

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

in Rs. crore

Consolidated Balance Sheet as at	Schedule	March 31, 2006	March 31, 2005
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share capital	1	138	135
Reserves and surplus	2	<u>6,828</u>	<u>5,090</u>
		6,966	5,225
MINORITY INTEREST		68	-
PREFERENCE SHARES ISSUED BY SUBSIDIARY*	3	<u>-</u>	<u>94</u>
		<u><b>7,034</b></u>	<u><b>5,319</b></u>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Original cost	4	2,983	2,287
Less: Accumulated depreciation and amortization		<u>1,328</u>	<u>1,031</u>
Net book value		1,655	1,256
Add: Capital work-in-progress		<u>571</u>	<u>318</u>
		2,226	1,574
INVESTMENTS	5	755	1,211
DEFERRED TAX ASSETS	6	65	45
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Sundry debtors	7	1,608	1,322
Cash and bank balances	8	3,429	1,576
Loans and advances	9	<u>1,297</u>	<u>1,024</u>
		6,334	3,922
<b>LESS: CURRENT LIABILITIES AND PROVISIONS</b>			
Current liabilities	10	934	656
Provisions	11	<u>1,412</u>	<u>777</u>
NET CURRENT ASSETS		3,988	2,489
		<u><b>7,034</b></u>	<u><b>5,319</b></u>
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS</b>			
	23		

\* refer to note 23.2.16

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

As per our report attached

for BSR & Co.  
Chartered Accountants

Subramanian Suresh  
Partner  
Membership No. 83673

N. R. Narayana Murthy  
Chairman  
and Chief Mentor

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

S. Gopalakrishnan  
Chief Operating Officer  
and Deputy Managing  
Director

Deepak M. Satwalekar  
Director

Marti G. Subrahmanyam  
Director

Omkar Goswami  
Director

Larry Pressler  
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Rama Bijapurkar  
Director

Claude Smadja  
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Sridar A. Iyengar  
Director

David L. Boyles  
Director

Jeffrey Lehman  
Director

Bangalore  
April 14, 2006

S. D. Shibulal  
Director

T. V. Mohandas Pai  
Director and  
Chief Financial Officer

Srinath Batni  
Director

V. Balakrishnan  
Company Secretary and  
Senior Vice President – Finance

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

in Rs. crore, except per share data

Consolidated Profit and Loss Account for the

	Schedule	Year ended March 31,	
		2006	2005
Income from software services, products and business process management		9,521	7,130
Software development and business process management expenses	12	5,066	3,765
<b>GROSS PROFIT</b>		<b>4,455</b>	<b>3,365</b>
Selling and marketing expenses	13	600	461
General and administration expenses	14	764	569
		1,364	1,030
<b>OPERATING PROFIT BEFORE INTEREST, DEPRECIATION, AMORTIZATION, MINORITY INTEREST AND EXCEPTIONAL ITEM</b>		<b>3,091</b>	<b>2,335</b>
Interest		-	-
Depreciation and amortization		437	287
<b>OPERATING PROFIT BEFORE TAX, MINORITY INTEREST AND EXCEPTIONAL ITEM</b>		<b>2,654</b>	<b>2,048</b>
Other income, net	15	139	124
Provision for investments		1	-
<b>NET PROFIT BEFORE TAX, MINORITY INTEREST AND EXCEPTIONAL ITEM</b>		<b>2,792</b>	<b>2,172</b>
Provision for taxation	16	313	326
<b>NET PROFIT AFTER TAX AND BEFORE MINORITY INTEREST AND EXCEPTIONAL ITEM</b>		<b>2,479</b>	<b>1,846</b>
Income from sale of investment in Yantra Corporation (net of taxes)		-	45
<b>NET PROFIT AFTER TAX, EXCEPTIONAL ITEM AND BEFORE MINORITY INTEREST</b>		<b>2,479</b>	<b>1,891</b>
Minority interest		21	-
<b>NET PROFIT AFTER TAX, EXCEPTIONAL ITEM AND MINORITY INTEREST</b>		<b>2,458</b>	<b>1,891</b>
<b>Balance Brought Forward</b>		<b>1,415</b>	<b>71</b>
Less: Residual dividend paid		-	2
Additional dividend tax		-	2
		1,415	67
<b>AMOUNT AVAILABLE FOR APPROPRIATION</b>		<b>3,873</b>	<b>1,958</b>
Dividend			
Interim		177	134
Final		234	176
Silver Jubilee special dividend		827	-
Total dividend		1,238	310
Dividend tax		174	42
Amount transferred to general reserve		242	191
Balance in profit and loss account		2,219	1,415
		3,873	1,958
<b>EARNINGS PER SHARE *</b>			
Equity shares of par value Rs. 5/- each			
Before Exceptional Item			
Basic		90.06	68.79
Diluted		87.55	67.00
After Exceptional Item			
Basic		90.06	70.48
Diluted		87.55	68.64
Number of shares used in computing earnings per share			
Basic		27,29,94,511	26,84,20,167
Diluted		28,08,28,310	27,55,83,544

