

**INFOSYS TECHNOLOGIES LIMITED**
*in Rs. crore*

Balance Sheet as at	Schedule	December 31, 2005	March 31, 2005
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share capital	1	137	135
Reserves and surplus	2	<u>7,113</u>	<u>5,107</u>
		<u><b>7,250</b></u>	<u><b>5,242</b></u>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Original cost	3	2,825	2,183
Less: Depreciation and amortization		<u>1,265</u>	<u>1,006</u>
Net book value		1,560	1,177
Add: Capital work-in-progress		<u>444</u>	<u>318</u>
		2,004	1,495
<b>INVESTMENTS</b>	4	2,309	1,329
<b>DEFERRED TAX ASSETS</b>	5	46	34
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Sundry debtors	6	1,314	1,253
Cash and bank balances	7	1,570	1,481
Loans and advances	8	<u>1,451</u>	<u>995</u>
		4,335	3,729
<b>LESS: CURRENT LIABILITIES AND PROVISIONS</b>			
Current liabilities	9	727	577
Provisions	10	<u>717</u>	<u>768</u>
<b>NET CURRENT ASSETS</b>		<u>2,891</u>	<u>2,384</u>
		<u><b>7,250</b></u>	<u><b>5,242</b></u>
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS</b>	22		

The schedules referred to above are an integral part of the balance sheet.

As per our report attached

for BSR & Co.  
Chartered Accountants

Subramanian Suresh  
Partner  
Membership No. 83673

N. R. Narayana Murthy  
Chairman  
and Chief Mentor

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

S. Gopalakrishnan  
Chief Operating Officer  
and Deputy Managing  
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Deepak M. Satwalekar  
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K. Dinesh  
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Bangalore  
January 11, 2006

S. D. Shibulal  
Director

T. V. Mohandas Pai  
Director and  
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Srinath Batni  
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V. Balakrishnan  
Company Secretary and  
Senior Vice President – Finance

**INFOSYS TECHNOLOGIES LIMITED**
*in Rs. crore, except per share data*

Profit and Loss Account for the	Schedule	Quarter ended		Nine months ended	
		2005	2004	2005	2004
Income from software services and products		<b>2,398</b>	1,798	<b>6,535</b>	4,960
Software development expenses	11	<u>1,276</u>	<u>960</u>	<u>3,508</u>	<u>2,662</u>
<b>GROSS PROFIT</b>		<b>1,122</b>	<b>838</b>	<b>3,027</b>	<b>2,298</b>
Selling and marketing expenses	12	129	101	374	292
General and administration expenses	13	<u>160</u>	<u>126</u>	<u>469</u>	<u>344</u>
		289	227	843	636
<b>OPERATING PROFIT BEFORE INTEREST, DEPRECIATION AND AMORTIZATION</b>		<b>833</b>	<b>611</b>	<b>2,184</b>	<b>1,662</b>
Interest		-	-	-	-
Depreciation and amortization		<u>109</u>	<u>69</u>	<u>274</u>	<u>175</u>
<b>OPERATING PROFIT AFTER INTEREST, DEPRECIATION AND AMORTIZATION</b>		<b>724</b>	<b>542</b>	<b>1,910</b>	<b>1,487</b>
Other income, net	14	(2)	47	73	95
Provision for investments		-	-	-	-
<b>NET PROFIT BEFORE TAX</b>		<b>722</b>	<b>589</b>	<b>1,983</b>	<b>1,582</b>
Provision for taxation	15	<u>80</u>	<u>93</u>	<u>226</u>	<u>237</u>
<b>NET PROFIT AFTER TAX</b>		<b>642</b>	<b>496</b>	<b>1,757</b>	<b>1,345</b>
<b>Balance Brought Forward</b>		<b>2,341</b>	<b>764</b>	<b>1,428</b>	<b>71</b>
Less: Residual dividend paid		-	-	-	3
Additional dividend tax		-	-	-	2
		<u>2,341</u>	<u>764</u>	<u>1,428</u>	<u>66</u>
<b>AMOUNT AVAILABLE FOR APPROPRIATION</b>		<b>2,983</b>	<b>1,260</b>	<b>3,185</b>	<b>1,411</b>
Dividend					
Interim		-	-	177	134
Final		-	-	-	-
Total dividend		-	-	177	134
Dividend tax		-	-	25	17
Balance in profit and loss account		<u>2,983</u>	<u>1,260</u>	<u>2,983</u>	<u>1,260</u>
		<b>2,983</b>	<b>1,260</b>	<b>3,185</b>	<b>1,411</b>
<b>EARNINGS PER SHARE *</b>					
Equity shares of par value Rs. 5/- each					
Basic		23.43	18.45	64.53	50.22
Diluted		22.78	17.90	62.70	49.14
Number of shares used in computing earnings per share					
Basic		<u>27,37,71,476</u>	26,87,73,742	<u>27,22,89,379</u>	26,78,62,078
Diluted		<u>28,16,04,953</u>	27,71,10,460	<u>28,02,43,496</u>	27,37,70,692

