

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

in Rs. crore

Consolidated Balance Sheet as at	Schedule	September 30, 2006	March 31, 2006
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	1	278	138
Reserves and surplus	2	<u>8,321</u>	<u>6,828</u>
		8,599	6,966
MINORITY INTEREST			
		10	68
		<u>8,609</u>	<u>7,034</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
Original cost	3	4,004	2,983
Less: Accumulated depreciation and amortization		<u>1,555</u>	<u>1,328</u>
Net book value		<u>2,449</u>	<u>1,655</u>
Add: Capital work-in-progress		<u>483</u>	<u>571</u>
		2,932	2,226
INVESTMENTS			
	4	2,819	755
DEFERRED TAX ASSETS			
	5	79	65
CURRENT ASSETS, LOANS AND ADVANCES			
Sundry debtors	6	2,085	1,608
Cash and bank balances	7	982	3,429
Loans and advances	8	<u>1,514</u>	<u>1,297</u>
		4,581	6,334
LESS: CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	9	1,177	934
Provisions	10	<u>625</u>	<u>1,412</u>
NET CURRENT ASSETS		<u>2,779</u>	<u>3,988</u>
		<u>8,609</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*

Natrajan Ramkrishna
*Partner
Membership No.32815*

N. R. Narayana Murthy
*Chairman
and Chief Mentor*

Nandan M. Nilekani
*Chief Executive Officer
and Managing Director*

S. Gopalakrishnan
*President,
Chief Operating Officer and
Joint Managing Director*

Deepak M. Satwalekar
Director

Marti G. Subrahmanyam
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Omkar Goswami
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Rama Bijapurkar
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K. Dinesh
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T. V. Mohandas Pai
Director

Srinath Batni
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V. Balakrishnan
Chief Financial Officer

Bangalore
October 11, 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		Half-year ended	
		September 30, 2006	2005	September 30, 2006	2005
Income from software services, products and business process management		3,451	2,294	6,466	4,366
Software development and business process management expenses	11	1,833	1,212	3,499	2,316
GROSS PROFIT		1,618	1,082	2,967	2,050
Selling and marketing expenses	12	221	149	425	291
General and administration expenses	13	288	199	544	361
OPERATING PROFIT BEFORE INTEREST, DEPRECIATION AND MINORITY INTEREST		1,109	734	1,998	1,398
Interest		-	-	-	-
Depreciation		122	96	228	176
OPERATING PROFIT BEFORE TAX MINORITY INTEREST AND EXCEPTIONAL ITEMS		987	638	1,770	1,222
Other income, net	14	66	44	194	72
Provision for investments		-	1	3	1
NET PROFIT BEFORE TAX, MINORITY INTEREST AND EXCEPTIONAL ITEMS		1,053	681	1,961	1,293
Provision for taxation on the above	15	123	69	229	150
NET PROFIT AFTER TAX AND BEFORE MINORITY INTEREST AND EXCEPTIONAL ITEMS		930	612	1,732	1,143
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		930	612	1,738	1,143
Minority interest		1	6	9	6
NET PROFIT AFTER TAX, EXCEPTIONAL ITEMS AND MINORITY INTEREST		929	606	1,729	1,137
Balance Brought Forward		3,014	1,946	2,219	1,415
Less: Residual dividend paid		-	-	4	-
Additional dividend tax		-	-	1	-
		3,014	1,946	2,214	1,415
AMOUNT AVAILABLE FOR APPROPRIATION		3,943	2,552	3,943	2,552
Dividend					
Interim		278	177	278	177
Final		-	-	-	-
Total dividend		278	177	278	177
Dividend tax		39	25	39	25
Balance in profit and loss account		3,626	2,350	3,626	2,350
		3,943	2,552	3,943	2,552
EARNINGS PER SHARE *					
Equity shares of par value Rs. 5/- each					
Before Exceptional items					
Basic		16.75	11.13	31.11	20.94
Diluted		16.37	10.82	30.39	20.35
After Exceptional items					
Basic		16.75	11.13	31.23	20.94
Diluted		16.37	10.82	30.50	20.35
Number of shares used in computing earnings per share					
Basic		55,47,72,296	54,42,02,438	55,37,98,511	54,30,96,662
Diluted		56,77,46,039	56,00,61,300	56,69,42,396	55,88,90,590

