005,781	25,905,202	36,770,320	15,733,863	36,709,081	167,124,247
Unallocable expenses						<u>29,609,661</u>
Operating income						137,514,586
Other income (expense), net						<u>9,505,343</u>
Net income before taxes						147,019,929
Taxes						<u>15,071,825</u>
Net income after taxes						<u>131,948,104</u>

Year ended March 31, 2000

	Financial services	Manufacturing	Telecom	Retail	Others	Total
Revenues	61,153,566	46,770,389	31,248,637	21,637,626	42,633,536	203,443,754
Identifiable operating expenses	23,665,914	16,612,901	10,222,455	6,349,884	15,971,172	72,822,326
Allocated expenses	16,326,836	11,955,090	8,010,255	5,544,554	10,899,835	52,736,570
Segmental operating income	21,160,816	18,202,398	13,015,927	9,743,188	15,762,529	77,884,858
Unallocable expenses						<u>17,385,805</u>
Operating income						60,499,053
Other income (expense), net						<u>9,038,792</u>
Net income before taxes						69,537,845
Taxes						<u>8,193,317</u>
Net income after taxes						<u>61,344,528</u>

INFOSYS TECHNOLOGIES LIMITED
NOTES TO FINANCIAL STATEMENTS
(Expressed in United States dollars except share data and as otherwise stated)

2.19 Segment reporting (continued)

2.19.2 *Geographic segments*

Year ended March 31, 2002

	North America	Europe	India	Rest of the World	Total
Revenues	388,168,447	106,103,448	10,735,626	40,043,693	545,051,214
Identifiable operating expenses	135,362,671	38,013,083	4,183,775	12,317,065	189,876,594
Allocated expenses	98,093,268	26,809,588	3,119,373	9,987,738	138,009,967
Segmental operating income	154,712,508	41,280,777	3,432,478	17,738,890	217,164,653
Unallocable expenses					<u>38,616,746</u>
Operating income					178,547,907
Other income (expense), net					<u>13,865,294</u>
Net income before taxes					192,413,201
Taxes					<u>27,946,892</u>
Net income after taxes					<u>164,466,309</u>

Year ended March 31, 2001

	North America	Europe	India	Rest of the World	Total
Revenues	304,242,537	77,892,656	5,778,286	25,937,031	413,850,510
Identifiable operating expenses	96,358,758	27,210,316	1,943,571	9,217,572	134,730,217
Allocated expenses	82,053,059	20,951,885	1,866,259	7,124,843	111,996,046
Segmental operating income	125,830,720	29,730,455	1,968,456	9,594,616	167,124,247
Unallocable expenses					<u>29,609,661</u>
Operating income					137,514,586
Other income (expense), net					<u>9,505,343</u>
Net income before taxes					147,019,929
Taxes					<u>15,071,825</u>
Net income after taxes					<u>131,948,104</u>

Year ended March 31, 2000

	North America	Europe	India	Rest of the World	Total
Revenues	158,723,649	30,064,939	2,912,091	11,743,075	203,443,754
Identifiable operating expenses	54,672,143	12,722,875	913,895	4,513,413	72,822,326
Allocated expenses	40,875,291	7,759,319	1,061,766	3,040,194	52,736,570
Segmental operating income	63,176,215	9,582,745	936,430	4,189,468	77,884,858
Unallocable expenses					<u>17,385,805</u>
Operating income					60,499,053
Other income (expense), net					<u>9,038,792</u>
Net income before taxes					69,537,845
Taxes					<u>8,193,317</u>
Net income after taxes					<u>61,344,528</u>

INFOSYS TECHNOLOGIES LIMITED
NOTES TO FINANCIAL STATEMENTS
(Expressed in United States dollars except share data and as otherwise stated)

2.19 Segment reporting (continued)

2.19.3 *Significant clients*

No clients individually accounted for more than 10% of the revenues in fiscal 2002, 2001 and 2000, respectively.

2.20 Commitments and contingencies

The company has outstanding performance guarantees for various statutory purposes totaling \$ 3,334,700, \$ 1,126,611 and \$ 1,207,110 as of March 31, 2002, 2001 and 2000, respectively. These guarantees are generally provided to governmental agencies.

2.21 Litigation

The company is subject to legal proceedings and claims, which have arisen, in the ordinary course of its business. These actions, when ultimately concluded and determined, will not, in the opinion of management, have a material effect on the results of operations or the financial position of the company.

2.22 Non-monetary transaction

During the year ended March 31, 2001, the company transferred certain Intellectual Property Rights ("IPR") that it had developed and owned in a product called OnScan to OnMobile Systems Inc. (formerly OnScan, Inc). OnScan is a comprehensive web-enabled wireless notification product. In exchange for the transfer, the company received consideration in the form of securities including 100,000 Common Stock, par value \$ 0.001 each, 100,000 Series A Voting Convertible Preferred Stock, par value \$ 0.001 each and 4,400,000 Series A Nonvoting Convertible Preferred Stock, par value \$ 0.001 each. Convertible Preferred Stock is convertible into Common Stock automatically upon the closing of an Initial Public Offering by OnMobile Systems Inc. As of March 31, 2002, the company's controlling interest in Onmobile Systems, Inc. was 9.7%. The transfer was recorded at historic cost and, accordingly, no gain was recognized on this transaction as of the date of transfer of the IPR.