

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

Consolidated Balance Sheet as at	Schedules	March 31, 2004	March 31, 2003
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	1	33.32	33.12
Reserves and surplus	2	3,216.26	2,824.37
		<u>3,249.58</u>	<u>2,857.49</u>
Preference shares issued by subsidiary	3	93.56	49.00
		<u>3,343.14</u>	<u>2,906.49</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
Original cost	4	1,633.65	1,279.04
Less: Depreciation and amortization		<u>809.84</u>	<u>578.54</u>
Net book value		823.81	700.50
Add: Capital work-in-progress		<u>208.05</u>	<u>77.39</u>
		<u>1,031.86</u>	<u>777.89</u>
INVESTMENTS	5	945.45	20.95
DEFERRED TAX ASSETS	6	39.97	36.81
CURRENT ASSETS, LOANS AND ADVANCES			
Sundry debtors	7	651.45	518.65
Cash and bank balances	8	1,721.51	1,346.54
Loans and advances	9	860.95	913.46
		<u>3,233.91</u>	<u>2,778.65</u>
Less: Current liabilities	10	581.72	319.60
Provisions	11	1,326.33	388.21
NET CURRENT ASSETS		<u>1,325.86</u>	<u>2,070.84</u>
		<u>3,343.14</u>	<u>2,906.49</u>

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS 23

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 <i>Partner</i> <i>Membership No. 53315</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>	Omkar Goswami <i>Director</i>	Larry Pressler <i>Director</i>
	Rama Bijapurkar <i>Director</i>	Claude Smadja <i>Director</i>	Sridar A. Iyengar <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
April 13, 2004

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES*in Rs. crore, except per share data*

Consolidated Profit and Loss Account for the		Year ended	
	Schedules	March 31, 2004	March 31, 2003
INCOME – Software services, products and business process management			
Overseas		4,786.72	3,564.36
Domestic		66.23	75.62
		4,852.95	3,639.98
Software development and business process management expenses	12	2,538.67	1,822.96
GROSS PROFIT			
		2,314.28	1,817.02
SELLING AND MARKETING EXPENSES	13	350.90	271.73
GENERAL AND ADMINISTRATION EXPENSES	14	369.19	275.67
		720.09	547.40
OPERATING PROFIT BEFORE INTEREST, DEPRECIATION AND AMORTIZATION			
Interest		-	-
Depreciation and amortization		236.73	190.34
OPERATING PROFIT AFTER INTEREST, DEPRECIATION AND AMORTIZATION			
		1,357.46	1,079.28
Other income	15	123.38	100.26
Provision for investments		9.67	23.77
NET PROFIT BEFORE TAX			
		1,471.17	1,155.77
Provision for taxation	16	227.54	201.00
NET PROFIT AFTER TAX			
		1,243.63	954.77
AMOUNT AVAILABLE FOR APPROPRIATION			
DIVIDEND			
Interim		96.09	82.76
Final		99.96	96.05
One-time special dividend		666.41	-
Total dividend		862.46	178.81
Dividend tax		110.50	12.30
Amount transferred - general reserve		200.00	763.66
Balance in Profit and Loss Account		70.67	-
		1,243.63	954.77
EARNINGS PER SHARE			
<i>(Equity shares, par value Rs. 5/- each)</i>			
Basic		187.40	144.20
Diluted		185.07	142.89
Number of shares used in computing earnings per share			
Basic		6,63,61,944	6,62,11,068
Diluted		6,71,96,754	6,68,16,821

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS**23**

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
Partner
Membership No. 53315