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

22

* Refer to note 22.2.18

The schedules referred to above form 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
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CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES
in Rs. crore

Consolidated Cash Flow Statement for the	Schedule	Half-year ended	
		2006	September 30, 2005
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit before tax, minority interest and exceptional items		1,961	1,293
Adjustments to reconcile net profit before tax to cash provided by operating activities:			
(Profit)/ loss on sale of fixed assets		-	-
Depreciation		228	176
Interest and dividend income		(124)	(81)
Profit on sale of liquid mutual funds		(6)	-
Provisions for investments		3	1
Effect of exchange differences on translation of foreign currency cash and cash equivalents		(34)	(12)
Changes in current assets and liabilities			
Sundry debtors		(477)	(12)
Loans and advances	16	(205)	(81)
Current liabilities and provisions	17	251	87
Income taxes paid	18	(170)	(164)
NET CASH GENERATED BY OPERATING ACTIVITIES		1,427	1,207
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of fixed assets and change in capital work-in-progress	19	(523)	(555)
Proceeds on disposal of fixed assets		-	-
Investments in securities	20	(2,060)	(1,119)
Acquisition of minority interest in Subsidiary		(530)	-
Interest and dividend income		124	81
Cash flow from investing activities before exceptional items		(2,989)	(1,593)
Proceeds on sale of long term Investments (net of taxes)		6	-
NET CASH USED IN INVESTING ACTIVITIES		(2,983)	(1,593)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of share capital on exercise of stock options		289	249
Dividends paid during the period, including dividend tax		(1,215)	(201)
NET CASH USED IN FINANCING ACTIVITIES		(926)	48
Effect of exchange differences on translation of foreign currency cash and cash equivalent:		34	14
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(2,448)	(324)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		3,956	1,790
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	21	1,508	1,466
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.
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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 **September 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*

55,57,85,001 (27,55,54,980) equity shares fully paid up

278

138

[Of the above, 53,53,35,478 (25,84,92,302) equity shares, fully paid up have been issued as bonus shares by capitalization of the general reserve]

278

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

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

286

571

Income Tax benefit arising from exercise of stock options

-

72

1,829

1,543

General reserve - As at April 1,

3,012

2,770

Less: Capitalized on issue of bonus shares

138

-

Gratuity transitional liability (refer to note 22.2.20)

13

-

Add: Transfer from the Profit and Loss Account

-

242

2,861

3,012

Balance in Profit and Loss Account

3,626

2,219

8,321

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 September 30, 2006	As at April 1, 2006	For the period	Deletions/ Retirement	As at September 30, 2006	As at September 30, 2006	As at March 31, 2006
Goodwill	41	411	-	452	-	-	-	-	452	41
Land: free-hold	34	4	-	38	-	-	-	-	38	34
leasehold	104	16	4	116	-	-	-	-	116	104
Buildings	1,022	276	-	1,298	180	38	-	218	1,080	842
Plant and machinery	569	112	-	681	309	49	-	358	323	260
Computer equipment	757	139	1	895	552	103	1	654	241	205
Furniture and fixtures	443	64	-	507	283	33	-	316	191	160
Leasehold improvements	11	3	-	14	4	4	-	8	6	7
Vehicles	2	1	-	3	-	1	-	1	2	2
	2,983	1,026	5	4,004	1,328	228	1	1,555	2,449	1,655
Previous Period	2,287	475	5	2,757	1,031	176	5	1,202	1,555	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 September 30, 2006 March 31, 2006

4 INVESTMENTS

Trade (unquoted) – at cost

Long-term investments	12	17
Less: Provision made for investments	12	15
	-	2

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

Liquid mutual funds	2,819	753
	<u>2,819</u>	<u>755</u>
Aggregate amount of unquoted investments	2,819	755

5 DEFERRED TAX ASSETS

Fixed assets	69	57
Sundry debtors	3	2
Leave provisions and others	7	6
	<u>79</u>	<u>65</u>

6 SUNDRY DEBTORS

Debts outstanding for a period exceeding six months

Unsecured		
considered good	-	-
considered doubtful	22	8

Other debts

Unsecured		
considered good*	2,085	1,608
considered doubtful	1	2
	<u>2,108</u>	<u>1,618</u>

