

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
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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	Quarter ended		Half year ended	
		2007	2006	2007	2006
Income from software services, products and business process management		3,772	2,624	7,427	5,156
Software development and business process management expenses	11	2,021	1,422	3,959	2,749
GROSS PROFIT		1,751	1,202	3,468	2,407
Selling and marketing expenses	12	268	152	505	310
General and administration expenses	13	286	217	571	403
		554	369	1,076	713
OPERATING PROFIT BEFORE INTEREST, DEPRECIATION, MINORITY INTEREST		1,197	833	2,392	1,694
Interest		-	-	-	-
Depreciation		145	144	286	261
OPERATING PROFIT BEFORE TAX AND MINORITY INTEREST		1,052	689	2,106	1,433
Other income, net		119	72	178	67
Provision for investments	14	(1)	-	(1)	-
NET PROFIT BEFORE TAX, MINORITY INTEREST		1,172	761	2,285	1,500
Provision for taxation (refer to note 22.2.8)	15	27	81	157	164
NET PROFIT AFTER TAX AND BEFORE MINORITY INTEREST		1,145	680	2,128	1,336
Minority interest		1	7	2	14
NET PROFIT AFTER TAX AND MINORITY INTEREST		1,144	673	2,126	1,322
Balance Brought Forward		4,609	2,998	3,627	2,349
AMOUNT AVAILABLE FOR APPROPRIATION		5,753	3,671	5,753	3,671
Dividend		-	-	-	-
Interim		-	-	-	-
Final		371	234	371	234
Silver Jubilee special dividend		-	827	-	827
Total dividend		371	1,061	371	1,061
Dividend tax		63	149	63	149
Amount transferred to general reserve		378	242	378	242
Balance in profit and loss account		4,941	2,219	4,941	2,219
		5,753	3,671	5,753	3,671
EARNINGS PER SHARE *					
Equity shares of par value Rs. 5/- each					
Before Exceptional items					
Basic		20.30	12.23	37.95	24.09
Diluted		19.95	11.92	37.20	23.44
Number of shares used in computing earnings per share					
Basic		56,27,77,938	55,02,19,814	55,99,06,168	54,88,81,382
Diluted		57,27,31,800	56,46,34,586	57,12,53,340	56,39,46,222

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	Quarter ended		Half year ended	
		2007	2006	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES					
Net profit before tax, minority interest		1,172	761	2,285	1,500
Adjustments to reconcile net profit before tax to cash provided by operating activities					
(Profit)/ loss on sale of fixed assets		-	-	-	-
Depreciation		145	144	286	261
Interest and dividend income		(121)	(78)	(191)	(130)
Profit on sale of liquid mutual funds		(3)	-	(5)	-
Provisions for investments		(1)	-	(1)	-
Effect of exchange differences on translation of foreign currency cash and cash equivalents		10	(5)	28	-
Changes in current assets and liabilities					
Sundry debtors		(220)	(214)	(351)	(274)
Loans and advances	16	46	(38)	16	(16)
Current liabilities and provisions	17	194	85	279	173
Income taxes paid	18	(141)	(224)	(277)	(317)
NET CASH GENERATED BY OPERATING ACTIVITIES		1,081	431	2,069	1,197
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of fixed assets and change in capital work-in-progress	19	(644)	(275)	(988)	(535)
Proceeds on disposal of fixed assets		-	1	-	1
Payment for intellectual property rights (refer to note 22.2.19)		-	-	14	-
Investments in securities	20	2,171	1,450	2,801	1,574
Acquisition of minority interest in subsidiary		(64)	-	(130)	-
Interest and dividend income		121	78	191	130
Cash flow from investing activities before exceptional items		1,584	1,254	1,888	1,170
Proceeds on sale of long term Investments (net of taxes)		-	-	-	-
NET CASH GENERATED BY INVESTING ACTIVITIES		1,584	1,254	1,888	1,170
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issuance of share capital on exercise of stock options		794	121	928	325
Dividends paid during the period, including dividend tax		-	-	(317)	(202)
NET CASH GENERATED BY FINANCING ACTIVITIES		794	121	611	123
Effect of exchange differences on translation of foreign currency cash and cash equivalents		(10)	5	(28)	-
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		3,449	1,811	4,540	2,490
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		2,599	2,145	1,508	1,466
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	21	6,048	3,956	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

