

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

in Rs. crore

Consolidated Balance Sheet as at	Schedule	March 31, 2007	March 31, 2006
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	1	286	138
Reserves and surplus	2	<u>10,969</u>	<u>6,828</u>
		<u>11,255</u>	<u>6,966</u>
MINORITY INTEREST		4	68
		<u>11,259</u>	<u>7,034</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
Original cost	3	4,642	2,983
Less: Accumulated depreciation and amortization		<u>1,836</u>	<u>1,328</u>
Net book value		<u>2,806</u>	<u>1,655</u>
Add: Capital work-in-progress		<u>965</u>	<u>571</u>
		<u>3,771</u>	<u>2,226</u>
INVESTMENTS	4	25	755
DEFERRED TAX ASSETS	5	92	65
CURRENT ASSETS, LOANS AND ADVANCES			
Sundry debtors	6	2,436	1,608
Cash and bank balances	7	5,871	3,429
Loans and advances	8	<u>1,214</u>	<u>1,297</u>
		<u>9,521</u>	<u>6,334</u>
LESS: CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	9	1,469	934
Provisions	10	<u>681</u>	<u>1,412</u>
NET CURRENT ASSETS		<u>7,371</u>	<u>3,988</u>
		<u>11,259</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
Director

Omkar Goswami
Director

Claude Smadja
Director

Sridar A. Iyengar
Director

David L. Boyles
Director

Jeffrey Lehman
Director

S. D. Shibulal
Director

K. Dinesh
Director

Bangalore
April 13, 2007

T. V. Mohandas Pai
Director

Srinath Batni
Director

V. Balakrishnan
Chief Financial Officer

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	Year ended	
		March 31,	2,006
		2,007	2,006
Income from software services, products and business process management		13,893	9,521
Software development and business process management expenses	11	7,458	5,066
GROSS PROFIT		6,435	4,455
Selling and marketing expenses	12	929	600
General and administration expenses	13	1,115	764
OPERATING PROFIT BEFORE INTEREST, DEPRECIATION AND MINORITY INTERES*		4,391	3,091
Interest		-	-
Depreciation		514	437
OPERATING PROFIT BEFORE TAX MINORITY INTEREST AND EXCEPTIONAL ITEMS		3,877	2,654
Other income, net	14	372	139
Provision for investments		2	1
NET PROFIT BEFORE TAX, MINORITY INTEREST AND EXCEPTIONAL ITEMS		4,247	2,792
Provision for taxation (refer to note 22.2.8)	15	386	313
NET PROFIT AFTER TAX AND BEFORE MINORITY INTEREST AND EXCEPTIONAL ITEMS		3,861	2,479
Income on sale of investments, net of taxes (refer to note 22.2.20)		6	-
NET PROFIT AFTER TAX, EXCEPTIONAL ITEMS AND BEFORE MINORITY INTEREST		3,867	2,479
Minority interest		11	21
NET PROFIT AFTER TAX, EXCEPTIONAL ITEMS AND MINORITY INTEREST		3,856	2,458
Balance Brought Forward		2,219	1,415
Less: Residual dividend paid		4	-
Additional dividend tax		1	-
		2,214	1,415
AMOUNT AVAILABLE FOR APPROPRIATION		6,070	3,873
Dividend			
Interim		278	177
Final		371	234
Silver Jubilee special dividend		-	827
Total dividend		649	1,238
Dividend tax		102	174
Amount transferred to General reserve		378	242
Balance in profit and loss account		4,941	2,219
		6,070	3,873
EARNINGS PER SHARE *			
Equity shares of par value Rs. 5/- each			
Before Exceptional items			
Basic		69.11	45.03
Diluted		67.59	43.78
After Exceptional items			
Basic		69.22	45.03
Diluted		67.70	43.78
Number of shares used in computing earnings per share			
Basic		55,68,52,339	54,59,89,022
Diluted		56,93,42,694	56,16,56,620

