

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

in Rs. crore

Consolidated Balance Sheet as at	Schedule	June 30, 2006	March 31, 2006
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	1	138	138
Reserves and surplus	2	<u>7,705</u>	<u>6,828</u>
		7,843	6,966
MINORITY INTEREST		<u>8</u>	<u>68</u>
		<u>7,851</u>	<u>7,034</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
Original cost	3	3,647	2,983
Less: Accumulated depreciation and amortization		<u>1,433</u>	<u>1,328</u>
Net book value		2,214	1,655
Add: Capital work-in-progress		<u>510</u>	<u>571</u>
		2,724	2,226
INVESTMENTS	4	1,638	755
DEFERRED TAX ASSETS	5	73	65
CURRENT ASSETS, LOANS AND ADVANCES			
Sundry debtors	6	1,870	1,608
Cash and bank balances	7	1,272	3,429
Loans and advances	8	<u>1,427</u>	<u>1,297</u>
		4,569	6,334
LESS: CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	9	949	934
Provisions	10	<u>204</u>	<u>1,412</u>
NET CURRENT ASSETS		3,416	3,988
		<u>7,851</u>	<u>7,034</u>
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	22		

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
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Marti G. Subrahmanyam Director	Omkar Goswami Director	Rama Bijapurkar Director	Claude Smadja Director
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Sridar A. Iyengar Director	David L Boyles Director	Jeffrey Lehman Director	S. D. Shibulal Director
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K. Dinesh Director	T. V. Mohandas Pai Director	Srinath Batni Director	V. Balakrishnan Chief Financial Officer
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Bangalore
July 12, 2006

Parvatheesam K.
Company Secretary

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

in Rs. crore, except per share data

Consolidated Profit and Loss Account for the	Schedule	Quarter ended	
		2006	2005
		June 30,	June 30,
Income from software services, products and business process management		3,015	2,071
Software development and business process management expenses	11	1,666	1,104
GROSS PROFIT		1,349	967
Selling and marketing expenses	12	204	141
General and administration expenses	13	256	162
		460	303
OPERATING PROFIT BEFORE INTEREST, DEPRECIATION AND MINORITY INTEREST		889	664
Interest		-	-
Depreciation		106	80
OPERATING PROFIT BEFORE TAX, MINORITY INTEREST AND EXCEPTIONAL ITEMS		783	584
Other income, net	14	128	28
Provision for investments		3	-
NET PROFIT BEFORE TAX, MINORITY INTEREST AND EXCEPTIONAL ITEMS		908	612
Provision for taxation	15	106	80
NET PROFIT AFTER TAX AND BEFORE MINORITY INTEREST AND EXCEPTIONAL ITEMS		802	532
Income on sale of investments, net of taxes (refer to note 22.2.19)		6	-
NET PROFIT AFTER TAX, EXCEPTIONAL ITEMS AND BEFORE MINORITY INTEREST		808	532
Minority interest		8	-
NET PROFIT AFTER TAX, EXCEPTIONAL ITEMS AND MINORITY INTEREST		800	532
Balance Brought Forward		2,219	1,415
Less: Residual dividend paid		4	-
Dividend tax on the above		1	-
		2,214	1,415
AMOUNT AVAILABLE FOR APPROPRIATION		3,014	1,947
Dividend		-	-
Interim		-	-
Final		-	-
Total dividend		-	-
Dividend tax		-	-
Amount transferred to general reserve		-	-
Balance in profit and loss account		3,014	1,947
		3,014	1,947
EARNINGS PER SHARE*			
Equity shares of par value Rs. 5/- each			
Before Exceptional Items			
Basic		28.71	19.63
Diluted		28.04	19.08
After Exceptional Items			
Basic		28.95	19.63
Diluted		28.27	19.08
Number of shares used in computing earnings per share			
Basic		27,64,12,363	27,09,95,442
Diluted		28,30,19,236	27,88,25,223

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

22

* Refer to note 22.2.18

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

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	Rama Bijapurkar Director	Claude Smadja Director
	Sridar A. Iyengar Director	David L. Boyles Director	Jeffrey Lehman Director	S. D. Shibulal Director
	K. Dinesh Director	T. V. Mohandas Pai Director	Srinath Batni Director	V. Balakrishnan Chief Financial Officer

