

**INFOSYS TECHNOLOGIES LIMITED**

Balance Sheet as at	Schedule	June 30, 2006	in Rs. crore March 31, 2006
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share capital	1	138	138
Reserves and surplus	2	7,690	6,759
		<u>7,828</u>	<u>6,897</u>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Original cost	3	3,075	2,837
Less: Accumulated depreciation		1,371	1,275
Net book value		<u>1,704</u>	<u>1,562</u>
Add: Capital work-in-progress		510	571
		<u>2,214</u>	<u>2,133</u>
<b>INVESTMENTS</b>			
	4	2,268	876
<b>DEFERRED TAX ASSETS</b>			
	5	63	56
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Sundry debtors	6	1,765	1,518
Cash and bank balances	7	1,124	3,279
Loans and advances	8	1,400	1,252
		<u>4,289</u>	<u>6,049</u>
<b>LESS: CURRENT LIABILITIES AND PROVISIONS</b>			
Current liabilities	9	804	808
Provisions	10	202	1,409
<b>NET CURRENT ASSETS</b>		<u>3,283</u>	<u>3,832</u>
		<u>7,828</u>	<u>6,897</u>

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS 22**

The schedules referred to above are an integral part of the 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

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

**INFOSYS TECHNOLOGIES LIMITED**
*in Rs. crore, except per share data*

Profit and Loss Account for the	Schedule	Quarter ended	
		2006	2005
		June 30,	
		<b>2006</b>	<b>2005</b>
Income from software services and products		2,867	1,967
Software development expenses	11	1,615	1,064
<b>GROSS PROFIT</b>		<b>1,252</b>	<b>903</b>
Selling and marketing expenses	12	167	119
General and administration expenses	13	211	137
		378	256
<b>OPERATING PROFIT BEFORE INTEREST AND DEPRECIATION</b>		<b>874</b>	<b>647</b>
Interest		-	-
Depreciation		97	75
<b>OPERATING PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS</b>		<b>777</b>	<b>572</b>
Other income, net	14	129	30
Provision for investments		3	-
<b>NET PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS</b>		<b>903</b>	<b>602</b>
Provision for taxation	15	104	79
<b>NET PROFIT AFTER TAX BEFORE EXCEPTIONAL ITEMS</b>		<b>799</b>	<b>523</b>
Income on sale of Investments, net of taxes (refer to note 22.2.21)		6	-
<b>NET PROFIT AFTER TAX AND EXCEPTIONAL ITEMS</b>		<b>805</b>	<b>523</b>
<b>Balance Brought Forward</b>		<b>2,195</b>	<b>1,428</b>
Less: Residual dividend paid		4	-
Dividend tax on the above		1	-
		2,190	1,428
<b>AMOUNT AVAILABLE FOR APPROPRIATION</b>		<b>2,995</b>	<b>1,951</b>
Dividend			
Interim		-	-
Final		-	-
Total dividend		-	-
Dividend tax		-	-
Amount transferred to general reserve		-	-
Balance in profit and loss account		2,995	1,951
		2,995	1,951
<b>EARNINGS PER SHARE *</b>			
Equity shares of par value Rs. 5/- each			
Before exceptional Items			
Basic		28.89	19.33
Diluted		28.22	18.79
After exceptional Items			
Basic		29.13	19.33
Diluted		28.45	18.79
Number of shares used in computing earnings per share			
Basic		27,64,12,363	27,09,95,442
Diluted		28,30,19,236	27,86,25,223

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS**

22

\* Refer to note 22.2.20

The schedules referred to above are an integral part of the 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
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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