Less: Provision for doubtful debts

	23	10
	<u>2,085</u>	<u>1,608</u>
	3	2

* Includes dues from companies where directors are interested

7 CASH AND BANK BALANCES

Cash on hand	-	-
Balances with scheduled banks		
In current accounts *	265	224
In deposit accounts in Indian Rupees	405	2,800
Balances with non-scheduled banks		
In deposit accounts in foreign currency	-	-
In current accounts in foreign currency	312	405
	<u>982</u>	<u>3,429</u>
	3	3

*Includes balance in unclaimed dividend account

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

in Rs. crore

Schedules to the Consolidated Balance Sheet as at September 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	18	10
advance to gratuity trust	8	-
others	22	14
	<u>83</u>	<u>57</u>
Unbilled revenues	338	211
Advance income tax	293	267
Loans and advances to employees		
housing and other loans	43	49
salary advances	64	63
Electricity and other deposits	18	16
Rental deposits	17	16
Deposits with financial institution and body corporate(refer note 22.2.9)	647	607
Deposits with government authorities	-	-
Mark to Market forward contract & option - asset	4	-
Other assets	7	11
	<u>1,514</u>	<u>1,297</u>
Unsecured, considered doubtful		
Loans and advances to employees	1	1
	<u>1,515</u>	<u>1,298</u>
Less: Provision for doubtful loans and advances to employees	1	1
	<u><u>1,514</u></u>	<u><u>1,297</u></u>

9 CURRENT LIABILITIES

Sundry creditors		
capital goods	-	-
goods and services	17	12
accrued salaries and benefits		
salaries	24	9
bonus and incentives	214	260
unavailed leave	120	101
long service leave provision	2	-
for other liabilities		
accrual for expenses	304	218
retention monies	12	13
withholding and other taxes payable	135	89
for purchase of intellectual property rights	20	20
others	11	3
	<u>859</u>	<u>725</u>
Advances received from clients	8	7
Unearned revenue	307	194
Unclaimed dividend	3	3
Mark to Market on options/due on forward contracts	-	5
	<u>1,177</u>	<u>934</u>

10 PROVISIONS

Proposed dividend	278	1,061
Provision for		
tax on dividend	39	149
income taxes*	289	190
post-sales client support and warranties	19	12
	<u>625</u>	<u>1,412</u>

* 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		Half-year ended	
	2006	2005	2006	2005
11 SOFTWARE DEVELOPMENT AND BUSINESS PROCESS MANAGEMENT EXPENSES				
Salaries and bonus including overseas staff expenses	1,506	978	2,844	1,858
Contribution to provident and other funds	41	22	73	43
Staff welfare	11	7	20	13
Overseas travel expenses	99	99	235	180
Technical sub-contractors	69	35	126	71
Software packages				
for own use	52	34	87	67
for service delivery to clients	1	8	15	19
Communication expenses	18	16	35	32
Rent	8	6	16	12
Computer maintenance	6	4	11	8
Consumables	7	4	11	8
Provision for post-sales client support and warranties	4	(7)	6	(6)
Miscellaneous expenses	11	6	20	11
	<u>1,833</u>	<u>1,212</u>	<u>3,499</u>	<u>2,316</u>
12 SELLING AND MARKETING EXPENSES				
Salaries and bonus including overseas staff expenses	139	88	275	174
Contribution to provident and other funds	1	-	2	1
Staff welfare	1	-	1	-
Overseas travel expenses	24	18	50	38
Traveling and conveyance	2	1	5	2
Brand building	15	12	27	22
Commission and earnout charges	19	8	27	18
Professional charges	7	11	12	15
Rent	4	4	9	8
Marketing expenses	5	3	8	6
Telephone charges	1	1	3	3
Printing and stationery	-	1	-	1
Advertisements	1	1	2	1
Sales promotion expenses	1	-	1	1
Office maintenance	-	-	1	-
Communication Expenses	-	-	-	-
Insurance charges	-	-	-	-
Consumables	-	-	-	-
Software packages				
for own use	-	-	-	-
Computer maintenance	-	-	-	-
Rates and taxes	-	-	-	-
Miscellaneous expenses	1	1	2	1
	<u>221</u>	<u>149</u>	<u>425</u>	<u>291</u>