Bangalore
July 12, 2006

Parvatheesam K.
Company Secretary

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

		<i>in Rs. crore</i>	
Consolidated Cash Flow Statement for the	Schedule	Quarter ended June 30,	
		2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit before tax, minority interest and exceptional items		908	612
Adjustments to reconcile net profit before tax to cash provided by operating activities			
(Profit)/ loss on sale of fixed assets		-	-
Depreciation		106	80
Interest and dividend income		(70)	(38)
Profit on sale of liquid mutual funds		(6)	-
Provisions for investments		3	-
Effect of exchange differences on translation of foreign currency cash and cash equivalents		28	(4)
Changes in current assets and liabilities			-
Sundry debtors		(262)	86
Loans and advances	16	(145)	(74)
Current liabilities and provisions	17	18	(46)
Income taxes paid	18	(114)	(38)
NET CASH GENERATED BY OPERATING ACTIVITIES		466	578
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of fixed assets and change in capital work-in-progress	19	(193)	(252)
Proceeds on disposal of fixed assets		-	-
Investments in securities	20	(880)	(125)
Acquisition of minority interest in Subsidiary		(530)	-
Interest and dividend income		70	38
Cash flow from investing activities before exceptional items		(1,533)	(339)
Proceeds on sale of Investments (net of taxes)		6	-
NET CASH USED IN INVESTING ACTIVITIES		(1,527)	(339)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of share capital on exercise of stock options		144	100
Dividends paid during the period, including dividend tax		(1,215)	(201)
NET CASH USED IN FINANCING ACTIVITIES		(1,071)	(101)
Effect of exchange differences on translation of foreign currency cash and cash equivalents		(28)	4
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(2,160)	142
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		3,956	1,789
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	21	1,796	1,931
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	22		

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

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
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K. Dinesh Director	T. V. Mohandas Pai Director	Srinath Batni Director	V. Balakrishnan Chief Financial Officer
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Bangalore
July 12, 2006

Parvatheesam K.
Company Secretary

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

in Rs. crore, except per share data

Schedules to the Consolidated Balance Sheet as at **June 30, 2006** **March 31, 2006**

1 SHARE CAPITAL

Authorized

Equity shares, Rs. 5/- par value

60,00,00,000 (30,00,00,000) equity shares

300

150

Issued, Subscribed and Paid Up

Equity shares, Rs. 5/- par value*

27,68,43,176 (27,55,54,980) equity shares fully paid up

138

138

[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

138

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

* For details of options in respect of equity shares, refer to note 22.2.7

* Refer to note 22.2.18 for details of basic and diluted shares

** Does not reflect effect of bonus issue (refer to note 22.2.18)

2 RESERVES AND SURPLUS

Capital reserve

5

5

Capital reserve on consolidation

-

49

Share premium account - As at April 1,

1,543

900

Add: Receipts on exercise of employee stock options

144

571

Income Tax benefit arising from exercise of stock options

-

72

1,687

1,543

Foreign currency translation adjustment

-

-

General reserve - As at April 1,

3,012

2,770

Less: Gratuity transitional liability (refer to note 22.2.20)

13

-

Add: Transfer from the Profit and Loss Account

-

242

2,999

3,012

Balance in Profit and Loss Account

3,014

2,219

7,705

6,828

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

in Rs. crore except as otherwise stated

Schedules to the Consolidated Balance Sheet

3 FIXED ASSETS

Particulars	Original cost				Depreciation and amortization				Net book value	
	As at April 1, 2006	Additions	Deletions/ Retirement	As at June 30, 2006	As at April 1, 2006	For the period	Deletions/ Retirement	As at June 30, 2006	As at June 30, 2006	As at March 31, 2006
Goodwill	41	411	-	452	-	-	-	-	452	41
Land: free-hold	34	4	-	38	-	-	-	-	38	34
leasehold	104	6	4	106	-	-	-	-	106	104
Buildings	1,022	108	-	1,130	180	18	-	198	932	842
Plant and machinery	569	49	-	618	309	22	-	331	287	260
Computer equipment	757	61	1	817	552	50	1	601	216	205
Furniture and fixtures	443	27	-	470	283	15	-	298	172	160
Leasehold improvements	11	3	-	14	4	1	-	5	9	7
Vehicles	2	-	-	2	-	-	-	-	2	2
	2,983	669	5	3,647	1,328	106	1	1,433	2,214	1,655
Previous Period	2,287	214	2	2,499	1,031	80	2	1,109	1,390	1,256
Previous year	2,287	841	145	2,983	1,031	437	140	1,328	1,655	