**INFOSYS TECHNOLOGIES LIMITED**
*in Rs. crore*

Cash Flow Statement for the	Schedule	Quarter ended	
		2006	June 30, 2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net profit before tax and exceptional items		903	602
Adjustments to reconcile net profit before tax to cash provided by operating activities			
(Profit)/ loss on sale of fixed assets		-	-
Depreciation		97	75
Interest and dividend income		(66)	(37)
Profit on sale of liquid mutual funds		(6)	-
Provision for investments		3	-
Effect of exchange differences on translation of foreign currency cash and cash equivalents		24	(4)
Changes in current assets and liabilities			
Sundry debtors		(247)	93
Loans and advances	16	(159)	(64)
Current liabilities and provisions	17	(2)	(63)
Income taxes paid	18	(110)	(37)
<b>NET CASH GENERATED BY OPERATING ACTIVITIES</b>		<b>437</b>	<b>565</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of fixed assets and change in capital work-in-progress	19	(178)	(248)
Proceeds on disposal of fixed assets		-	-
Investment in subsidiaries (refer to note 22.2.16)		(544)	-
Investments in securities	20	(845)	(98)
Interest and dividend income		66	37
Cash flow from investing activities before exceptional items		(1,501)	(309)
Proceeds on sale of investments (Net of taxes)		6	-
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(1,495)</b>	<b>(309)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of share capital on exercise of stock options		144	100
Dividends paid during the period		(1,065)	(176)
Dividend Tax paid during the period		(150)	(25)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>(1,071)</b>	<b>(101)</b>
Effect of exchange differences on translation of foreign currency cash and cash equivalents		(24)	4
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(2,153)</b>	<b>159</b>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		3,779	1,683
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	21	<b>1,626</b>	<b>1,842</b>
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	22		

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

As per our report attached

for BSR & Co.

Chartered Accountants

Subramanian Suresh  
Partner  
Membership No. 83673

N. R. Narayana Murthy  
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Chief Financial Officer

Bangalore  
July 12, 2006

Parvatheesam K.  
Company Secretary

**INFOSYS TECHNOLOGIES LIMITED**
*in Rs. crore, except as otherwise stated*
**Schedules to the 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 22.2.11*
*\* Also refer to note 22.2.20 for details of basic and diluted shares*
*\*\* Does not reflect effect of bonus issue (refer to note 22.2.20)*
**2 RESERVES AND SURPLUS**

Capital reserve

6
6

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

General reserve - As at April 1,

3,015

2,773

Less: Gratuity transitional liability (refer to note 22.2.22)

(13)

-

Add: Transferred from the Profit and Loss Account

-

242

3,002
3,015

Balance in Profit and Loss Account

2,995

2,195

7,690
6,759

## Schedules to the Balance Sheet

## 3 FIXED ASSETS

	Original cost				Depreciation and amortization				Net book value	
	As at April 1, 2006	Additions	Deductions/ Retirement	As at June 30, 2006	As at April 1, 2006	For the Period	Deductions/ Retirement	As at June 30, 2006	As at June 30, 2006	As at March 31, 2006
Land : free-hold *	34	4	-	38	-	-	-	-	38	34
leasehold	104	6	4	106	-	-	-	-	106	104
Buildings*	1,022	108	-	1,130	179	18	-	197	933	843
Plant and machinery*	559	46	-	605	305	21	-	326	279	254
Computer equipment*	700	53	1	752	516	45	1	560	192	184
Furniture and fixtures*	417	25	-	442	275	13	-	288	154	142
Vehicles	1	1	-	2	-	-	-	-	2	1
	<b>2,837</b>	<b>243</b>	<b>5</b>	<b>3,075</b>	<b>1,275</b>	<b>97</b>	<b>1</b>	<b>1,371</b>	<b>1,704</b>	<b>1,562</b>
Previous Period	<b>2,183</b>	<b>209</b>	<b>2</b>	<b>2,390</b>	<b>1,006</b>	<b>75</b>	<b>2</b>	<b>1,079</b>	<b>1,311</b>	
Previous year	<b>2,183</b>	<b>799</b>	<b>145</b>	<b>2,837</b>	<b>1,006</b>	<b>409</b>	<b>140</b>	<b>1,275</b>	<b>1,562</b>	

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

\* Includes certain assets provided on operating lease to Progeon Limited, a subsidiary. Please refer to note 22.2.6 for details

**INFOSYS TECHNOLOGIES LIMITED**

Schedules to the Balance Sheet as at in Rs. crore  
**June 30, 2006** **March 31, 2006**

**4 INVESTMENTS**
**Trade (unquoted) – at cost**
**Long- term investments**

## In subsidiaries

Progeon Limited, India		
3,32,49,993 (2,44,99,993) equity shares of Rs. 10/- each, fully paid	555	25
Infosys Technologies (Shanghai) Co. Limited, China	23	23
Infosys Technologies (Australia) Pty Limited, Australia		
1,01,08,869 (1,01,08,869) equity shares of A\$ 0.11 par value, fully paid	66	66
Infosys Consulting, Inc., USA		
2,00,00,000 (1,70,00,000) common stock of US \$1.00 par value, fully paid	90	76
	734	190

In other investments*	11	16
Less: Provision for investments	11	14
	-	2

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

Liquid mutual fund units *	1,534	684
	2,268	876

Aggregate amount of unquoted investments	2,268	876
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\* Refer to note 22.2.16 for details of investments