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

23

\* refer to note 23.2.18

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

As per our report attached

for BSR & Co.

Chartered Accountants

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Partner  
Membership No. 83673

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**CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES**

*in Rs. crore*

Consolidated Cash Flow Statement for the	Schedule	2006	Year ended March 31, 2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net profit before tax		2,792	2,172
Adjustments to reconcile net profit before tax to cash provided by operating activities			
(Profit)/ loss on sale of fixed assets		-	1
Depreciation and amortization		437	287
Interest and dividend income		(211)	(114)
Provisions for investments		1	-
Effect of exchange differences on translation of foreign currency cash and cash equivalents		(9)	(4)
Changes in current assets and liabilities			
Sundry debtors		(286)	(671)
Loans and advances	17	(96)	(104)
Current liabilities and provisions	18	262	99
Income taxes paid	19	(552)	(294)
<b>NET CASH GENERATED BY OPERATING ACTIVITIES</b>		<b><u>2,338</u></b>	<b><u>1,372</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of fixed assets and change in capital work-in-progress	20	(1,090)	(831)
Proceeds on disposal of fixed assets		1	1
Investments in securities	21	455	(265)
Interest and dividend income		211	114
Cash flow from investing activities before exceptional items		(423)	(981)
Income from sale of investment in Yantra Corporation		-	49
Less: Tax on the above		-	(4)
Net income from sale of investment in Yantra Corporation		-	45
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b><u>(423)</u></b>	<b><u>(936)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of share capital on exercise of stock options		646	441
Dividends paid during the year, including dividend tax		(403)	(1,021)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b><u>243</u></b>	<b><u>(580)</u></b>
Effect of exchange differences on translation of foreign currency cash and cash equivalents		9	4
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b><u>2,167</u></b>	<b><u>(140)</u></b>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		1,789	1,929
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>22</b>	<b><u>3,956</u></b>	<b><u>1,789</u></b>
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	23		

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

As per our report attached

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**CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES**

*in Rs. Crore except per share data*

**Schedules to the Consolidated Balance Sheet as at** **March 31, 2006** **March 31, 2005**

**1 SHARE CAPITAL**

Authorized

Equity shares, Rs. 5/- par value	150	150
30,00,00,000 (30,00,00,000) equity shares		

Issued, Subscribed and Paid Up

Equity shares, Rs. 5/- par value*	138	135
27,55,54,980 (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]

	138	135
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Forfeited shares amounted to Rs. 1,500/- (Rs 1,500/-)

\* For details of options in respect of equity shares, refer to note 23.2.7

\* Refer to note 23.2.18 for details of basic and diluted shares

**2 RESERVES AND SURPLUS**

Capital reserve	5	6
Capital reserve on consolidation	49	-

Share premium account - As at April 1,	900	461
Add: Receipts on exercise of employee stock options	571	439
Income Tax benefit arising from exercise of stock options	72	-
	1,543	900

