Balance Sheet as at		Schedule	September 30, 2006	in Rs. crore March 31, 20
SOURCES OF FUNDS				
SHAREHOLDERS' FUNDS				
Share capital		1	278	13
Reserves and surplus		2	8,273	6,75
			8,551	6,89
PPLICATION OF FUNDS		3		
Original cost		-	3,417	2,83
Less: Accumulated depreciation	1		1,481	1,27
Net book value			1,936	1,56
Add: Capital work-in-progress			481	57
			2,417	2,13
		4	3,442	87
EFERRED TAX ASSETS		5	68	5
URRENT ASSETS, LOANS AN Sundry debtors	ID ADVANCES	6	1,957	1,51
Cash and bank balances		7	804	3,27
Loans and advances		8	1,478	1,25
			4,239	6,04
ESS: CURRENT LIABILITIES A Current liabilities	ND PROVISIONS	9	1,000	80
Provisions		10	615	1,40
ET CURRENT ASSETS			2,624	3,83
			8,551	6,89
	OLICIES AND NOTES ON ACCOU	NTS 22		
	are an integral part of the balance			
As per our report attached				
or BSR & Co. Chartered Accountants				
Natrajan Ramkrishna	N. R. Narayana Murthy	Nandan M. Nilekani	S. Gopalakrishnan	Deepak M. Satwalekar
Partner Aembership No. 32815	Chairman and Chief Mentor	Chief Executive Officer and Managing Director	President, Chief Operating Officer and Joint Managing Director	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 October 11, 2006 Parvatheesam K. Company Secretary

2006 2005 2006 2005 income from software services and products 3,273 2,170 6,140 4,131 GROSS PROFIT 11 1,796 1,167 3,411 2,233 GROSS PROFIT 1,4477 1,003 2,779 1,990 Selling and marketing expenses 12 180 125 3,48 2,44 General and administration expenses 13 2,423 173 4,53 3,311 General and administration expenses 13 2,423 173 4,53 3,311 OperAnting PROFIT BEFORE INTEREST AND DEPRECIATION 1,054 705 1,928 1,355 OperAnting PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS 944 615 1,721 1,168 Other income, ent 14 66 45 195 77 Provision for taxation 15 114 67 218 1,444 Income on sale of Investments, net of taxes (refer to note 22,21) - 4 - 4 - - 4 - -	Profit and Loss Account for the			Quarter ended		lf-year ended
Software development expenses 11 1.726 1.187 3.411 2.232 Software development expenses 12 180 125 3.44 2.43 173 453 3.01 General and administration expenses 13 2.43 173 453 3.01 OPERATING PROFIT BEFORE INTEREST AND DEPRECIATION Interest 1.064 705 1.928 1.33 OPERATING PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS 0.00 207 166 OPERATING PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS 0.44 615 1.721 1.167 OPERATING PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS 1.010 90 207 1.66 OPERATING PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS 1.010 569 1.913 1.721 1.161 Net PROFIT ABEFORE EXCEPTIONAL ITEMS 1.010 659 1.913 1.926 1.922 1.91 1.91 Net PROFIT ABEFORE EXCEPTIONAL ITEMS 1.010 6.0 1.91 1.91 1.92 1.92 1.91 1.92 1.92 1.91 1.91 1.91 1.9		Schedule		September 30, 2005		ptember 30, 200
Software development expenses 11 1.729 1.167 3.411 2.232 SerGOSS PROFIT 1,477 1,003 2,729 1,900 Selling and marketing expenses 12 1800 125 3.48 2.443 General and administration expenses 13 2.433 173 453 3.01 General and administration expenses 13 2.443 173 453 3.01 OPERATING PROFIT BEFORE INTEREST AND DEPRECIATION Interest 1,064 705 1,928 1,352 OPERATING PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS - <td>ncome from software services and products</td> <td></td> <td>3 273</td> <td>2 170</td> <td>6 140</td> <td>4 137</td>	ncome from software services and products		3 273	2 170	6 140	4 137