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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]		
	<u>286</u>	<u>138</u>
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
	<u>2,768</u>	<u>1,543</u>
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)	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	-
	<u>3,255</u>	<u>3,012</u>
Balance in Profit and Loss Account	4,941	2,219
	<u>10,969</u>	<u>6,828</u>

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
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>1,214</u>	<u>1,297</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	Quarter ended		Half year ended	
	2007	2006	2007	2006
	March 31,		March 31,	
11 SOFTWARE DEVELOPMENT AND BUSINESS PROCESS MANAGEMENT EXPENSES				
Salaries and bonus including overseas staff expenses	1,655	1,166	3,227	2,271
Contribution to provident and other funds	41	25	81	49
Staff welfare	14	9	27	19
Overseas travel expenses	119	87	226	165
Traveling and conveyance	-	6	-	11
Technical sub-contractors	78	52	163	92
Software packages				
for own use	55	37	115	72
for service delivery to clients	5	5	10	11
Communication expenses	16	16	34	30
Rent	10	6	18	13
Computer maintenance	6	6	13	13
Consumables	6	4	12	8
Provision for post-sales client support and warranties	2	1	7	(8)
Miscellaneous expenses	14	2	26	3
	<u>2,021</u>	<u>1,422</u>	<u>3,959</u>	<u>2,749</u>
12 SELLING AND MARKETING EXPENSES				
Salaries and bonus including overseas staff expenses	141	95	277	191
Contribution to provident and other funds	1	-	2	1
Staff welfare	1	1	2	2
Overseas travel expenses	28	22	55	40
Traveling and conveyance	2	1	3	3
Brand building	26	11	43	25
Commission and earnout charges	47	3	74	14
Professional charges	7	7	12	12
Rent	5	4	10	8
Marketing expenses	7	3	18	6
Telephone charges	2	2	4	4
Printing and stationery	-	-	1	-
Advertisements	1	1	1	1
Sales promotion expenses	-	1	2	1
Office maintenance	-	-	-	-
Communication Expenses	-	-	1	-
Insurance charges	-	-	-	-
Consumables	-	-	-	-
Software packages				
for own use	-	-	-	-
Computer maintenance	-	-	-	-
Rates and taxes	-	-	-	-
Miscellaneous expenses	-	1	-	2
	<u>268</u>	<u>152</u>	<u>505</u>	<u>310</u>

