

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARY*in Rs. crore*Consolidated Balance Sheet as at Schedules **December 31, 2002****SOURCES OF FUNDS**

SHAREHOLDERS' FUNDS

| | | |
|----------------------------------------|---|-----------------|
| Share capital | 1 | 33.11 |
| Reserves and surplus | 2 | 2,670.09 |
| Preference shares issued by subsidiary | 3 | 49.00 |
| | | <u>2,752.20</u> |

APPLICATION OF FUNDS

FIXED ASSETS

| | | |
|-------------------------------------|---|---------------|
| Original cost | 4 | 1,199.09 |
| Less: Depreciation and amortization | | <u>526.48</u> |
| Net book value | | 672.61 |
| Add: Capital work-in-progress | | <u>86.42</u> |
| | | 759.03 |

INVESTMENTS

DEFERRED TAX ASSETS

CURRENT ASSETS, LOANS AND ADVANCES

| | | |
|---------------------------|----|---------------|
| Sundry debtors | 7 | 491.56 |
| Cash and bank balances | 8 | 1,138.72 |
| Loans and advances | 9 | <u>991.57</u> |
| | | 2,621.85 |
| Less: Current liabilities | 10 | 282.34 |
| Provisions | 11 | <u>402.32</u> |
| NET CURRENT ASSETS | | 1,937.19 |

2,752.20

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

17

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

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

for Bharat S Raut & Co.
*Chartered Accountants*S. Balasubrahmanyam
*Partner*N. R. Narayana Murthy
*Chairman and Chief Mentor*Nandan M. Nilekani
*Chief Executive Officer,
President
and Managing Director*S. Gopalakrishnan
*Chief Operating Officer
and Deputy Managing
Director*Deepak M. Satwalekar
*Director*Marti G. Subrahmanyam
*Director*Philip Yeo
*Director*Jitendra Vir Singh
*Director*Omkar Goswami
*Director*Larry Pressler
*Director*Claude Smadja
*Director*Rama Bijapurkar
*Director*K. Dinesh
*Director*S. D. Shibulal
*Director*T. V. Mohandas Pai
*Director and
Chief Financial Officer*Srinath Batni
*Director*V. Balakrishnan
*Company Secretary and
Vice President – Finance*Bangalore
January 10, 2003

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARY

| | | <i>in Rs. crore, except per share data</i> | |
|-----------------------------------------------------------------------------|-----------|--------------------------------------------|--------------------|
| Consolidated Profit and Loss Account for the | | Quarter ended | Nine months ended |
| | | December 31, 2002 | |
| | | Schedules | |
| INCOME – Software services, products and business process management | | | |
| Overseas | | 951.56 | 2,560.41 |
| Domestic | | 13.46 | 49.90 |
| | | <u>965.02</u> | <u>2,610.31</u> |
| Software development and business process management expenses | 12 | 486.04 | 1,289.46 |
| GROSS PROFIT | | <u>478.98</u> | <u>1,320.85</u> |
| SELLING AND MARKETING EXPENSES | 13 | 75.09 | 200.61 |
| GENERAL AND ADMINISTRATION EXPENSES | 14 | 71.21 | 192.59 |
| | | <u>146.30</u> | <u>393.20</u> |
| OPERATING PROFIT (PBDTA) | | 332.68 | 927.65 |
| Interest | | - | - |
| Depreciation and amortization | | 50.05 | 136.93 |
| OPERATING PROFIT AFTER INTEREST, DEPRECIATION AND AMORTIZATION | | <u>282.63</u> | <u>790.72</u> |
| Other income | 15 | 29.78 | 73.07 |
| Provision for investments | | - | 23.76 |
| NET PROFIT BEFORE TAX | | <u>312.41</u> | <u>840.03</u> |
| Provision for taxation | 16 | 57.50 | 145.00 |
| NET PROFIT AFTER TAX | | <u>254.91</u> | <u>695.03</u> |
| AMOUNT AVAILABLE FOR APPROPRIATION | | <u>254.91</u> | <u>695.03</u> |
| DIVIDEND | | | |
| Interim | | - | 82.76 |
| Balance in Profit and Loss Account | | 254.91 | 612.27 |
| EARNINGS PER SHARE | | | |
| <i>(Equity shares, par value Rs. 5/- each)</i> | | | |
| Basic | | 38.49 | 104.98 |
| Diluted | | 38.01 | 104.12 |
| Number of shares used in computing earnings per share | | | |
| Basic | | 6,62,21,577 | 6,62,02,947 |
| Diluted | | <u>6,70,57,160</u> | <u>6,67,55,529</u> |