N. R. Narayana Murthy
Chairman and Chief Mentor

Nandan M. Nilekani
Chief Executive Officer,
President and Managing
Director

S. Gopalakrishnan
Chief Operating Officer and
Deputy Managing Director

Deepak M. Satwalekar
Director

Marti G. Subrahmanyam
Director

Philip Yeo
Director

Omkar Goswami
Director

Larry Pressler
Director

Rama Bijapurkar
Director

Claude Smadja
Director

Sridar A. Iyengar
Director

K. Dinesh
Director

S. D. Shibulal
Director

T. V. Mohandas Pai
Director and
Chief Financial Officer

Srinath Batni
Director

V. Balakrishnan
Company Secretary and
Vice President – Finance

Bangalore
April 13, 2004

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

		<i>in Rs. crore</i>	
Consolidated Cash flow statement for the		Year ended	
	Schedule	March 31, 2004	March 31, 2003
CASHFLOWS FROM OPERATING ACTIVITIES			
Profit before tax		1,471.17	1,155.77
Adjustments to reconcile profit before tax to cash provided by operating activities			
(Profit)/Loss on sale of fixed assets		0.41	(0.01)
Depreciation and amortization		236.73	190.34
Interest and dividend income		(102.23)	(80.67)
Provisions on investments		9.67	23.77
Exchange differences on translation of foreign currency cash and cash equivalents		4.91	(2.06)
Changes in current assets and liabilities			
Sundry debtors		(132.80)	(181.92)
Loans and advances	17	(17.67)	(132.38)
Current liabilities and provisions	18	262.20	163.04
Income taxes paid during the period/year	19	(108.60)	(232.54)
NET CASH GENERATED BY OPERATING ACTIVITIES		1,623.79	903.34
CASHFLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issue of preference share capital		44.56	49.00
Proceeds on exercise of stock options		122.27	13.52
Dividends paid during the period/year, including dividend tax		(216.75)	(165.49)
NET CASH USED IN FINANCING ACTIVITIES		(49.92)	(102.97)
CASHFLOWS FROM INVESTING ACTIVITIES			
Purchases of fixed assets and change in capital work-in-progress	20	(425.85)	(225.82)
Acquisition of Expert Information Systems Pty. Limited, Australia		(66.68)	-
Proceeds on disposal of fixed assets		1.42	0.33
Investments	21	(934.17)	(0.27)
Interest and dividend income		102.23	80.67
NET CASH USED IN INVESTING ACTIVITIES		(1,323.05)	(145.09)
Effect of exchange differences on translation of foreign currency cash and cash equivalents		(5.76)	2.06
Net (decrease)/increase in cash and cash equivalents during the period/year		245.06	657.34
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD/YEAR		1,684.30	1,026.96
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD/YEAR	22	1,929.36	1,684.30
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	23		

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

for Bharat S Raut & Co.
Chartered Accountants

S. Balasubrahmanyam N. R. Narayana Murthy
Partner Chairman and Chief
Membership No. 53315 Mentor

Nandan M. Nilekani
Chief Executive Officer,
President and Managing
Director

S. Gopalakrishnan
Chief Operating
Officer and Deputy
Managing Director

Deepak M. Satwalekar
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Company Secretary and
Vice President – Finance

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES*in Rs. Crore*Schedules to the Consolidated Balance Sheet as at March 31, 2004 March 31, 2003**1. SHARE CAPITAL**

AUTHORIZED

Equity shares, Rs. 5/- par value*

10,00,00,000 equity shares

50.00

50.00

ISSUED, SUBSCRIBED AND PAID UP

Equity shares, Rs. 5/- par value

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

[Of the above, 5,78,88,200 (5,78,88,200) equity shares,

fully paid up have been issued as bonus shares by capitalization of
the general reserve]

33.32

33.12

33.32**33.12**

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

* for details of options in respect of the above shares, refer to note 23.2.9

2. RESERVES AND SURPLUS

Capital reserve

5.94

5.94

Share premium account as at April 1,

338.83

325.34

Add: Received during the period

on conversion of stock options issued to employees

122.07

13.49

460.90

338.83

Foreign currency translation adjustment

(0.85)

-

General reserve as at April 1,

2,479.60

1,715.94

Add: Transfer from profit and loss account

200.00

763.66

2,679.60

2,479.60

Balance in profit and loss account

70.67

-

3,216.26**2,824.37****3. PREFERENCE SHARES ISSUED BY SUBSIDIARY**

AUTHORIZED

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

87,50,000 (43,75,000) preference shares

87.50

43.75

ISSUED, SUBSCRIBED AND PAID UP

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

87,50,000 (43,75,000) preference shares fully paid up*

87.50

43.75

Premium received on issue of preference shares

6.06

5.25

93.56**49.00**

* for details of the terms relating to the preference shares, refer to note 23.2.18