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNT:** 22

*\* refer to note 22.2.20*

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

As per our report attached

*for BSR & Co.  
Chartered Accountants*

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*Partner*  
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 N. R. Narayana Murthy  
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**INFOSYS TECHNOLOGIES LIMITED**
*in Rs. crore*

Cash Flow Statement for the		Nine months ended December 31,	
	Schedule	2005	2004
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net profit before tax		1,983	1,582
Adjustments to reconcile net profit before tax to cash provided by operating activities			
(Profit)/ loss on sale of fixed assets		-	-
Depreciation and amortization		274	175
Interest and dividend income		(127)	(75)
Provision for investments		-	-
Effect of exchange differences on translation of foreign currency cash and cash equivalents		1	(8)
Changes in current assets and liabilities			
Sundry debtors		(61)	(350)
Loans and advances	16	(56)	(96)
Current liabilities and provisions	17	139	30
Income taxes paid during the period	18	(253)	(185)
<b>NET CASH GENERATED BY OPERATING ACTIVITIES</b>		<b>1,900</b>	<b>1,073</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of fixed assets and change in capital work-in-progress	19	(783)	(559)
Proceeds on disposal of fixed assets		-	-
Investment in subsidiaries (refer to note 22.2.16)		(22)	-
Investments in securities	20	(958)	(151)
Interest and dividend income		127	75
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(1,636)</b>	<b>(635)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of share capital on exercise of stock options		453	301
Dividends paid during the period		(353)	(1,020)
Dividend Tax paid during the period		(50)	-
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>50</b>	<b>(719)</b>
Effect of exchange differences on translation of foreign currency cash and cash equivalents		(1)	8
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>313</b>	<b>(273)</b>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		1,683	1,839
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>21</b>	<b>1,996</b>	<b>1,566</b>
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	22		

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

As per our report attached

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**INFOSYS TECHNOLOGIES LIMITED**

*in Rs. crore, except as otherwise stated*

**Schedules to the Balance Sheet as at**

**December 31, 2005**

**March 31, 2005**

**1 SHARE CAPITAL**

Authorized

Equity shares, Rs. 5/- par value

30,00,00,000 (30,00,00,000) equity shares

150

150

Issued, Subscribed and Paid Up

Equity shares, Rs. 5/- par value\*

137

135

27,45,25,163 ( 27,05,70,549) equity shares fully paid up

[Of the above, 25,84,92,302 ( 25,84,92,302) equity shares, fully paid up have been issued as bonus shares by capitalization of the general reserve]

137

135

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

\* For details of options in respect of equity shares, refer to note 22.2.11

\* also refer to note 22.2.20 for details of basic and diluted shares

**2 RESERVES AND SURPLUS**

Capital reserve

6

6

Share premium account - As at April 1,

900

461

Add: Receipts on exercise of stock options issued to employees

451

439

1,351

900

General reserve - As at April 1,

2,773

2,683

Less: Capitalized for issue of bonus shares

-

100

Add: Transferred from the Profit and Loss Account

-

190

2,773

2,773

Balance in Profit and Loss Account

2,983

1,428

7,113

5,107

**INFOSYS TECHNOLOGIES LIMITED**
**Schedules to the Balance Sheet**
**3 FIXED ASSETS**
*in Rs. crore except as otherwise stated*