**5 DEFERRED TAX ASSETS**

Fixed assets	61	54
Sundry debtors	2	2
	63	56

**6 SUNDRY DEBTORS**

## Debts outstanding for a period exceeding six months

Unsecured		
considered doubtful	15	8

## Other debts

Unsecured		
considered good	1,765	1,518
considered doubtful	4	2
	1,784	1,528

Less: Provision for doubtful debts	19	10
	1,765	1,518

Includes dues from companies where directors are interested	5	2
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**7 CASH AND BANK BALANCES**

Cash on hand	-	-
Balances with scheduled banks in Indian Rupees		
In current accounts *	238	169
In deposit accounts	559	2,735
Balances with non-scheduled banks in foreign currency **		
In current accounts	327	375
	1,124	3,279

\*Includes balance in unclaimed dividend account

\*\*Refer to note 22.2.13 for details of balances in non-scheduled banks

**INFOSYS TECHNOLOGIES LIMITED**

Schedules to the Balance Sheet as at in Rs. crore  
**June 30, 2006** **March 31, 2006**

**8 LOANS AND ADVANCES**

Unsecured, considered good		
Loans to subsidiary (refer to note 22.2.7)	23	14
Advances		
prepaid expenses	29	27
for supply of goods and rendering of services *	15	9
advance to gratuity trust	21	-
others	17	14
	105	64
Unbilled revenues	251	203
Advance income tax	267	267
Loans and advances to employees		
housing and other loans	47	49
salary advances	62	61
Electricity and other deposits	23	16
Rental deposits	13	12
Deposits with financial institution and body corporate (refer to note 22.2.14)	632	580
	1,400	1,252
Unsecured, considered doubtful		
Loans and advances to employees	1	-
	1,401	1,252
Less: Provision for doubtful loans and advances to employees	1	-
	1,400	1,252
<i>* Includes advances to subsidiary company</i>	11	6

**9 CURRENT LIABILITIES**

Sundry creditors		
goods and services	5	6
accrued salaries and benefits		
salaries	10	6
bonus and incentives	83	233
unavailed leave	81	80
for other liabilities		
provision for expenses	198	166
retention monies	13	13
withholding and other taxes payable	116	82
for purchase of intellectual property rights	20	19
Mark to market on options/ forward contracts	19	2
others	3	3
	548	610
Advances received from clients	7	7
Unearned revenue	244	188
Unclaimed dividend	5	3
	804	808

**10 PROVISIONS**

Proposed dividend	-	1,061
Provision for		
tax on dividend	-	149
income taxes *	188	187
post-sales client support and warranties	14	12
	202	1,409

*\* Refer to note 22.2.12*

**INFOSYS TECHNOLOGIES LIMITED**
*in Rs. crore*
**Schedules to Profit and Loss Account for the**
**Quarter ended  
June 30,**
**2006**
**2005**
**11 SOFTWARE DEVELOPMENT EXPENSES**

Salaries and bonus including overseas staff expenses	1,200	780
Overseas group health insurance	17	11
Contribution to provident and other funds	30	19
Staff welfare	8	5
Technical sub-contractors - subsidiaries	121	80
Technical sub-contractors - others	43	30
Overseas travel expenses	71	55
Visa charges and others	49	17
Software packages		
for own use	34	32
for service delivery to clients	14	11
Communication expenses	13	13
Computer maintenance	5	4
Consumables	4	3
Rent	4	3
Provision for post-sales client support and warranties	2	1
	<u>1,615</u>	<u>1,064</u>

**12 SELLING AND MARKETING EXPENSES**

Salaries and bonus including overseas staff expenses	106	66
Overseas group health insurance	-	2
Contribution to provident and other funds	-	-
Staff welfare	1	-
Overseas travel expenses	24	12
Visa charges and others	-	4
Traveling and conveyance	2	1
Commission and earnout charges	8	10
Brand building	12	10
Professional charges	5	5
Rent	4	3
Marketing expenses	3	2
Telephone charges	1	1
Communication expenses	-	-
Printing and stationery	-	1
Advertisements	1	1
Office maintenance	-	-
Sales promotion expenses	-	-
Consumables	-	-
Software packages	-	-
for own use	-	-
Computer maintenance	-	-
Power and fuel	-	-
Insurance charges	-	-
Rates and taxes	-	-
Bank charges and commission	-	-
Miscellaneous expenses	-	1
	<u>167</u>	<u>119</u>