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	
	2007	2006	2007	2006
13 GENERAL AND ADMINISTRATION EXPENSES				
Salaries and bonus including overseas staff expenses	69	47	142	90
Contribution to provident and other funds	3	2	6	4
Staff welfare	-	-	-	1
Telephone charges	28	25	59	45
Professional charges	41	32	79	59
Power and fuel	25	19	50	36
Office maintenance	30	22	56	42
Traveling and conveyance	27	19	50	36
Overseas travel expenses	6	3	11	8
Insurance charges	10	7	18	13
Printing and stationery	4	3	9	6
Rates and taxes	6	3	14	6
Donations	5	4	12	8
Rent	1	3	7	5
Advertisements	2	4	4	7
Professional membership and seminar participation fees	2	3	5	5
Repairs to building	7	5	12	8
Repairs to plant and machinery	5	3	9	6
Postage and courier	2	2	3	3
Books and periodicals	2	2	3	3
Recruitment and training	1	2	2	4
Provision for bad and doubtful debts	1	4	6	-
Provision for doubtful loans and advances	1	-	1	-
Commission to non-whole time directors	-	-	1	-
Auditor's remuneration				
statutory audit fees	-	-	-	-
certification charges	-	-	-	-
others	-	-	-	-
out-of-pocket expenses	-	-	-	-
Bank charges and commission	-	-	-	1
Freight charges	-	-	-	-
Research grants	6	-	8	1
Software packages				
for own use	-	-	-	1
Transaction processing & filing fees	1	-	1	-
Miscellaneous expenses	1	3	3	5
	<u>286</u>	<u>217</u>	<u>571</u>	<u>403</u>
14 OTHER INCOME, NET				
Interest received on deposits with banks and others*	86	61	118	88
Dividend received on investment in liquid mutual funds (non-trade unquoted)	35	17	73	42
Miscellaneous income, net (Refer to note 22.2.10)	3	5	12	6
Exchange gains/ (losses)	(5)	(11)	(25)	(69)
	<u>119</u>	<u>72</u>	<u>178</u>	<u>67</u>
*includes tax deducted at source	10	-	14	-
15 PROVISION FOR TAXATION				
Income taxes*	37	91	171	172
Deferred taxes	(10)	(10)	(14)	(8)
	<u>27</u>	<u>81</u>	<u>157</u>	<u>164</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	Quarter ended		Half year ended	
	2007	2006	2007	2006
16 CHANGE IN LOANS AND ADVANCES				
As per the Balance Sheet	1,214	1,297	1,214	1,297
Add: Gratuity transitional liability (Refer to note 22.2.20)	9	-	9	-
Less: Deposits with financial institutions, included in cash and cash equivalents Advance income taxes separately considered	(177) (353)	(527) (267)	(177) (353)	(527) (267)
	693	503	693	503
Less: Opening balance considered	(739)	(465)	(709)	(487)
	<u>(46)</u>	<u>38</u>	<u>(16)</u>	<u>16</u>
17 CHANGE IN CURRENT LIABILITIES AND PROVISIONS				
As per the Balance Sheet	2,150	2,346	2,150	2,346
Add/ (Less): Provisions separately considered in the cash flow Statement				
Income taxes	(224)	(190)	(224)	(190)
Dividends	(371)	(1,061)	(371)	(1,061)
Dividend tax	(63)	(149)	(63)	(149)
	1,492	946	1,492	946
Less: Opening balance considered*	(1,298)	(861)	(1,213)	(773)
	<u>194</u>	<u>85</u>	<u>279</u>	<u>173</u>
*Adjusted for liability towards intellectual property rights (Refer to note 22.2.19)				
18 INCOME TAXES PAID				
Charge as per the Profit and Loss Account	27	81	157	164
Add: Increase/ decrease in advance income taxes	44	(312)	60	(226)
Increase / decrease in deferred taxes	10	8	14	13
Less: Income Tax benefit arising from exercise of stock options	(19)	(72)	(19)	(72)
Increase in income tax provision	79	519	65	438
	<u>141</u>	<u>224</u>	<u>277</u>	<u>317</u>
19 PURCHASE OF FIXED ASSETS AND CHANGE IN CAPITAL WORK-IN-PROGRESS				
As per Balance Sheet*	257	151	506	362
Less: Opening Capital work-in-progress	(578)	(447)	(483)	(398)
Add: Closing Capital work-in-progress	965	571	965	571
	<u>644</u>	<u>275</u>	<u>988</u>	<u>535</u>
* Excludes Rs 37 crore (Rs 4 crore) towards movement of land from Leasehold to Freehold * Excludes goodwill Rs. 80 crore (Rs. Nil crore) on buyback of Infosys BPO Ltd shares				
20 INVESTMENTS IN / (DISPOSAL OF) SECURITIES *				
As per the Balance Sheet	25	755	25	755
Add: Provisions made on investments	(1)	-	(1)	-
	24	755	24	755
Less: Profit on sale of liquid mutual funds	(3)	-	(5)	-
Opening balance considered	(2,192)	(2,205)	(2,820)	(2,329)
	<u>(2,171)</u>	<u>(1,450)</u>	<u>(2,801)</u>	<u>(1,574)</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	5,871	3,429	5,871	3,429
Add: Deposits with financial institutions, included herein	177	527	177	527
	<u>6,048</u>	<u>3,956</u>	<u>6,048</u>	<u>3,956</u>