Particulars	Original cost				Depreciation and amortization				Net book value	
	As at April 1, 2005	Additions	Deductions/ Retirement	As at December 31, 2005	As at April 1,2005	For the period	Deductions/ Retirement	As at December 31, 2005	As at December 31, 2005	As at March 31,2005
Land : free-hold	30	-	-	30	-	-	-	-	30	30
leasehold	90	11	-	101	-	-	-	-	101	90
Buildings*	731	264	-	995	119	44	-	163	832	612
Plant and machinery*	389	154	-	543	216	65	-	281	262	173
Computer equipment*	574	149	7	716	427	113	7	533	183	147
Furniture and fixtures*	326	79	8	397	202	52	8	246	151	124
Vehicles	1	-	-	1	-	-	-	-	1	1
Intangible assets										
Intellectual property rights	42	-	-	42	42	-	-	42	-	-
	<b>2,183</b>	<b>657</b>	<b>15</b>	<b>2,825</b>	<b>1,006</b>	<b>274</b>	<b>15</b>	<b>1,265</b>	<b>1,560</b>	<b>1,177</b>
Previous year	<b>1,570</b>	<b>687</b>	<b>74</b>	<b>2,183</b>	<b>804</b>	<b>268</b>	<b>66</b>	<b>1,006</b>	<b>1,177</b>	

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

\* includes certain assets provided on operating lease to Progeon Limited, a subsidiary company. Please refer to note 22.2.6 for details

**INFOSYS TECHNOLOGIES LIMITED**
*in Rs. crore*
**Schedules to the Balance Sheet as at**
**December 31, 2005**
**March 31, 2005**
**4 INVESTMENTS**
**Trade (unquoted) – at cost**

## Long- term investments

## In subsidiaries

Progeon Limited, India.

2,44,99,993 (2,44,99,993) equity shares of Rs. 10/- each, fully paid

25

25

Infosys Technologies (Shanghai) Co. Limited, China

23

23

Infosys Technologies (Australia) Pty Limited, Australia

1,01,08,869 (1,01,08,869) equity shares of A\$ 0.11 par value, fully paid

66

66

Infosys Consulting, Inc. USA

1,50,00,000 (1,00,00,000) common stock of US \$1.00 par value, fully paid

67

45

181
159

In other investments\*

16

16

Less: Provision for investments

14

14

2
2
**Non-trade (unquoted), current investments, at the lower of cost and fair value**

## Liquid mutual funds \*

2,126
1,168
2,309
1,329

Aggregate amount of unquoted investments

2,309

1,329

\* refer to note 22.2.16 for details of investments

**5 DEFERRED TAX ASSETS**

Fixed assets

45

31

Sundry debtors

1
3
46
34
**6 SUNDRY DEBTORS**

Debts outstanding for a period exceeding six months

Unsecured

considered doubtful

10

11

Other debts

Unsecured

considered good (including dues from subsidiary companies)\*

1,314

1,253

considered doubtful

1
8
1,325
1,272

Less: Provision for doubtful debts

11
19
1,314
1,253

\* For details of dues from subsidiary companies, refer to note 22.2.7

Includes dues from companies where directors are interested

-

-

**7 CASH AND BANK BALANCES**

Cash on hand

-

-

Balances with scheduled banks in Indian Rupees

In current accounts \*

80

78

In deposit accounts

1,234

1,213

Balances with non-scheduled banks in foreign currency \*\*

In current accounts

256
190
1,570
1,481
4
3

\*includes balance in unclaimed dividend account

\*\*refer to note 22.2.13 for details of balances in non-scheduled banks

**INFOSYS TECHNOLOGIES LIMITED**
*in Rs. crore*
**Schedules to the Balance Sheet as at**
**December 31, 2005**
**March 31, 2005**
**8 LOANS AND ADVANCES**

Unsecured, considered good		
Loans to subsidiary (refer to note 22.2.7)	9	-
Advances		
prepaid expenses	16	33
for supply of goods and rendering of services	10	2
advance to gratuity trust	27	-
others *	<u>5</u>	<u>11</u>
	67	46
Unbilled revenues	150	139
Advance income tax	579	403
Loans and advances to employees **		
housing and other loans	49	58
salary advances	49	41
Electricity and other deposits	16	16
Rental deposits	12	14
Deposits with financial institutions and body corporate	529	268
Mark to Market on options/ due on forward contracts	<u>-</u>	<u>10</u>
	1,451	995
Unsecured, considered doubtful		
Loans and advances to employees	<u>-</u>	<u>-</u>
	1,451	995
Less: Provision for doubtful loans and advances to employees	<u>-</u>	<u>-</u>
	<u>1,451</u>	<u>995</u>
	<u>1,451</u>	<u>995</u>
* includes advances to subsidiary company, refer to note 22.2.7	5	2
** includes dues by non-director officers of the company	-	-
Maximum amounts due by non-director officers at any time during the period/year	-	-