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

Schedules to the Consolidated Balance Sheet

4. FIXED ASSETS

in Rs. crore

Particulars	Original cost				Depreciation and amortization				Net book value	
	Cost as at April 1, 2003	Additions during the year	Deletions during the year	Cost as at March 31, 2004	As at April 1, 2003	For the Year	Deductions during the year	As at March 31, 2004	As at March 31,2004	As at March 31, 2003
Goodwill	-	40.52	-	40.52	-	-	-	-	40.52	-
Land – free-hold	15.87	4.18	-	20.05	-	-	-	-	20.05	15.87
Land – lease-hold	31.41	38.79	-	70.20	-	-	-	-	70.20	31.41
Buildings	385.53	74.08	-	459.61	51.11	29.36	-	80.47	379.14	334.42
Plant and machinery	227.36	56.25	0.26	283.35	113.68	51.77	0.18	165.27	118.08	113.68
Computer equipment	367.40	100.21	5.77	461.84	299.88	74.97	4.48	370.37	91.47	67.52
Furniture and fixtures	208.99	45.12	1.24	252.87	102.27	49.62	0.77	151.12	101.75	106.72
Lease –hold improvements	-	2.64	-	2.64	-	0.20	-	0.20	2.44	-
Vehicles	0.35	0.08	-	0.43	0.22	0.05	-	0.27	0.16	0.13
Intangible assets										
Intellectual property rights	42.13	0.01	-	42.14	11.38	30.76	-	42.14	-	30.75
	1,279.04	361.88	7.27	1,633.65	578.54	236.73	5.43	809.84	823.81	700.50
Previous year	960.59	323.60	5.15	1,279.04	393.03	190.34	4.83	578.54	700.50	

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	March 31, 2004	March 31, 2003
5. INVESTMENTS		
Trade (unquoted) - at cost		
Long- term investments	30.01	53.98
Less: Provision for investments	27.97	33.03
	<u>2.04</u>	<u>20.95</u>
Non-trade (unquoted), at the lower of cost and fair value, current investments		
Mutual funds	943.41	-
	<u>945.45</u>	<u>20.95</u>
Aggregate of unquoted investments - carrying value / cost	<u>945.45</u>	<u>20.95</u>
6. DEFERRED TAX ASSETS		
Fixed assets	27.13	22.43
Investments	6.60	12.10
Sundry debtors	2.14	2.28
Leave provisions and others	4.10	-
	<u>39.97</u>	<u>36.81</u>
7. SUNDRY DEBTORS		
Debts outstanding for a period exceeding six months		
Unsecured		
Considered good	9.83	-
considered doubtful	9.07	14.09
Other debts		
Unsecured		
considered good	641.62	518.65
considered doubtful	4.29	0.22
	<u>664.81</u>	<u>532.96</u>
Less: Provision for doubtful debts	13.36	14.31
	<u>651.45</u>	<u>518.65</u>
Of the above:		
• Dues from companies where directors are interested	-	0.03
8 CASH AND BANK BALANCES		
Cash on hand	0.01	0.01
Balances with scheduled banks		
In current accounts *	226.87	55.96
In deposit accounts in Indian rupees	1,317.28	1,134.58
Balances with non-scheduled banks		
In current accounts	163.49	155.99
In deposit accounts in foreign currency	13.86	-
	<u>1,721.51</u>	<u>1,346.54</u>
*includes balance in unclaimed dividend account	1.98	1.60
*includes balance in escrow account	0.04	-

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

in Rs. Crore

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

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

Advances

prepaid expenses	37.95	19.71
advances paid for supply of goods and rendering of services	5.83	1.77
Others	3.65	4.45
	<u>47.43</u>	<u>25.93</u>