SROSS PROFIT 1,477 1,003 2,729 1,900 Selling and marketing expenses 12 180 125 348 244 Seneral and administration expenses 13 243 173 463 331 423 298 601 555 548 244 Specation 100 90 207 166 Specation 90 207 166 1721 1165 1721 1165 1721 1165 1721 1165 1721 1165 1721 1165 1721 1165 1721 1165 1721 1165 1721 1165 1721 1165 1721 1165 1165 1721 1165 1721 1165 1721 1165 1165 1165 1171 1266 1171 1266 1171 1266 1171 1266 1171 1266 1171 1266 1171 1266 1171 1266 1171 1266 1171 1266 1171 </td <td></td> <td>11</td> <td></td> <td></td> <td></td> <td></td>		11				
Beneral and administration expenses 13 243 173 453 311 423 298 801 554 OPERATING PROFIT BEFORE INTEREST AND DEPRECIATION Interest 1,064 705 1,928 1,354 Operation OPERATING PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS 110 90 207 166 OPERATING PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS 14 66 45 195 77 Trovision for investments 14 66 45 195 77 Trovision for taxation 15 114 67 218 144 Provision for taxation 15 114 67 218 144 Notion for taxation 15 114 67 218 144 Before Tark TAX BEFORE EXCEPTIONAL ITEMS 1596 592 1,095 1,116 Income on sale of Investments, net of taxes (refer to note 22.2.1) 398 592 1,701 1,111 Statestitual dividend paid - - 4 - - 1 - -		••				1,906
423 298 801 554 DPERATING PROFIT BEFORE INTEREST AND DEPRECIATION Interest 1,054 705 1,223 1,355 Depreciation 90 207 165 1,721 1,165 DPERATING PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS 944 615 1,721 1,165 Other income, net "rovision for investments 14 66 45 195 7.7 Very TROFIT BEFORE TAX AND EXCEPTIONAL ITEMS 1,010 659 1,913 1,265 Provision for investments 1,010 659 1,813 1,265 Provision for investments, net of taxes (refer to note 22.2.21) 896 592 1,895 1,111 Income on sale of investments, net of taxes (refer to note 22.2.21) 896 592 1,201 1,111 Balance Brought Forward 2,995 1,952 2,195 1,422 AMOUNT AVAILABLE FOR APPROPRIATION 3,891 2,544 3,891 2,544 Ovidend tax 39 25 39 25 39 25 Anout Available FOR APPROPRIATION <td>Selling and marketing expenses</td> <td>12</td> <td>180</td> <td>125</td> <td>348</td> <td>244</td>	Selling and marketing expenses	12	180	125	348	244
Defending PROFIT BEFORE INTEREST AND DEPRECIATION Interest Depreciation 1,054 705 1,928 <th1,928< th=""> <th1,918< th=""> 1,928<</th1,918<></th1,928<>	General and administration expenses	13	243	173	453	310
Interest Depreciation Internation Internation <thinternation< <="" td=""><td></td><td></td><td>423</td><td>298</td><td>801</td><td>554</td></thinternation<>			423	298	801	554
OPERATING PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS 944 615 1,721 1,181 Provision for investments 14 66 45 195 7 Provision for investments 1 3 1 3 1 Provision for investments 1 1 3 1 1 1 3 1 Provision for investments 1 1 0 1 1 3 1			1,054		1,928	1,352
Durie income, net 14 66 45 195 7 Provision for investments 1,010 659 1,913 1,263 Provision for investments 1,010 659 1,913 1,263 Provision for investments 1,010 659 1,913 1,263 Provision for traxation 15 114 67 218 144 NET PROFIT AFTER TAX BEFORE EXCEPTIONAL ITEMS 896 592 1,695 1,111 NET PROFIT AFTER TAX AND EXCEPTIONAL ITEMS 15 896 592 1,695 1,111 Searce Brought Forward 2,995 1,952 2,195 1,422 Less: Residual dividend paid - - 4 - Dividend tax on the above - - 1 - Dividend tax 3,891 2,544 3,891 2,544 Dividend tax 39 2,644 3,891 2,544 Dividend tax 39 2,574 2,374 2,374 Amount transferred to general reserve	Depreciation		110	90	207	165
Provision for investments - 1 3 - NET PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS 1,010 659 1,913 1,262 Provision for investments 15 114 67 2,28 1,464 NET PROFIT AFTER TAX BEFORE EXCEPTIONAL ITEMS 896 592 1,695 1,114 nome on sale of Investments, net of taxes (refer to note 22.2.21) 896 592 1,701 1,111 Salance Brought Forward 2,995 1,952 2,195 1,422 Salance Brought Forward 2,995 1,952 2,190 1,422 AMOUNT AVAILABLE FOR APPROPRIATION 3,891 2,544 3,891 2,544 Oridend 276 177 278 177 Oridend 276 177 278 177 Oridend tax 3891 2,544 3,891 2,544 Oridend tax 39 25 39 22 Amount transferred to general reserve - - - Salance in profit and loss account 3,574	OPERATING PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS		944	615	1,721	1,187