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	June 30, 2006	March 31, 2006
4 INVESTMENTS		
Trade (unquoted) – at cost		
Long- term investments	11	17
Less: Provision made for investments	11	15
	-	2
Non-trade (unquoted), current investments, at the lower of cost and fair value		
Liquid mutual funds	1,638	753
	<u>1,638</u>	<u>755</u>
Aggregate amount of unquoted investments	1,638	755
5 DEFERRED TAX ASSETS		
Fixed assets	64	57
Sundry debtors	2	2
Leave provisions and others	7	6
	<u>73</u>	<u>65</u>
6 SUNDRY DEBTORS		
Debts outstanding for a period exceeding six months		
Unsecured		
considered good	-	-
considered doubtful	15	8
Other debts		
Unsecured		
considered good*	1,870	1,608
considered doubtful	4	2
	<u>1,889</u>	<u>1,618</u>
Less: Provision for doubtful debts	19	10
	<u>1,870</u>	<u>1,608</u>
	5	2
<i>* Includes dues from companies where directors are interested</i>		
7 CASH AND BANK BALANCES		
Cash on hand	-	-
Balances with scheduled banks		
In current accounts *	300	224
In deposit accounts in Indian Rupees	614	2,800
Balances with non-scheduled banks		
In deposit accounts in foreign currency	-	-
In current accounts in foreign currency	358	405
	<u>1,272</u>	<u>3,429</u>
	5	3
<i>*includes balance in unclaimed dividend account</i>		

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

in Rs. crore

Schedules to the Consolidated Balance Sheet as at June 30, 2006 March 31, 2006

8 LOANS AND ADVANCES

Unsecured, considered good		
Advances	1	1
prepaid expenses	34	32
for supply of goods and rendering of services	17	10
advance to gratuity trust	21	-
others	7	14
	80	57
Unbilled revenues	260	211
Advance income tax	267	267
Loans and advances to employees		
housing and other loans	47	49
salary advances	78	63
Electricity and other deposits	23	16
Rental deposits	18	16
Deposits with financial institution and body corporate (refer note 22.2.9)	654	607
Deposits with government authorities	-	-
Other assets	-	11
	1,427	1,297
Unsecured, considered doubtful		
Loans and advances to employees	1	1
	1,428	1,298
Less: Provision for doubtful loans and advances to employees	1	1
	1,427	1,297

9 CURRENT LIABILITIES

Sundry creditors		
capital goods	-	-
goods and services	11	12
accrued salaries and benefits		
salaries	19	9
bonus and incentives	107	260
unavailed leave	103	101
long service leave provision	2	-
for other liabilities		
accrual for expenses	262	218
retention monies	13	13
withholding and other taxes payable	123	89
for purchase of intellectual property rights	20	20
others	6	3
	666	725
Advances received from clients	7	7
Unearned revenue	249	194
Unclaimed dividend	5	3
Mark to Market on options/due on forward contracts	22	5
	949	934

10 PROVISIONS

Proposed dividend	-	1,061
Provision for		
tax on dividend	-	149
income taxes*	190	190
post-sales client support and warranties	14	12
	204	1,412

* refer to note 22.2.8

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

in Rs. crore

Schedules to Consolidated Profit and Loss Account for the

**Quarter ended
June 30,**

2006 2005

11 SOFTWARE DEVELOPMENT AND BUSINESS PROCESS MANAGEMENT EXPENSES

Salaries and bonus including overseas staff expenses	1,338	880
Contribution to provident and other funds	32	20
Staff welfare	9	6
Overseas travel expenses	136	81
Technical sub-contractors	57	37
Software packages		
for own use	35	33
for service delivery to clients	14	11
Communication expenses	17	16
Rent	8	6
Computer maintenance	5	4
Consumables	4	4
Provision for post-sales client support and warranties	2	1
Miscellaneous expenses	9	5
	<u>1,666</u>	<u>1,104</u>

12 SELLING AND MARKETING EXPENSES

Salaries and bonus including overseas staff expenses	136	86
Contribution to provident and other funds	1	-
Staff welfare	1	-
Overseas travel expenses	26	19
Traveling and conveyance	3	1
Brand building	12	10
Commission and earnout charges	8	10
Professional charges	5	4
Rent	5	4
Marketing expenses	3	3
Telephone charges	2	2
Communication Expenses	-	-
Printing and stationery	-	1
Advertisements	1	-
Sales promotion expenses	-	-
Office maintenance	-	-
Insurance charges	-	-
Consumables	-	-
Software packages		
for own use	-	-
Computer maintenance	-	-
Rates and taxes	-	-
Miscellaneous expenses	1	1
	<u>204</u>	<u>141</u>