Unbilled revenues	103.09	93.64
Advance income tax	350.17	290.44
Loans and advances to employees *		
housing and other loans	83.36	102.51
salary advances	36.37	33.93
Electricity and other deposits	9.50	13.37
Rental deposits	14.98	13.57
Deposits with financial institutions and body corporate	207.85	337.76
Deposits with government authorities	0.01	-
Other assets	8.19	2.31
	<u>813.52</u>	<u>887.53</u>

Unsecured, considered doubtful

Loans and advances to employees	0.09	0.41
	<u>861.04</u>	<u>913.87</u>
Less: Provision for doubtful loans and advances to employees	0.09	0.41
	<u>860.95</u>	<u>913.46</u>

* includes dues by non-director officers of the company	-	0.06
Maximum amounts due by non-director officers at any time during the year	-	0.08

10. CURRENT LIABILITIES

Sundry creditors

for capital goods	1.48	0.85
for goods	2.65	1.17
for accrued salaries and benefits		
Salaries	15.22	15.82
bonus and incentives	243.78	77.13
leave provisions	51.82	27.47
for other liabilities		
provision for expenses	63.77	57.97
retention monies	5.27	5.33
withholding and other taxes payable	44.46	23.60
for purchase of intellectual property rights	19.21	24.80
Others	3.04	5.86
	<u>450.70</u>	<u>240.00</u>

Advances received from clients	65.19	15.25
Unearned revenue	63.85	62.75
Unclaimed dividend	1.98	1.60
	<u>581.72</u>	<u>319.60</u>

11. PROVISIONS

Proposed dividends	766.37	96.05
Provision for		
Tax on dividends	98.19	12.30
Income taxes	456.64	274.81
Post-sales client support	5.13	5.05
	<u>1,326.33</u>	<u>388.21</u>

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

Schedules to the Consolidated Profit and Loss Account for the

Year ended
March 31, 2004 March 31, 2003

12. SOFTWARE DEVELOPMENT AND BUSINESS PROCESS MANAGEMENT EXPENSES

Salaries and bonus including overseas staff expenses	2,079.57	1,436.82
Staff welfare	13.49	8.03
Contribution to provident and other funds	51.63	32.52
Overseas travel expenses	174.00	166.10
Travel and conveyance	3.44	0.51
Consumables	10.09	6.30
Cost of software packages		
for own use	64.84	55.16
for service delivery to clients	16.12	13.10
Rent	4.57	-
Computer maintenance	12.26	9.33
Communication expenses	42.58	25.13
Provision for post-sales client support	0.30	(6.18)
Consultancy charges	65.78	76.14
	2,538.67	1,822.96

13. SELLING AND MARKETING EXPENSES

Salaries and bonus including overseas staff expenses	216.47	145.32
Staff welfare	0.75	0.63
Contribution to provident and other funds	1.82	1.34
Overseas travel expenses	42.57	45.48
Consumables	0.20	0.21
Cost of software packages for own use	0.18	0.21
Computer maintenance	0.04	0.01
Traveling and conveyance	2.29	1.20
Rent	15.19	4.79
Telephone charges	5.16	5.89
Professional charges	6.11	10.79
Printing and stationery	1.05	1.44
Advertisements	0.64	1.05
Brand building	34.23	29.33
Office maintenance	0.88	2.74
Repairs to plant & machinery	-	0.02
Power and fuel	0.04	0.22
Insurance charges	0.11	0.20
Rates and taxes	0.08	0.27
Bank charges and commission	0.02	0.09
Commission charges	7.27	10.78
Marketing expenses	6.45	6.77
Sales promotion expenses	0.72	0.46
Other miscellaneous expenses	8.63	2.49
	350.90	271.73