**9 CURRENT LIABILITIES**

Sundry creditors		
goods and services *	-	1
accrued salaries and benefits		
salaries	4	11
bonus and incentives	155	182
unavailed leave	65	61
for other liabilities		
provision for expenses	163	118
retention monies	13	15
withholding and other taxes payable	90	51
for purchase of intellectual property rights	20	19
others	<u>3</u>	<u>4</u>
	513	462
Advances received from clients	12	29
Unearned revenue	187	83
Mark to Market on options/ due on forward contracts	11	-
Unclaimed dividend	<u>4</u>	<u>3</u>
	<u>727</u>	<u>577</u>
* Of which, dues to subsidiary companies, refer to note 22.2.7	-	1

**10 PROVISIONS**

Proposed dividend	-	176
Provision for		
tax on dividend	-	25
income taxes *	707	546
post-sales client support and warranties	<u>10</u>	<u>21</u>
	<u>717</u>	<u>768</u>

\* refer to note 22.2.12

**INFOSYS TECHNOLOGIES LIMITED**
*in Rs. crore*

Schedules to Profit and Loss Account for the	Quarter ended December 31,		Nine months ended December 31,	
	2005	2004	2005	2004
<b>11 SOFTWARE DEVELOPMENT EXPENSES</b>				
Salaries and bonus including overseas staff expenses	987	733	2,632	1,990
Overseas group health insurance	12	9	36	24
Contribution to provident and other funds	22	20	62	55
Staff welfare	9	7	20	14
Technical sub-contractors - subsidiaries	92	64	266	186
Technical sub-contractors - others	29	30	83	68
Overseas travel expenses	60	44	172	142
Visa charges and others	7	5	53	25
Software packages				
for own use	34	31	98	78
for service delivery to clients	6	4	25	13
Communication expenses	10	10	35	29
Computer maintenance	7	4	14	11
Consumables	4	3	12	9
Rent	3	2	9	5
Provision for post-sales client support and warranties	(6)	(6)	(9)	13
	<u>1,276</u>	<u>960</u>	<u>3,508</u>	<u>2,662</u>
<b>12 SELLING AND MARKETING EXPENSES</b>				
Salaries and bonus including overseas staff expenses	74	58	210	169
Overseas group health insurance	1	1	3	2
Contribution to provident and other funds	-	1	1	1
Staff welfare	-	-	1	-
Overseas travel expenses	14	11	42	33
Visa charges and others	2	1	7	4
Traveling and conveyance	1	4	2	8
Commission charges	10	7	27	15
Brand building	14	8	36	25
Professional charges	5	5	19	13
Rent	3	3	10	8
Marketing expenses	3	1	9	8
Telephone charges	2	1	4	3
Communication expenses	-	-	-	-
Printing and stationery	-	-	1	1
Advertisements	-	-	1	1
Office maintenance	-	-	-	-
Sales promotion expenses	-	-	1	1
Consumables	-	-	-	-
Software packages				
for own use	-	-	-	-
Insurance charges	-	-	-	-
Rates and taxes	-	-	-	-
	<u>129</u>	<u>101</u>	<u>374</u>	<u>292</u>