Foreign currency translation adjustment	-	(1)
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General reserve - As at April 1,	2,770	2,680
Less: Capitalized on issue of bonus shares	-	100
Add: Transfer from the Profit and Loss Account	242	190
	3,012	2,770

Balance in Profit and Loss Account	2,219	1,415
	6,828	5,090

**3 PREFERENCE SHARES ISSUED BY SUBSIDIARY**

Authorized

0.0005% Cumulative convertible preference shares, Rs. 100/- par value		
Nil (87,50,000) preference shares	-	88

Issued, Subscribed and Paid Up

0.0005% Cumulative convertible preference shares, Rs. 100/- par value		
nil (87,50,000) preference shares fully paid up*	-	88

Premium received on issue of preference shares	-	6
	-	94

\* Refer to note 23.2.16

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

Schedules to the Consolidated Balance Sheet

4 FIXED ASSETS

*in Rs. Crores except as otherwise stated*

	Original cost				Depreciation and amortization				Net book value	
	As at April 1,	Additions	Deletions/ Retirement	As at March 31,	As at April 1,	For the year	Deletions/ Retirement	As at March 31,	As at	As at
	2005	during the year	during the year	2006	2005		during the year	2006	March 31, 2006	March 31, 2005
Goodwill	41	-	-	41	-	-	-	-	41	41
Land: free-hold	30	4	-	34	-	-	-	-	34	30
leasehold	90	18	4	104	-	-	-	-	104	90
Buildings	731	292	1	1,022	119	61	-	180	842	612
Plant and machinery **	395	181	7	569	218	98	7	309	260	177
Computer equipment **	610	220	73	757	446	179	73	552	205	164
Furniture and fixtures **	341	120	18	443	205	96	18	283	160	136
Leasehold improvements	6	5	-	11	1	3	-	4	7	5
Vehicles	1	1	-	2	-	-	-	-	2	1
Intangible assets **										
Intellectual property rights	42	-	42	-	42	-	42	-	-	-
	<b>2,287</b>	<b>841</b>	<b>145</b>	<b>2,983</b>	<b>1,031</b>	<b>437</b>	<b>140</b>	<b>1,328</b>	<b>1,655</b>	<b>1,256</b>
Previous year	<b>1,634</b>	<b>728</b>	<b>75</b>	<b>2,287</b>	<b>810</b>	<b>287</b>	<b>66</b>	<b>1,031</b>	<b>1,256</b>	

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

\*\* Amount includes the retiral of assets which are not in active use, with original cost of Rs. 121 crore and accumulated depreciation of Rs. 121 crore.

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

in Rs. crore

Schedules to the Consolidated Balance Sheet as at March 31, 2006 March 31, 2005

5 INVESTMENTS

Trade (unquoted) – at cost

Long- term investments	17	16
Less: Provision made for investments	<u>15</u>	<u>14</u>
	2	2

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

Liquid mutual funds	<u>753</u>	<u>1,209</u>
	<u><b>755</b></u>	<u><b>1,211</b></u>
Aggregate amount of unquoted investments	755	1,211

6 DEFERRED TAX ASSETS

Fixed assets	57	33
Sundry debtors	2	3
Leave provisions and others	<u>6</u>	<u>9</u>
	<u><b>65</b></u>	<u><b>45</b></u>

7 SUNDRY DEBTORS

Debts outstanding for a period exceeding six months

Unsecured		
considered good	-	-
considered doubtful	8	11

Other debts

Unsecured		
considered good*	1,608	1,322
considered doubtful	<u>2</u>	<u>8</u>
	<u>1,618</u>	<u>1,341</u>

Less: Provision for doubtful debts

	<u>10</u>	<u>19</u>
	<u><b>1,608</b></u>	<u><b>1,322</b></u>

\* Includes dues from companies where directors are interested

	2	-
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8 CASH AND BANK BALANCES