NET PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS 1010 659 1,913 1,263 Provision for taxation 15 114 67 218 144 Provision for taxation 15 114 67 218 144 NET PROFIT AFTER TAX BEFORE EXCEPTIONAL ITEMS 896 592 1.685 1.111 NET PROFIT AFTER TAX BEFORE EXCEPTIONAL ITEMS 896 592 1.701 1.111 NET PROFIT AFTER TAX AND EXCEPTIONAL ITEMS 896 592 1.701 1.111 Balance Brought Forward 2,995 1,952 2,195 1,422 Less: Residual dividend paid - - 4 - Dividend tax on the above - - - 4 - Dividend 3.891 2.544 3.891 2.544 3.891 2.544 Dividend tax 278 177 278 177 278 177 Trial - - - - - - - Dividend tax 278 <td></td> <td>14</td> <td>66</td> <td></td> <td></td> <td>76 1</td>		14	66			76 1
Provision for taxation 15 114 67 218 144 VET PROFIT AFTER TAX BEFORE EXCEPTIONAL ITEMS 896 592 1,685 1,111 Net PROFIT AFTER TAX AND EXCEPTIONAL ITEMS 896 592 1,685 1,111 Net PROFIT AFTER TAX AND EXCEPTIONAL ITEMS 896 592 1,695 1,111 Salance Brought Forward 2,995 1,952 2,195 1,422 Less: Residual dividend paid - - 4 - - Dividend tax on the above -			1.010			
NET PROFIT AFTER TAX BEFORE EXCEPTIONAL ITEMS 996 592 1,695 1,111 Income on sale of Investments, net of taxes (refer to note 22.2.21) 896 592 1,701 1,111 NET PROFIT AFTER TAX AND EXCEPTIONAL ITEMS 896 592 1,701 1,111 Balance Brought Forward 2,995 1,952 2,195 1,422 Less: Residual dividend paid - - 4 - Dividend tax on the above 2,995 1,952 2,190 1,422 AMOUNT AVAILABLE FOR APPROPRIATION 3,891 2,544 3,891 2,544 Dividend 278 177 278 177 Final - - - - Dividend tax 39 25 39 22 Anount transferred to general reserve - - - - Anount transferred to general reserve 3,574 2,342 3,574 2,342 Balance in profit and loss account 3,574 2,342 3,574 2,342 Balance in profit and loss account 15,79 10.57 29.90 19.96 <t< td=""><td></td><td>15</td><td></td><td></td><td></td><td>146</td></t<>		15				146
NET PROFIT AFTER TAX AND EXCEPTIONAL ITEMS 896 592 1,701 1,114 Balance Brought Forward 2,995 1,952 2,195 1,426 Less: Residual dividend paid - - 4 - Dividend tax on the above 2,995 1,952 2,190 1,422 AMOUNT AVAILABLE FOR APPROPRIATION 3,891 2.544 3,891 2.544 Dividend - - - - - Interim 278 177 278 177 Final - - - - - Obvidend tax 39 25 39 22 Amount transferred to general reserve - - - - Balance in profit and loss account 3,574 2,342 3,574 2,342 3,691 2,544 Balance in profit and loss account 3,691 2,544 3,891 2,544 3,891 2,544 EARNINGS PER SHARE * Equity shares of par value Rs. 5/- each Balance 16,15 1			896			1,116
Less: Residual dividend paid 1 1 1 Dividend tax on the above 2,995 1,952 2,190 1,423 AMOUNT AVAILABLE FOR APPROPRIATION 3.891 2,544 3,891 2,544 Dividend 278 177 278 177 Dividend 278 177 278 177 Dividend tax 39 25 39 25 Amount transferred to general reserve 3 3,574 2,342 3,574 2,342 Dividend tax 39 25 39 25 39 25 39 25 Balance in profit and loss account 3,574 2,342 3,574 2,342 3,574 2,342 Balance in profit and loss account 3,574 2,342 3,651 2,544 Equity shares of par value Rs. 5/- each Before exceptional Items 16.15 10.87 30.61 20.55 Diluted 15.79 10.57 29.90 19.96 19.96 Number of shares used in computing earnings per share 55,47,72,296 54,42,02,438 55,37,98,511 54,30,96,66 56,69,42,3			896			1,116