**INFOSYS TECHNOLOGIES LIMITED**
*in Rs. crore*
**Schedules to Profit and Loss Account for the**
**Quarter ended  
June 30,**
**2006**
**2005**
**13 GENERAL AND ADMINISTRATION EXPENSES**

Salaries and bonus including overseas staff expenses	38	29
Overseas group health insurance	-	-
Contribution to provident and other funds	3	2
Professional charges	28	15
Telephone charges	25	15
Power and fuel	21	14
Traveling and conveyance	19	14
Overseas travel expenses	4	4
Visa charges and others	1	1
Office maintenance	21	13
Guest house maintenance*	1	1
Insurance charges	6	6
Printing and stationery	3	3
Donations	4	3
Rent	4	3
Advertisements	1	3
Repairs to building	3	2
Repairs to plant and machinery	3	2
Rates and taxes	8	2
Professional membership and seminar participation fees	2	2
Postage and courier	3	2
Books and periodicals	-	1
Provision for bad and doubtful debts	10	-
Provision for doubtful loans and advances	-	-
Commission to non-whole time directors	-	-
Freight charges	-	-
Bank charges and commission	-	-
Research grants	2	-
Auditors' remuneration	-	-
statutory audit fees	-	-
certification charges	-	-
others	-	-
out-of-pocket expenses	-	-
Miscellaneous expenses (refer to note 22.2.15)	1	-
	<u>211</u>	<u>137</u>

*\*For non-training purposes*
**14 OTHER INCOME, NET**

Interest received on deposits with banks and others*	49	24
Dividend received on investment in liquid mutual funds (non-trade unquoted)	17	13
Profit on sale of liquid mutual funds	6	-
Miscellaneous income (refer to note 22.2.15)	4	2
Exchange differences, net	53	(9)
	<u>129</u>	<u>30</u>
<i>*Tax deducted at source</i>	13	5

**15 PROVISION FOR TAXATION**

Income taxes*	111	82
Deferred taxes	(7)	(3)
	<u>104</u>	<u>79</u>

*\* Refer to note 22.2.12*

**INFOSYS TECHNOLOGIES LIMITED**
*in Rs. crore*
**Schedules to Cash Flow Statements for the**
**Quarter ended  
June 30,**

	2006	2005
<b>16 CHANGE IN LOANS AND ADVANCES</b>		
As per the Balance Sheet *	1,400	1,071
Add: Gratuity transitional liability ( refer to Note 22.2.22)	13	-
Less: Deposits with financial institutions and body corporate, included in cash and cash equivalents	(502)	(201)
Advance income taxes separately considered	(267)	(414)
	<u>644</u>	<u>456</u>
Less: Opening balance considered	(485)	(392)
	<u>159</u>	<u>64</u>
<i>* includes loans to subsidiary</i>		
<b>17 CHANGE IN CURRENT LIABILITIES AND PROVISIONS</b>		
As per the Balance Sheet	1,006	1,138
Less: Provisions separately considered in the cash flow statement Income taxes	(188)	(602)
	<u>818</u>	<u>536</u>
Less: Opening balance considered	(820)	(599)
	<u>(2)</u>	<u>(63)</u>
<b>18 INCOME TAXES PAID</b>		
Charge as per the Profit and Loss Account	104	79
Add: Increase in advance income taxes	-	11
Increase in deferred taxes	7	3
Less: Increase in income tax provision	(1)	(56)
	<u>110</u>	<u>37</u>
<b>19 PURCHASE OF FIXED ASSETS AND CHANGE IN CAPITAL WORK-IN-PROGRESS</b>		
As per the Balance Sheet*	239	209
Less: Opening capital work-in-progress	(571)	(318)
Add: Closing capital work-in-progress	510	357
	<u>178</u>	<u>248</u>
<i>* Excludes Rs 4 crore (Rs 4 crore) towards movement of land from Leasehold to Freehold</i>		
<b>20 INVESTMENTS IN SECURITIES *</b>		
As per the Balance Sheet	2,268	1,427
Add: Provisions made on investments	3	-
	<u>2,271</u>	<u>1,427</u>
Less: Investment made in subsidiaries	(544)	-
Profit on sale of liquid mutual funds	(6)	-
Opening balance considered	(876)	(1,329)
	<u>845</u>	<u>98</u>
<i>* Refer to note 22.2.16 for investment and redemptions</i>		
<b>21 CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		
As per the Balance Sheet	1,124	1,641
Add: Deposits with financial institutions, included herein	502	201
	<u>1,626</u>	<u>1,842</u>