Cash on hand	-	-
Balances with scheduled banks		
In current accounts *	224	83
In deposit accounts in Indian Rupees	2,800	1,250
Balances with non-scheduled banks		
In deposit accounts in foreign currency	-	26
In current accounts in foreign currency	<u>405</u>	<u>217</u>
	<u><b>3,429</b></u>	<u><b>1,576</b></u>

\*includes balance in unclaimed dividend account

	3	3
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CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

in Rs. crore

Schedules to the Consolidated Balance Sheet as at March 31, 2006 March 31, 2005

9 LOANS AND ADVANCES

Unsecured, considered good		
Advances	1	-
prepaid expenses	32	36
for supply of goods and rendering of services	10	2
others	14	16
	<u>57</u>	<u>54</u>
Unbilled revenues	211	142
Advance income tax	267	404
Loans and advances to employees *		
housing and other loans	49	58
salary advances	63	43
Electricity and other deposits	16	17
Rental deposits	16	15
Deposits with financial institution and body corporate (refer note 23.2.9)	607	280
Deposits with government authorities	-	-
Mark to Market on options/due on forward contracts	-	10
Other assets	11	1
	<u>1,297</u>	<u>1,024</u>
Unsecured, considered doubtful		
Loans and advances to employees	1	-
	<u>1,298</u>	<u>1,024</u>
Less: Provision for doubtful loans and advances to employees	1	-
	<u>1,297</u>	<u>1,024</u>
* includes dues by non-director officers of the company	-	-
Maximum amounts due by non-director officers at any time during the year	-	-

10 CURRENT LIABILITIES

Sundry creditors		
capital goods	-	1
goods and services	12	4
accrued salaries and benefits		
salaries	9	15
bonus and incentives	260	199
unavailed leave	101	77
for other liabilities		
accrual for expenses	218	141
retention monies	13	14
withholding and other taxes payable	89	60
for purchase of intellectual property rights	20	19
others	3	5
	<u>725</u>	<u>535</u>
Advances received from clients	7	29
Unearned revenue	194	89
Unclaimed dividend	3	3
Mark to Market on options/due on forward contracts	5	-
	<u>934</u>	<u>656</u>

11 PROVISIONS

Proposed dividend	1,061	176
Provision for		
tax on dividend	149	25
income taxes*	190	546
post-sales client support and warranties	12	30
	<u>1,412</u>	<u>777</u>

\* refer to note 23.2.8.

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

in Rs. crore

Schedules to Consolidated Profit and Loss Account for the

Year ended  
March 31,

2006 2005

**12 SOFTWARE DEVELOPMENT AND BUSINESS PROCESS MANAGEMENT EXPENSES**

Salaries and bonus including overseas staff expenses	4,129	3,026
Contribution to provident and other funds	92	82
Staff welfare	33	22
Overseas travel expenses	345	252
Traveling and conveyance	19	9
Technical sub-contractors	163	109
Software packages		
for own use	139	116
for service delivery to clients	30	15
Communication expenses	62	55
Rent	25	12
Computer maintenance	21	16
Consumables	16	16
Provision for post-sales client support and warranties	(14)	31
Miscellaneous expenses	6	4
	<u>5,066</u>	<u>3,765</u>

**13 SELLING AND MARKETING EXPENSES**

Salaries and bonus including overseas staff expenses	366	276
Contribution to provident and other funds	1	2
Staff welfare	2	1
Overseas travel expenses	78	56
Traveling and conveyance	4	11
Brand building	48	35
Commission and earnout charges	31	25
Professional charges	27	18
Rent	16	11
Marketing expenses	12	11
Telephone charges	6	5
Communication Expenses	1	-
Printing and stationery	1	2
Advertisements	2	2
Sales promotion expenses	2	1
Office maintenance	-	1
Insurance charges	-	1
Consumables	-	-
Software packages		
for own use	-	-
Computer maintenance	-	-
Rates and taxes	-	-
Miscellaneous expenses	3	3
	<u>600</u>	<u>461</u>



CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

in Rs. crore

Schedules to Consolidated Profit and Loss Account for the

Year ended  
March 31,

	2006	2005
<b>14 GENERAL AND ADMINISTRATION EXPENSES</b>		
Salaries and bonus including overseas staff expenses	169	122
Contribution to provident and other funds	8	8
Staff welfare	1	1
Telephone charges	85	52
Professional charges	102	68
Power and fuel	68	44
Office maintenance	75	45
Traveling and conveyance	66	41
Overseas travel expenses	19	12
Insurance charges	25	32
Printing and stationery	12	11
Rates and taxes	12	9
Donations	17	21
Rent	11	18
Advertisements	14	11
Professional membership and seminar participation fees	10	6
Repairs to building	16	14
Repairs to plant and machinery	11	8
Postage and courier	6	5
Books and periodicals	5	3
Recruitment and training	7	2
Provision for bad and doubtful debts	10	24
Provision for doubtful loans and advances	-	-
Commission to non-whole time directors	1	1
Auditor's remuneration		
statutory audit fees	1	1
certification charges	-	-
others	-	-
out-of-pocket expenses	-	-
Bank charges and commission	1	1
Freight charges	1	1
Research grants	1	1
Software packages		
for own use	1	1
Miscellaneous expenses	9	6
	<u>764</u>	<u>569</u>
<b>15 OTHER INCOME</b>		
Interest received on deposits with banks and others*	137	76
Dividend received on investment in liquid mutual funds (non-trade unquoted)	74	38
Miscellaneous income, net (refer to note 23.2.10)	7	2
Exchange differences	(79)	8
	<u>139</u>	<u>124</u>
*Tax deducted at source	22	17
<b>16 PROVISION FOR TAXATION</b>		
Income taxes*	335	335
Deferred taxes	(22)	(9)
	<u>313</u>	<u>326</u>

\* refer to note 23.2.8.

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

in Rs. crore

Schedules to Consolidated Cashflow Statements for the	Year ended	
	March 31, 2006	2005
<b>17 CHANGE IN LOANS AND ADVANCES</b>		
As per the Balance Sheet	1,297	1,024
Less: Deposits with financial institutions and body corporate, included in cash and cash equivalents	(527)	(213)
Advance income taxes separately considered	(267)	(404)
	503	407
Less: Opening balance considered	(407)	(303)
	<u>96</u>	<u>104</u>
<b>18 CHANGE IN CURRENT LIABILITIES AND PROVISIONS</b>		
As per the Balance Sheet	2,346	1,433
Add/ (Less): Provisions separately considered in the cash flow statement		
Income taxes	(188)	(546)
Dividends	(1,061)	(176)
Dividend tax	(149)	(25)
	948	686
Less: Opening balance considered	(686)	(587)
	<u>262</u>	<u>99</u>
<b>19 INCOME TAXES PAID</b>		
Charge as per the Profit and Loss Account	313	326
Add: Increase in advance income taxes	(137)	194
Increase / (Decrease) in deferred taxes	20	4
Less: (Increase) / Decrease in income tax provision	356	(230)
	<u>552</u>	<u>294</u>
<b>20 PURCHASE OF FIXED ASSETS AND CHANGE IN CAPITAL WORK-IN-PROGRESS</b>		
As per the schedule 4 to Balance Sheet *	837	721
Less: Opening Capital work-in-progress	(318)	(208)
Add: Closing Capital work-in-progress	571	318
	<u>1,090</u>	<u>831</u>
* Excludes Rs 4 crore, a non-cash item conversion of Leasehold land to Freehold land		
<b>21 INVESTMENTS IN SECURITIES *</b>		
As per the Balance Sheet	755	1,211
Add: Provisions made on investments	1	-
	756	1,211
Less: Opening balance considered	(1,211)	(946)
	<u>(455)</u>	<u>265</u>
* refer to note 23.2.11 for details of investments and redemptions		
<b>22 CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		
As per the Balance Sheet	3,429	1,576
Add: Deposits with financial institutions, included herein	527	213
	<u>3,956</u>	<u>1,789</u>