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

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
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Marti G. Subrahmanyam Director	Omkar Goswami Director	Claude Smadja Director	Sridar A. Iyengar Director
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David L. Boyles Director	Jeffrey Lehman Director	S. D. Shibulal Director	K. Dinesh Director
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Bangalore April 13, 2007	T. V. Mohandas Pai Director	Srinath Batni Director	V. Balakrishnan Chief Financial Officer	Parvatheesam K. Company Secretary
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CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

Consolidated Cash Flow Statement for the	Schedule	<i>in Rs. crore</i>	
		2007	Year ended March 31, 2006
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit before tax, minority interest and exceptional items		4,247	2,792
Adjustments to reconcile net profit before tax to cash provided by operating activities:			
(Profit)/ loss on sale of fixed assets		-	-
Depreciation		514	437
Interest and dividend income		(315)	(211)
Profit on sale of liquid mutual funds		(11)	-
Provisions for investments		2	1
Effect of exchange differences on translation of foreign currency cash and cash equivalents		7	(9)
Changes in current assets and liabilities			
Sundry debtors		(828)	(286)
Loans and advances	16	(190)	(96)
Current liabilities and provisions	17	530	262
Income taxes paid	18	(446)	(480)
NET CASH GENERATED BY OPERATING ACTIVITIES		3,510	2,410
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of fixed assets and change in capital work-in-progress	19	(1,510)	(1,090)
Proceeds on disposal of fixed assets		-	1
Payment for intellectual property rights (refer to note 22.2.19)		14	-
Investments in securities	20	740	455
Acquisition of minority interest in subsidiary		(660)	-
Interest and dividend income		315	211
Cash flow from investing activities before exceptional items		(1,101)	(423)
Proceeds on sale of long term Investments (net of taxes)		6	-
NET CASH USED IN INVESTING ACTIVITIES		(1,095)	(423)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of share capital on exercise of stock options		1,216	574
Dividends paid during the period, including dividend tax		(1,532)	(403)
NET CASH USED IN FINANCING ACTIVITIES		(316)	171
Effect of exchange differences on translation of foreign currency cash and cash equivalents		(7)	9
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		2,092	2,167
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	6,048	3,956
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

Natrajan Ramkrishna
Partner
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N. R. Narayana Murthy
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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, 2007	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*	286	138
57,12,09,862 (27,55,54,980) equity shares fully paid up		
[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]	286	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	1,206	571
Income Tax benefit arising from exercise of stock options	19	72
	2,768	1,543
General reserve - As at April 1,	3,012	2,770
Less: Capitalized on issue of bonus shares	138	-
Less: Gratuity transitional liability (refer to note 22.2.21)	9	-
Add: Transfer from the Profit and Loss Account	378	242
Add: Fair value of employee options issued in exchange of Infosys BPO options (refer to note 22.2.12)	12	-
	3,255	3,012
Balance in Profit and Loss Account	4,941	2,219
	10,969	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 March 31, 2007	As at April 1, 2006	For the period	Deletions/ Retirement	As at March 31, 2007	As at March 31, 2007	As at March 31, 2006
Goodwill	41	548	-	589	-	-	-	-	589	41
Land: free-hold	34	42	-	76	-	-	-	-	76	34
leasehold	104	33	41	96	-	-	-	-	96	104
Buildings	1,022	449	-	1,471	180	87	-	267	1,204	842
Plant and machinery	569	218	-	787	309	114	-	423	364	260
Computer equipment	757	276	5	1,028	552	227	5	774	254	205
Furniture and fixtures	443	130	-	573	283	79	-	362	211	160
Leasehold improvements	11	10	1	20	4	7	1	10	10	7
Vehicles	2	-	-	2	-	-	-	-	2	2
	2,983	1,706	47	4,642	1,328	514	6	1,836	2,806	1,655
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 March 31, 2007 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	25	753
	<u>25</u>	<u>755</u>
Aggregate amount of unquoted investments	<u>25</u>	<u>755</u>

5 DEFERRED TAX ASSETS

Fixed assets	74	57
Sundry debtors	3	2
Leave provisions and others	15	6
	<u>92</u>	<u>65</u>