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

17

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

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

for Bharat S Raut & Co.
Chartered Accountants

| | | | | |
|------------------------------------------|------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|
| S. Balasubrahmanyam <i>Partner</i> | N. R. Narayana Murthy <i>Chairman and Chief Mentor</i> | Nandan M. Nilekani <i>Chief Executive Officer, President and Managing Director</i> | S. Gopalakrishnan <i>Chief Operating Officer and Deputy Managing Director</i> | Deepak M. Satwalekar <i>Director</i> |
| Marti G. Subrahmanyam <i>Director</i> | Philip Yeo <i>Director</i> | Jitendra Vir Singh <i>Director</i> | Omkar Goswami <i>Director</i> | Larry Pressler <i>Director</i> |
| Claude Smadja <i>Director</i> | Rama Bijapurkar <i>Director</i> | K. Dinesh <i>Director</i> | S. D. Shibulal <i>Director</i> | T. V. Mohandas Pai <i>Director and Chief Financial Officer</i> |
| Srinath Batni <i>Director</i> | V. Balakrishnan <i>Company Secretary and Vice President – Finance</i> | | | |

Bangalore
January 10, 2003

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARY*in Rs. crore*

Schedules to the Consolidated Balance Sheet as at

December 31, 2002

1. SHARE CAPITAL

AUTHORIZED

Equity shares, Rs. 5/- par value*

10,00,00,000 equity shares

50.00

ISSUED, SUBSCRIBED AND PAID UP

Equity shares, Rs. 5/- par value

6,62,29,489 equity shares fully paid up

33.11

33.11

Forfeited shares amounted to Rs. 1,500/-

* for details of options in respect of the above shares, refer to note 17.2.8

2. RESERVES AND SURPLUS

Capital reserve

5.94

Share premium account as at April 1,

325.34

Add : Received during the period

on conversion of stock options issued to employees

10.60

335.94

General reserve

1715.94

Balance in Profit and Loss Account

612.27

2,670.09**3. PREFERENCE SHARES ISSUED BY SUBSIDIARY**

AUTHORIZED

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

43,75,000 preference shares

43.75

ISSUED, SUBSCRIBED AND PAID UP

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

43,75,000 preference shares fully paid up*

43.75

Premium received on issue of preference shares

5.25

49.00

* for details of the terms relating to the preference shares, refer to note 17.2.18

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARY*in Rs. crore*

Schedules to the Consolidated Balance Sheet

4. FIXED ASSETS

| Particulars | Original cost | | | | Depreciation and amortization | | | | Net book value |
|------------------------------|--------------------------------|-----------------------------------|-----------------------------------|------------------------------------|-------------------------------|-------------------|------------------------------------|-------------------------------|-------------------------------|
| | Cost as at April 1, 2002 | Additions during the period | Deletions during the period | Cost as at December 31, 2002 | As at April 1, 2002 | For the period | Deductions during the Period | As at December 31, 2002 | As at December 31, 2002 |
| Land – free-hold | 15.86 | 0.02 | - | 15.88 | - | - | - | - | 15.88 |
| Land - lease-hold | 27.84 | 3.57 | - | 31.41 | - | - | - | - | 31.41 |
| Buildings | 285.33 | 68.42 | - | 353.75 | 27.89 | 16.90 | - | 44.79 | 308.96 |
| Plant and machinery | 183.87 | 32.99 | 0.93 | 215.93 | 77.84 | 25.84 | 0.74 | 102.94 | 112.99 |
| Computer equipment | 287.89 | 58.10 | 1.40 | 344.59 | 216.63 | 62.97 | 1.38 | 278.22 | 66.37 |
| Furniture and fixtures | 159.46 | 35.08 | 1.45 | 193.09 | 70.51 | 22.73 | 1.36 | 91.88 | 101.21 |
| Vehicles | 0.35 | - | - | 0.35 | 0.16 | 0.05 | - | 0.21 | 0.14 |
| Intangible assets | | | | | | | | | |
| Intellectual property rights | - | 44.09 | - | 44.09 | - | 8.44 | - | 8.44 | 35.65 |
| | 960.60 | 242.27 | 3.78 | 1,199.09 | 393.03 | 136.93 | 3.48 | 526.48 | 672.61 |