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

in Rs. crore

Schedules to Consolidated Profit and Loss Account for the

Quarter ended
June 30,

	2006	2005
13 GENERAL AND ADMINISTRATION EXPENSES		
Salaries and bonus including overseas staff expenses	62	40
Contribution to provident and other funds	3	2
Staff welfare	-	-
Telephone charges	28	17
Professional charges	31	17
Power and fuel	23	16
Office maintenance	25	15
Traveling and conveyance	22	14
Overseas travel expenses	5	7
Insurance charges	7	6
Printing and stationery	3	4
Rates and taxes	9	3
Donations	4	3
Rent	5	3
Advertisements	1	3
Professional membership and seminar participation fees	2	2
Repairs to building	3	2
Repairs to plant and machinery	3	2
Postage and courier	3	2
Books and periodicals	1	1
Recruitment and training	2	1
Provision for bad and doubtful debts	10	-
Provision for doubtful loans and advances	-	-
Commission to non-whole time directors	-	-
Auditors' remuneration	-	-
statutory audit fees	-	-
certification charges	-	-
others	-	-
out-of-pocket expenses	-	-
Bank charges and commission	-	-
Freight charges	-	-
Research grants	2	-
Software packages	-	-
for own use	-	-
Miscellaneous expenses	2	2
	<u>256</u>	<u>162</u>
14 OTHER INCOME, NET		
Interest received on deposits with banks and others*	52	25
Dividend received on investment in liquid mutual funds (non-trade unquoted)	18	13
Profit on sale of liquid mutual funds	6	-
Miscellaneous income, net (Refer to note 22.2.10)	-	-
Exchange differences	52	(10)
	<u>128</u>	<u>28</u>
*Tax deducted at source	14	5
15 PROVISION FOR TAXATION		
Income taxes*	114	84
Deferred taxes	(8)	(4)
	<u>106</u>	<u>80</u>
* Refer to note 22.2.8		

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES
in Rs. crore
Schedules to Consolidated Cash flow Statements for the
**Quarter ended
June 30,**

	2006	2005
16 CHANGE IN LOANS AND ADVANCES		
As per the Balance Sheet	1,427	1,108
Add: Gratuity transitional liability (Refer to note 22.2.20)	13	-
Less: Deposits with financial institutions and body corporate, included in cash and cash equivalents	(524)	(213)
Advance income taxes separately considered	(267)	(414)
	649	481
Less: Opening balance considered	(504)	(407)
	<u>145</u>	<u>74</u>
17 CHANGE IN CURRENT LIABILITIES AND PROVISIONS		
As per the Balance Sheet	1,153	1,242
Add/ (Less): Provisions separately considered in the cash flow statement		
Income taxes	(190)	(602)
Dividends	-	-
Dividend tax	-	-
	963	640
Less: Opening balance considered	(945)	(686)
	<u>18</u>	<u>(46)</u>
18 INCOME TAXES PAID		
Charge as per the Profit and Loss Account	106	80
Add: Increase/decrease in advance income taxes	-	10
Increase/decrease in deferred taxes	8	4
Less: Increase in income tax provision	-	(56)
	<u>114</u>	<u>38</u>
19 PURCHASE OF FIXED ASSETS AND CHANGE IN CAPITAL WORK-IN-PROGRESS		
As per the Balance Sheet*	254	214
Less: Opening capital work-in-progress	(571)	(318)
Add: Closing capital work-in-progress	510	356
	<u>193</u>	<u>252</u>
* Excludes Rs 4 crore towards movement of land from Leasehold to Freehold		
* Excludes goodwill on buyback of Progeon shares		
20 INVESTMENTS IN SECURITIES *		
As per the Balance Sheet	1,638	1,336
Add: Provisions made on investments	3	-
	1,641	1,336
Less: Profit on sale of liquid mutual funds	(6)	-
: Opening balance considered	(755)	(1,211)
	<u>880</u>	<u>125</u>
* refer to note 22.2.11 for details of investments and redemptions		
21 CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		
As per the Balance Sheet	1,272	1,718
Add: Deposits with financial institutions, included herein	524	213
	<u>1,796</u>	<u>1,931</u>