2,995 1,952 2,190 1,428 AMOUNT AVAILABLE FOR APPROPRIATION 3.891 2.544 3.891 2.544 Dividend 1nterim 278 177 278 177 Final -	_ess: Residual dividend paid		2,995	1,952		1,428
Dividend 278 177 278 177 Final -	Dividend tax on the above		2,995	1,952	<u>1</u> 2,190	1,428
Interim Final 278 177 278 177 Final 278 177 278 177 Dividend 278 177 278 177 Dividend tax 39 25 39 225 Amount transferred to general reserve - - - - Balance in profit and loss account 3,574 2,342 3,574 2,342 State in profit and loss account 3,574 2,342 3,891 2,544 Equity shares of par value Rs. 5/- each 56 57 29.90 19.96 Before exceptional Items 16.15 10.87 30.61 20.54 Diluted 15.79 10.57 29.90 19.96 After exceptional Items 16.15 10.87 30.01 19.96 Basic 16.15 10.87 30.01 19.96 Number of shares used in computing earnings per share 55,47,72,296 54,42,02,438 55,37,98,511 54,30,96,66 Diluted 56,77,46,039 56,00,61,300 <td< td=""><td></td><td></td><td>3,891</td><td>2,544</td><td>3,891</td><td>2,544</td></td<>			3,891	2,544	3,891	2,544
Total dividend 278 177 278 177 Dividend tax 39 25 39 22 Amount transferred to general reserve 3.574 2.342 3.574 2.342 Balance in profit and loss account 3.674 2.342 3.574 2.342 EARNINGS PER SHARE * 2.644 3.891 2.544 3.891 2.544 Equity shares of par value Rs. 5/- each Before exceptional Items 16.15 10.87 30.61 20.55- Diluted 15.79 10.57 29.90 19.96 After exceptional Items 16.15 10.87 30.01 19.96 Basic 16.15 10.87 30.01 19.96 Number of shares used in computing earnings per share 55,47,72,296 54,42,02,438 55,37,98,511 54,30,96,66 Diluted 56,77,46,039 56,00,61,300 56,69,42,396 55,88,90,59 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS 22 22 24	Interim		278	177	278	177
Dividend tax 39 25 39 24 Amount transferred to general reserve 3.574 2.342 3.574 2.342 Balance in profit and loss account 3.674 2.342 3.674 2.342 EARNINGS PER SHARE * 2.644 3.891 2.544 3.891 2.544 Equity shares of par value Rs. 5/- each Before exceptional Items 8asic 16.15 10.87 30.61 20.54 Basic 15.79 10.57 29.90 19.96 19.96 After exceptional Items 16.15 10.87 30.01 20.54 Basic 16.15 10.87 30.61 20.54 Diluted 15.79 10.57 29.90 19.96 After exceptional Items 16.15 10.87 30.01 19.96 Number of shares used in computing earnings per share 55,47,72,296 54,42,02,438 55,37,98,511 54,30,96,66 Diluted 56,77,46,039 56,00,61,300 56,69,42,396 55,88,90,59 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS <td></td> <td></td> <td>278</td> <td>177</td> <td>278</td> <td>177</td>			278	177	278	177
Amount transferred to general reserve 3,574 2,342 3,574 2,342 Balance in profit and loss account 3,574 2,342 3,574 2,342 Balance in profit and loss account 3,891 2,544 3,891 2,544 EQuity shares of par value Rs. 5/- each Equity shares of par value Rs. 5/- each Basic 16.15 10.87 30.61 20.54 Diluted 15.79 10.57 29.90 19.99 After exceptional Items Basic 16.15 10.87 30.01 20.54 Diluted 15.79 10.57 29.90 19.99 After exceptional Items Basic 16.15 10.87 30.072 20.54 Diluted 15.79 10.57 30.01 19.99 Number of shares used in computing earnings per share Easic 55,47,72,296 54,42,02,438 55,37,98,511 54,30,96,66 Diluted 56,77,46,039 56,00,61,300 56,69,42,396 55,88,90,59 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS 22 22						25
3,891 2,544 3,891 2,544 EARNINGS PER SHARE * Equity shares of par value Rs. 5/- each Before exceptional Items Basic 16.15 10.87 30.61 20.54 Diluted 15.79 10.57 29.90 19.96 After exceptional Items Basic 16.15 10.87 30.72 20.54 Diluted 15.79 10.57 29.90 19.96 After exceptional Items Basic 16.15 10.87 30.72 20.54 Diluted 15.79 10.57 30.01 19.96 Number of shares used in computing earnings per share Basic 55,47,72,296 54,42,02,438 55,37,98,511 54,30,96,66 Diluted 56,77,46,039 56,00,61,300 56,69,42,396 55,88,90,59 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS 22 22 24	Amount transferred to general reserve		-	-		-