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 SUBSIDIARY*in Rs. Crore*

Schedules to the Consolidated Balance Sheet as at

December 31, 2002

5. INVESTMENTS

Trade (unquoted) - at cost

Long-term investments

53.98

Less: Provision for investments

33.03

20.95

Aggregate of unquoted investments - carrying value / cost

20.95**6. DEFERRED TAX ASSETS**

Fixed assets

18.39

Investments

12.10

Sundry debtors

4.54

35.03**7. SUNDRY DEBTORS****Debts outstanding for a period exceeding six months**

Unsecured

considered doubtful

9.23

Other debts

Unsecured

considered good

491.56

considered doubtful

5.62

506.41

Less: Provision for doubtful debts

14.85

491.56**8. CASH AND BANK BALANCES**

Cash on hand

0.06

Balances with scheduled banks

In current accounts *

46.67

In deposit accounts in Indian rupees

998.31

In deposit accounts in foreign currency

Balances with non-scheduled banks

In current accounts

93.68

1,138.72

*includes balance in unclaimed dividend account

1.94

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARY*in Rs. Crore*

Schedules to the Consolidated Balance Sheet as at

December 31, 2002

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

Advances

| | |
|-------------------------------------------------------------|--------------|
| prepaid expenses | 15.53 |
| advances paid for supply of goods and rendering of services | 0.81 |
| Others | 3.94 |
| | <u>20.28</u> |

| | |
|---------------------------------------------------------|---------------|
| Unbilled revenues | 71.13 |
| Advance income tax | 407.41 |
| Loans and advances to employees * | |
| housing and other loans | 96.25 |
| salary advances | 29.33 |
| Electricity and other deposits | 7.72 |
| Rental deposits | 14.50 |
| Deposits with financial institutions and body corporate | 342.36 |
| Deposits with government authorities | - |
| Other assets | 2.59 |
| | <u>971.29</u> |

Unsecured, considered doubtful

| | |
|--------------------------------------------------------------|---------------|
| Loans and advances to employees | 0.42 |
| | <u>991.99</u> |
| Less: Provision for doubtful loans and advances to employees | 0.42 |
| | <u>991.57</u> |

| | |
|--------------------------------------------------------------------------|------|
| * includes dues by non-director officers of the company | 0.07 |
| Maximum amounts due by non-director officers at any time during the year | 0.08 |

10. CURRENT LIABILITIES

Sundry creditors

| | |
|----------------------------------------------|---------------|
| for capital goods | 0.61 |
| for accrued salaries and benefits | |
| salaries | 4.75 |
| bonus and incentives | 50.81 |
| leave provisions | 25.27 |
| retirement benefits | 0.17 |
| for other liabilities | |
| provision for expenses | 43.45 |
| retention monies | 10.81 |
| withholding and other taxes payable | 26.37 |
| for purchase of intellectual property rights | 27.83 |
| others | 5.35 |
| | <u>195.42</u> |

| | |
|--------------------------------|---------------|
| Advances received from clients | 29.15 |
| Unearned revenue | 55.83 |
| Unclaimed dividend | 1.94 |
| | <u>282.34</u> |

11. PROVISIONS

| | |
|---------------------------|---------------|
| Provision for | |
| income taxes | 395.38 |
| post-sales client support | 6.94 |
| | <u>402.32</u> |

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARY*in Rs. crore*

Schedules to the Consolidated Profit and Loss Account for the

Quarter ended

Nine months ended

December 31, 2002

12. SOFTWARE DEVELOPMENT AND BUSINESS PROCESS MANAGEMENT EXPENSES

| | | |
|------------------------------------------------------|---------------|-----------------|
| Salaries and bonus including overseas staff expenses | 380.16 | 1,021.29 |
| Staff welfare | 2.16 | 5.48 |
| Contribution to provident and other funds | 8.85 | 22.14 |
| Foreign travel expenses | 43.06 | 122.01 |
| Travelling and conveyance | 0.19 | 0.35 |
| Consumables | 1.77 | 4.19 |
| Cost of software packages for | | |
| own use | 22.71 | 43.99 |
| service delivery to clients | 2.38 | 10.00 |
| Provision for post-sales client support | (3.76) | (4.06) |
| Computer maintenance | 2.58 | 9.90 |
| Communication expenses | 6.17 | 18.66 |
| Consultancy charges | 19.77 | 35.51 |
| | 486.04 | 1,289.46 |