6 SUNDRY DEBTORS

Debts outstanding for a period exceeding six months

Unsecured		
considered good	-	-
considered doubtful	16	8

Other debts

Unsecured		
considered good*	2,436	1,608
considered doubtful	7	2
	<u>2,459</u>	<u>1,618</u>

Less: Provision for doubtful debts

	23	10
	<u>2,436</u>	<u>1,608</u>
	<u>7</u>	<u>2</u>

* Includes dues from companies where directors are interested

7 CASH AND BANK BALANCES

Cash on hand	-	-
Balances with scheduled banks		
In current accounts *	481	224
In deposit accounts in Indian Rupees	4,989	2,800
Balances with non-scheduled banks		
In deposit accounts in foreign currency	-	-
In current accounts in foreign currency	401	405
	<u>5,871</u>	<u>3,429</u>
	<u>2</u>	<u>3</u>

*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 March 31, 2007 March 31, 2006

8 LOANS AND ADVANCES

Unsecured, considered good		
Advances	-	1
prepaid expenses	34	32
for supply of goods and rendering of services	3	10
advance to gratuity trust	-	-
others	20	14
	<u>57</u>	<u>57</u>
Unbilled revenues	320	211
Advance income tax	353	267
Loans and advances to employees		
housing and other loans	42	49
salary advances	76	63
Electricity and other deposits	21	16
Rental deposits	15	16
Deposits with financial institution and body corporate(refer note 22.2.9)	309	607
Deposits with government authorities	-	-
Mark to Market forward contract & option - asset	15	-
Other assets	6	11
	<u>1,214</u>	<u>1,297</u>
Unsecured, considered doubtful		
Loans and advances to employees	1	1
	<u>1,215</u>	<u>1,298</u>
Less: Provision for doubtful loans and advances to employees	1	1
	<u><u>1,214</u></u>	<u><u>1,297</u></u>

9 CURRENT LIABILITIES

Sundry creditors		
capital goods	-	-
goods and services	25	12
accrued salaries and benefits		
salaries	39	9
bonus and incentives	264	260
unavailed leave	149	101
for other liabilities		
accrual for expenses	456	218
retention monies	24	13
withholding and other taxes payable	181	89
for purchase of intellectual property rights	-	20
others	12	3
	<u>1,150</u>	<u>725</u>
Advances received from clients	4	7
Unearned revenue	311	194
Unclaimed dividend	2	3
Due to option holders of Infosys BPO	2	-
Mark to Market on options/due on forward contracts	-	5
	<u>1,469</u>	<u>934</u>

10 PROVISIONS

Proposed dividend	371	1,061
Provision for		
tax on dividend	63	149
income taxes*	224	190
post-sales client support and warranties	23	12
	<u>681</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

Year ended
March 31,

2007 2006

11 SOFTWARE DEVELOPMENT AND BUSINESS PROCESS MANAGEMENT EXPENSES

Salaries and bonus including overseas staff expenses	6,071	4,129
Contribution to provident and other funds	154	92
Staff welfare	46	33
Overseas travel expenses	461	345
Traveling and conveyance	-	19
Technical sub-contractors	289	163
Software packages		
for own use	203	139
for service delivery to clients	25	30
Communication expenses	69	62
Rent	34	25
Computer maintenance	23	21
Consumables	24	16
Provision for post-sales client support and warranties	13	(14)
Miscellaneous expenses	46	6
	<u>7,458</u>	<u>5,066</u>

12 SELLING AND MARKETING EXPENSES

Salaries and bonus including overseas staff expenses	552	366
Contribution to provident and other funds	3	1
Staff welfare	3	2
Overseas travel expenses	106	78
Traveling and conveyance	8	4
Brand building	70	48
Commission and earnout charges	101	31
Professional charges	24	27
Rent	19	16
Marketing expenses	26	12
Telephone charges	6	6
Printing and stationery	1	1
Advertisements	3	2
Sales promotion expenses	2	2
Office maintenance	1	-
Communication Expenses	1	1
Insurance charges	-	-
Consumables	-	-
Software packages		
for own use	1	-
Computer maintenance	-	-
Rates and taxes	-	-
Miscellaneous expenses	2	3
	<u>929</u>	<u>600</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,