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

Schedules to the Consolidated Profit and Loss Account for the	Year ended	
	March 31, 2004	March 31, 2003
14. GENERAL AND ADMINISTRATION EXPENSES		
Salaries and bonus including overseas staff expenses	81.93	57.98
Staff welfare	0.28	0.01
Contribution to provident and other funds	5.02	3.61
Foreign travel expenses	7.07	7.78
Traveling and conveyance	22.72	16.99
Cost of software for own use	1.89	0.64
Rent	19.38	24.51
Telephone charges	30.25	21.41
Legal and professional charges	36.29	38.67
Printing and stationery	6.11	4.80
Advertisements	5.51	5.15
Office maintenance	29.32	20.24
Repairs to building	10.52	7.27
Repairs to plant and machinery	4.85	4.75
Power and fuel	30.14	22.77
Recruitment and training	1.21	0.41
Insurance charges	24.67	10.01
Rates and taxes	5.62	5.62
Donations	14.29	6.09
Auditor's remuneration		
audit fees	0.63	0.29
certification charges	0.10	0.03
Others	0.06	-
out-of-pocket expenses	0.02	0.02
Provision for bad and doubtful debts	15.99	0.73
Provision for doubtful loans and advances	0.14	(0.07)
Bank charges and commission	0.73	0.67
Commission to non-whole time directors	1.49	1.12
Postage and courier	3.98	3.99
Books and periodicals	1.51	1.42
Research grants	0.54	-
Freight charges	0.84	0.58
Professional membership and seminar participation fees	3.71	3.57
Miscellaneous expenses	2.38	4.61
	369.19	275.67
15. OTHER INCOME		
Interest received on deposits with banks and others*	84.51	80.67
Dividend received on investment in mutual funds	17.72	-
Miscellaneous income	1.13	1.98
Exchange differences	20.02	17.61
	123.38	100.26
*Tax deducted at source	16.82	15.14
16. PROVISION FOR TAXATION		
Current Period		
Income taxes	228.54	213.59
Deferred taxes	(1.11)	(12.59)
	227.43	201.00
Prior Years	0.11	-
	227.54	201.00

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

in Rs. crore

Schedules to the Statement of Cash flows for the	Year ended	
	March 31, 2004	March 31, 2003
17. CHANGE IN LOANS AND ADVANCES		
As per the Balance Sheet	860.95	913.46
Less: Deposits with financial institutions and body corporate, included in cash and cash equivalents	(207.85)	(337.76)
Advance income taxes separately considered	(350.17)	(290.44)
	<u>302.93</u>	<u>285.26</u>
Less: Opening balance considered	(285.26)	(152.88)
	<u>17.67</u>	<u>132.38</u>
18. CHANGE IN CURRENT LIABILITIES AND PROVISIONS		
As per the Balance Sheet	1,908.05	707.81
(Less) Provisions separately considered in the cash flow Statement:		
Income taxes	(456.64)	(274.81)
Dividends	(766.37)	(96.05)
Dividend tax	(98.19)	(12.30)
	<u>586.85</u>	<u>324.65</u>
Less: Non cash transactions – (Also refer note 23.2.21.b)	-	(24.50)
Less: Opening balance considered	(324.65)	(137.11)
	<u>262.20</u>	<u>163.04</u>
19. INCOME TAXES PAID		
Charge as per the Profit and Loss Account	227.54	201.00
Add: Increase in advance income taxes	59.73	54.19
Increase/(Decrease) in deferred taxes	3.16	12.59
Less: (Increase)/Decrease in income tax provision	(181.83)	(35.24)
	<u>108.60</u>	<u>232.54</u>
20. PURCHASES OF FIXED ASSETS AND CHANGE IN CAPITAL WORK-IN-PROGRESS		
As per the Balance Sheet	361.87	323.60
Less: Opening Capital work-in-progress	(77.39)	(150.67)
Less: Non cash transactions – (also refer note 23.2.21.b)	-	(24.50)
Less: Acquisition of Expert Information Systems Pty. Limited (also refer note 23.2.14)	(66.68)	-
Add: Closing Capital work-in-progress	208.05	77.39
	<u>425.85</u>	<u>225.82</u>
21. INVESTMENTS		
As per the Balance Sheet	945.45	20.95
Add: Provisions on investments	9.67	23.77
	<u>955.12</u>	<u>44.72</u>
Less: Opening balance considered	(20.95)	(44.45)
	<u>934.17</u>	<u>0.27</u>
22. CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD/YEAR		
As per the Balance Sheet	1,721.51	1,346.54
Add: Deposits with financial institutions and body corporate, included herein	207.85	337.76
	<u>1,929.36</u>	<u>1,684.30</u>