**INFOSYS TECHNOLOGIES LIMITED**
*in Rs. crore*

Schedules to Profit and Loss Account for the	Quarter ended December 31,		Nine months ended December 31,	
	2005	2004	2005	2004
<b>13 GENERAL AND ADMINISTRATION EXPENSES</b>				
Salaries and bonus including overseas staff expenses	33	26	90	66
Overseas group health insurance	-	-	1	1
Contribution to provident and other funds	2	2	5	5
Professional charges	25	17	65	41
Telephone charges	18	10	54	30
Power and fuel	16	10	45	29
Traveling and conveyance	17	8	45	25
Overseas travel expenses	3	2	9	5
Visa charges and others	1	-	3	1
Office maintenance	19	10	47	28
Guest house maintenance*	-	-	1	1
Insurance charges	5	7	16	21
Printing and stationery	2	2	7	5
Donations	4	8	13	17
Rent	2	3	7	12
Advertisements	3	3	10	7
Repairs to building	3	4	11	8
Repairs to plant and machinery	3	2	8	5
Rates and taxes	3	2	7	6
Professional membership and seminar participation fees	2	1	6	4
Postage and courier	1	1	4	4
Books and periodicals	1	1	3	2
Provision for bad and doubtful debts	(4)	6	6	17
Provision for doubtful loans and advances	-	-	-	-
Commission to non-whole time directors	-	-	1	1
Freight charges	-	-	1	1
Bank charges and commission	-	-	1	1
Research grants	-	-	1	-
Auditor's remuneration				
statutory audit fees	-	-	-	-
certification charges	-	-	-	-
others	-	-	-	-
out-of-pocket expenses	-	-	-	-
Miscellaneous expenses (refer to note 22.2.15)	1	1	2	1
	<u>160</u>	<u>126</u>	<u>469</u>	<u>344</u>
*for non-training purposes				
<b>14 OTHER INCOME</b>				
Interest received on deposits with banks and others*	25	16	73	49
Dividend received on investment in liquid mutual funds (non-trade unquoted)	24	9	54	26
Miscellaneous income (refer to note 22.2.15)	4	2	10	6
Exchange differences	(55)	20	(64)	14
	<u>(2)</u>	<u>47</u>	<u>73</u>	<u>95</u>
*Tax deducted at source	4	2	14	9
<b>15 PROVISION FOR TAXATION</b>				
Income taxes*	86	93	238	237
Deferred taxes	(6)	-	(12)	-
	<u>80</u>	<u>93</u>	<u>226</u>	<u>237</u>
* refer to note 22.2.12				

**INFOSYS TECHNOLOGIES LIMITED**
*in Rs. crore*
**Schedules to Cash Flow Statements for the**
**Nine months ended  
December 31,**
**2005**
**2004**
**16 CHANGE IN LOANS AND ADVANCES**

As per the Balance Sheet *	1,451	920
Less: Deposits with financial institutions and body corporate, included in cash and cash equivalents	(426)	(201)
Advance income taxes separately considered	<u>(579)</u>	<u>(341)</u>
	446	378
Less: Opening balance considered	<u>(390)</u>	<u>(282)</u>
	<u><b>56</b></u>	<u><b>96</b></u>

\* includes loans to subsidiary

**17 CHANGE IN CURRENT LIABILITIES AND PROVISIONS**

As per the Balance Sheet	1,444	1,091
Add/ (Less): Provisions separately considered in the cash flow statement		
Income taxes	(707)	(496)
Dividends	-	-
Dividend tax	<u>-</u>	<u>-</u>
	737	595
Less: Opening balance considered	<u>(598)</u>	<u>(565)</u>
	<u><b>139</b></u>	<u><b>30</b></u>

**18 INCOME TAXES PAID**

Charge as per the Profit and Loss Account	226	237
Add: Increase in advance income taxes	176	131
Increase/(Decrease) in deferred taxes	12	-
Less: (Increase)/Decrease in income tax provision	<u>(161)</u>	<u>(183)</u>
	<u><b>253</b></u>	<u><b>185</b></u>

**19 PURCHASE OF FIXED ASSETS AND CHANGE IN CAPITAL  
WORK-IN-PROGRESS**

As per Balance Sheet	657	550
Less: Opening Capital work-in-progress	(318)	(203)
Add: Closing Capital work-in-progress	<u>444</u>	<u>212</u>
	<u><b>783</b></u>	<u><b>559</b></u>

**20 INVESTMENTS IN SECURITIES \***

As per the Balance Sheet	2,309	1,178
Add: Provisions made on investments	<u>-</u>	<u>-</u>
	2,309	1,178
Less: Investment made in subsidiaries	(22)	-
Opening balance considered	<u>(1,329)</u>	<u>(1,027)</u>
	<u><b>958</b></u>	<u><b>151</b></u>

\* refer to note 22.2.16 for investment and redemptions

**21 CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD**

As per the Balance Sheet	1,570	1,365
Add: Deposits with financial institutions, included herein	<u>426</u>	<u>201</u>
	<u><b>1,996</b></u>	<u><b>1,566</b></u>