EARNINGS PER SHARE * Equity shares of par value Rs. 5/- each Before exceptional Items Basic Diluted After exceptional Items Basic Diluted 16.15 10.57 29.90 After exceptional Items Basic Diluted 16.15 10.57 20.54 Diluted 15.79 10.57 30.01 19.96 Number of shares used in computing earnings per share Basic Diluted 55,47,72,296 54,42,02,438 55,37,98,511 54,30,96,66 Diluted 56,77,46,039 56,00,61,300 56,69,42,396 55,88,90,59 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS 22	Balance in profit and loss account					2,342
Equity shares of par value Rs. 5/- each Before exceptional Items Basic 16.15 10.87 30.61 20.52 Diluted 15.79 10.57 29.90 19.96 After exceptional Items 16.15 10.87 30.72 20.52 Basic 16.15 10.87 30.01 19.96 Number of shares used in computing earnings per share 55,47,72,296 54,42,02,438 55,37,98,511 54,30,96,66 Diluted 56,77,46,039 56,00,61,300 56,69,42,396 55,88,90,59 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS 22 22 24			3,891	2,544	3,891	2,544
Basic 16.15 10.87 30.61 20.54 Diluted 15.79 10.57 29.90 19.91 After exceptional Items 16.15 10.87 30.72 20.54 Basic 16.15 10.87 30.01 19.91 Number of shares used in computing earnings per share 55,47,72,296 54,42,02,438 55,37,98,511 54,30,96,66 Diluted 56,77,46,039 56,00,61,300 56,69,42,396 55,88,90,59 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS 22 24 24	Equity shares of par value Rs. 5/- each					
Diluted 15.79 10.57 29.90 19.96 After exceptional Items 16.15 10.87 30.72 20.52 Basic 16.15 10.87 30.01 19.96 Number of shares used in computing earnings per share 55,47,72,296 54,42,02,438 55,37,98,511 54,30,96,66 Diluted 56,77,46,039 56,00,61,300 56,69,42,396 55,88,90,59 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS 22 22 24			10.15	10.07	00.04	00.54
After exceptional Items 16.15 10.87 30.72 20.54 Basic 15.79 10.57 30.01 19.96 Number of shares used in computing earnings per share 55,47,72,296 54,42,02,438 55,37,98,511 54,30,96,66 Diluted 56,77,46,039 56,00,61,300 56,69,42,396 55,88,90,59 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS 22 22 24 24						
Basic 16.15 10.87 30.72 20.54 Diluted 15.79 10.57 30.01 19.96 Number of shares used in computing earnings per share 55,47,72,296 54,42,02,438 55,37,98,511 54,30,96,66 Diluted 56,77,46,039 56,00,61,300 56,69,42,396 55,88,90,59 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS 22 22 21 22			15.79	10.57	29.90	19.90
Diluted 15.79 10.57 30.01 19.96 Number of shares used in computing earnings per share Basic 55,47,72,296 54,42,02,438 55,37,98,511 54,30,96,66 Diluted 56,77,46,039 56,00,61,300 56,69,42,396 55,88,90,59 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS 22 22 24			16 15	10.87	30.72	20.54
Basic 55,47,72,296 54,42,02,438 55,37,98,511 54,30,96,66 Diluted 56,77,46,039 56,00,61,300 56,69,42,396 55,88,90,59 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS 22 22 24						19.96
Diluted 56,77,46,039 56,00,61,300 56,69,42,396 55,88,90,59 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS 22						
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS 22						54,30,96,66
	Diluted		56,77,46,039	56,00,61,300	56,69,42,396	55,88,90,59
		22				
	Refer to note 22.2.20					

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 <i>Director</i>
	Marti G. Subrahmanyam	Omkar Goswami	Rama Bijapurkar	Claude Smadja
	Director	<i>Director</i>	Director	Director
	Sridar A. Iyengar	David L Boyles	Jeffrey Lehman	S. D. Shibulal