2007 2006

13 GENERAL AND ADMINISTRATION EXPENSES

Salaries and bonus including overseas staff expenses	271	169
Contribution to provident and other funds	12	8
Staff welfare	-	1
Telephone charges	118	85
Professional charges	151	102
Power and fuel	97	68
Office maintenance	108	75
Traveling and conveyance	95	66
Overseas travel expenses	23	19
Insurance charges	32	25
Printing and stationery	16	12
Rates and taxes	26	12
Donations	21	17
Rent	17	11
Advertisements	8	14
Professional membership and seminar participation fees	10	10
Repairs to building	22	16
Repairs to plant and machinery	15	11
Postage and courier	8	6
Books and periodicals	5	5
Recruitment and training	7	7
Provision for bad and doubtful debts	26	10
Provision for doubtful loans and advances	1	-
Commission to non-whole time directors	2	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	13	1
Software packages		
for own use	-	1
Transaction Processing Fee and Filing Fee	1	-
Miscellaneous expenses	7	9
	<u>1,115</u>	<u>764</u>

14 OTHER INCOME, NET

Interest received on deposits with banks and others*	192	137
Dividend received on investment in liquid mutual funds (non-trade unquoted)	123	74
Miscellaneous income, net (Refer to note 22.2.10)	19	7
Exchange gains / (losses)	38	(79)
	<u>372</u>	<u>139</u>
	<u>33</u>	<u>22</u>

*includes tax deducted at source

15 PROVISION FOR TAXATION

Income taxes*	413	335
Deferred taxes	(27)	(22)
	<u>386</u>	<u>313</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

	2007	Year ended March 31, 2006
16 CHANGE IN LOANS AND ADVANCES		
As per the Balance Sheet	1,214	1,297
Add: Gratuity transitional liability (Refer to note 22.2.21)	9	-
Less: Deposits with financial institutions, included in cash and cash equivalents	(177)	(527)
Advance income taxes separately considered	(353)	(267)
	693	503
Less: Opening balance considered	(503)	(407)
	<u>190</u>	<u>96</u>
17 CHANGE IN CURRENT LIABILITIES AND PROVISIONS		
As per the Balance Sheet	2,150	2,346
Add/ (Less): Provisions separately considered in the cash flow Statement		
Income taxes	(224)	(188)
Dividends	(371)	(1,061)
Dividend tax	(63)	(149)
	1,492	948
Less: Opening balance considered*	(962)	(686)
	<u>530</u>	<u>262</u>
<i>*Adjusted for liability towards intellectual property rights (Refer to note 22.2.19)</i>		
18 INCOME TAXES PAID		
Charge as per the Profit and Loss Account	386	313
Add: Increase/ decrease in advance income taxes	86	(137)
Increase / decrease in deferred taxes	27	20
Less: Income Tax benefit arising from exercise of stock options	(19)	(72)
Increase in income tax provision	(34)	356
	<u>446</u>	<u>480</u>
19 PURCHASE OF FIXED ASSETS AND CHANGE IN CAPITAL WORK-IN-PROGRESS		
As per Balance Sheet*	1,116	837
Less: Opening Capital work-in-progress	(571)	(318)
Add: Closing Capital work-in-progress	965	571
	<u>1,510</u>	<u>1,090</u>
<i>* Excludes Rs 41 crore (Rs 4 crore) towards movement of land from Leasehold to Freehold</i>		
<i>* Excludes goodwill Rs 548 crore (Rs Nil crore) on buyback of Infosys BPO Ltd shares</i>		
20 INVESTMENTS IN / (DISPOSAL OF) SECURITIES *		
As per the Balance Sheet	25	755
Add: Provisions made on investments	2	1
	27	756
Less: Profit on sale of liquid mutual funds	(11)	-
Opening balance considered	(756)	(1,211)
	<u>(740)</u>	<u>(455)</u>
<i>* Refer to note 22.2.11 for details of investments and redemptions</i>		
21 CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		
As per the Balance Sheet	5,871	3,429
Add: Deposits with financial institutions, included herein	177	527
	<u>6,048</u>	<u>3,956</u>