13. SELLING AND MARKETING EXPENSES

| | | |
|------------------------------------------------------|--------------|---------------|
| Salaries and bonus including overseas staff expenses | 41.69 | 105.60 |
| Staff welfare | 0.16 | 0.47 |
| Contribution to provident and other funds | 0.23 | 0.47 |
| Foreign travel expenses | 12.25 | 30.84 |
| Consumables | 0.07 | 0.14 |
| Cost of software packages for own use | 0.01 | 0.04 |
| Communication expenses | 0.13 | 0.37 |
| Traveling and conveyance | 0.37 | 0.82 |
| Rent | 1.29 | 3.40 |
| Telephone charges | 1.40 | 3.92 |
| Professional charges | 3.03 | 8.27 |
| Printing and stationery | 0.25 | 1.02 |
| Advertisements | 0.33 | 0.73 |
| Brand building | 7.04 | 24.40 |
| Office maintenance | 1.66 | 2.16 |
| Power and fuel | 0.04 | 0.15 |
| Insurance charges | 0.03 | 0.06 |
| Rates and taxes | 0.02 | 0.25 |
| Bank charges and commission | 0.03 | 0.07 |
| Commission charges | 3.28 | 9.70 |
| Marketing expenses | 1.65 | 4.96 |
| Sales promotion expenses | 0.13 | 0.33 |
| Other miscellaneous expenses | - | 2.44 |
| | 75.09 | 200.61 |

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARY*in Rs. Crore*

Schedules to the Consolidated Profit and Loss Account for the

Quarter ended

Nine months ended

December 31, 2002

14. GENERAL AND ADMINISTRATION EXPENSES

| | | |
|--------------------------------------------------------|--------------|---------------|
| Salaries and bonus including overseas staff expenses | 15.88 | 42.72 |
| Staff welfare | - | 0.01 |
| Contribution to provident and other funds | 0.94 | 2.49 |
| Foreign travel expenses | 1.70 | 5.65 |
| Traveling and conveyance | 4.49 | 11.17 |
| Rent | 6.75 | 17.49 |
| Telephone charges | 5.84 | 14.88 |
| Legal and professional charges | 9.69 | 24.49 |
| Printing and stationery | 1.02 | 3.68 |
| Advertisements | 1.05 | 2.72 |
| Office maintenance | 5.06 | 13.02 |
| Repairs to building | 2.06 | 5.08 |
| Repairs to plant and machinery | 1.66 | 3.75 |
| Power and fuel | 5.77 | 16.86 |
| Recruitment and training | 0.09 | 0.14 |
| Insurance charges | 2.41 | 6.92 |
| Rates and taxes | 1.33 | 4.09 |
| Donations | 1.52 | 4.56 |
| Auditor's remuneration | | |
| - audit fees | 0.08 | 0.20 |
| - certification charges | - | 0.02 |
| - out-of-pocket expenses | 0.01 | 0.02 |
| Provision for bad and doubtful debts | 0.33 | 0.51 |
| Provision for doubtful loans and advances | (0.02) | (0.07) |
| Bank charges and commission | 0.18 | 0.51 |
| Commission to non-whole time directors | 0.24 | 0.72 |
| Postage and courier | 1.03 | 3.00 |
| Books and periodicals | 0.32 | 0.97 |
| Freight charges | 0.16 | 0.43 |
| Professional membership and seminar participation fees | 0.88 | 2.54 |
| Miscellaneous expenses | 0.74 | 4.02 |
| | 71.21 | 192.59 |

15. OTHER INCOME

| | | |
|------------------------------------------------------|--------------|--------------|
| Interest received on deposits with banks and others* | 20.37 | 57.87 |
| Exchange differences | 0.54 | 1.47 |
| Miscellaneous income | 8.87 | 13.73 |
| | 29.78 | 73.07 |
| *Tax deducted at source | 4.30 | 10.88 |

16. PROVISION FOR TAXATION

| | | |
|----------------|--------------|---------------|
| Current Period | | |
| Income taxes | 58.95 | 155.81 |
| Deferred taxes | (1.45) | (10.81) |
| | 57.50 | 145.00 |