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

in Rs. crore

Schedules to Consolidated Profit and Loss Account for the	Quarter ended September 30,		Half-year ended September 30,	
	2006	2005	2006	2005
13 GENERAL AND ADMINISTRATION EXPENSES				
Salaries and bonus including overseas staff expenses	67	39	129	79
Contribution to provident and other funds	3	2	6	4
Staff welfare	-	-	-	-
Telephone charges	31	24	59	41
Professional charges	40	26	71	43
Power and fuel	25	17	48	32
Office maintenance	27	18	52	33
Traveling and conveyance	23	16	45	31
Overseas travel expenses	7	4	12	11
Insurance charges	8	6	15	13
Printing and stationery	4	2	7	5
Rates and taxes	3	3	12	6
Donations	5	5	9	8
Rent	5	3	10	6
Advertisements	3	4	4	7
Professional membership and seminar participation fees	3	2	5	5
Repairs to building	7	5	10	8
Repairs to plant and machinery	3	3	6	4
Postage and courier	2	1	5	3
Books and periodicals	2	1	2	2
Recruitment and training	3	3	5	4
Provision for bad and doubtful debts	10	9	20	9
Provision for doubtful loans and advances	-	-	-	-
Commission to non-whole time directors	1	1	1	1
Auditor's remuneration	-	-	-	-
statutory audit fees	-	-	1	1
certification charges	-	-	-	-
others	-	-	-	-
out-of-pocket expenses	-	-	-	-
Bank charges and commission	1	1	1	1
Freight charges	-	1	-	-
Research grants	3	-	5	-
Software packages	-	-	-	-
for own use	-	-	-	-
Miscellaneous expenses	2	3	4	4
	<u>288</u>	<u>199</u>	<u>544</u>	<u>361</u>
14 OTHER INCOME, NET				
Interest received on deposits with banks and others*	23	24	75	49
Dividend received on investment in liquid mutual funds (non-trade unquoted)	31	18	49	32
Miscellaneous income, net (Refer to note 22.2.10)	1	2	7	2
Exchange differences	11	-	63	(11)
	<u>66</u>	<u>44</u>	<u>194</u>	<u>72</u>
*Tax deducted at source	5	5	19	10
15 PROVISION FOR TAXATION				
Income taxes*	128	72	242	157
Deferred taxes	(5)	(3)	(13)	(7)
	<u>123</u>	<u>69</u>	<u>229</u>	<u>150</u>
* Refer to note 22.2.8				

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

in Rs. crore

Schedules to Consolidated Cashflow Statements for the

Half-year ended
September 30,

	2006	2005
16 CHANGE IN LOANS AND ADVANCES		
As per the Balance Sheet	1,514	1,050
Add: Gratuity transitional liability (Refer to note 22.2.20)	13	-
Less: Deposits with financial institutions, included in cash and cash equivalents Advance income taxes separately considered	(526) (293)	(70) (493)
	708	487
Less: Opening balance considered	(503)	(406)
	205	81
17 CHANGE IN CURRENT LIABILITIES AND PROVISIONS		
As per the Balance Sheet	1,802	1,603
Add/ (Less): Provisions separately considered in the cash flow Statement		
Income taxes	(289)	(628)
Dividends	(278)	(177)
Dividend tax	(39)	(25)
	1,196	773
Less: Opening balance considered	(945)	(686)
	251	87
18 INCOME TAXES PAID		
Charge as per the Profit and Loss Account	229	150
Add: Increase/ decrease in advance income taxes	26	89
Increase / decrease in deferred taxes	14	7
Less: Increase in income tax provision	(99)	(82)
	170	164
19 PURCHASE OF FIXED ASSETS AND CHANGE IN CAPITAL WORK-IN-PROGRESS		
As per Balance Sheet*	611	475
Less: Opening Capital work-in-progress	(571)	(318)
Add: Closing Capital work-in-progress	483	398
	523	555
* Excludes Rs 4 crore towards movement of land from Leasehold to Freehold		
* Excludes goodwill on buyback of Infosys BPO Ltd shares		
20 INVESTMENTS IN / (DISPOSAL OF) SECURITIES *		
As per the Balance Sheet	2,819	2,329
Add: Provisions made on investments	3	1
	2,822	2,330
Less: Profit on sale of liquid mutual funds	(6)	-
Opening balance considered	(756)	(1,211)
	2,060	1,119
* 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	982	1,396
Add: Deposits with financial institutions, included herein	526	70
	1,508	1,466