	Director	<i>Director</i>	Director	Director
	K. Dinesh	T. V. Mohandas Pai	Srinath Batni	V. Balakrishnan
	Director	Director	Director	Chief Financial Officer

Bangalore October 11, 2006

Parvatheesam K. Company Secretary

Cash Flow Statement for the			ear ended
	Schedule	2006 Septe	ember 30, 2005
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit before tax and exceptional items		1,913	1.262
Adjustments to reconcile net profit before tax to cash provided by		1,010	1,202
operating activities			
(Profit)/ loss on sale of fixed assets		-	-
Depreciation		207	165
Interest and dividend income		(117)	(78)
Profit on sale of liquid mutual funds		(6)	-
Provision for investments		3	1
Effect of exchange differences on translation of foreign currency cash		-	
and cash equivalents		25	(7)
Changes in current assets and liabilities			(-)
Sundry debtors		(439)	9
Loans and advances	16	(211)	34
Current liabilities and provisions	17	198	57
			•••
Income taxes paid NET CASH GENERATED BY OPERATING ACTIVITIES	18	(163)	(161)
NET CASH GENERATED BY OPERATING ACTIVITIES		1,410	1,282
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets and change in capital work-in-progress	19	(491)	(539)
Proceeds on disposal of fixed assets			-
Investment in subsidiaries (refer to note 22.2.16)		(553)	(22)
Investments in securities (refer to note 22.2.16)	20	(2,010)	(1,088)
Interest and dividend income		117	78
Cash flow from investing activities before exceptional items		(2,937)	(1,571)
5			(1,571)
Proceeds on sale of Long Term Investments (Net of taxes) NET CASH USED IN INVESTING ACTIVITIES		<u>6</u> (2,931)	(1,571)
		(2,331)	(1,571)
CASH FLOWS FROM FINANCING ACTIVITIES		288	249
Proceeds from issuance of share capital on exercise of stock options Dividends paid during the period			
Dividend Tax paid during the period		(1,065) (150)	(176)
NET CASH USED IN FINANCING ACTIVITIES		(150)	(25)
NET CASH USED IN FINANCING ACTIVITIES		(927)	48
Effect of exchange differences on translation of foreign currency cash			
and cash equivalents		(25)	7
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(2,473)	(234)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		3,779	1,683
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	21	1,306	1,449
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

S. Gopalakrishnan President, Chief Operating Officer and Joint Managing Director Natrajan Ramkrishna *Partner* Membership No. 32815 N. R. Narayana Murthy Chairman and Chief Mentor Nandan M. Nilekani Chief Executive Officer and Managing Director Deepak M. Satwalekar Director Rama Bijapurkar Director Claude Smadja Director Marti G. Subrahmanyam Omkar Goswami Director Director Jeffrey Lehman Director S. D. Shibulal Director Sridar A. Iyengar David L Boyles Director Director

> K. Dinesh Director

T. V. Mohandas Pai Director Srinath Batni Director V. Balakrishnan Chief Financial Officer

Bangalore October 11, 2006 Parvatheesam K. Company Secretary

chedules to the Balance Sheet as at	September 30, 2006	ept as otherwise state March 31, 200
SHARE CAPITAL		
Authorized		
Equity shares, Rs. 5/- par value		
60,00,000 (30,00,000) equity shares	300	15
Issued, Subscribed and Paid Up		
Equity shares, Rs. 5/- par value*	278	13
55,57,85,001 (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]		
_	278	13
 * 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 RESERVES AND SURPLUS 		
* Also refer to note 22.2.20 for details of basic and diluted shares	6	
* Also refer to note 22.2.20 for details of basic and diluted shares RESERVES AND SURPLUS	6	90
* Also refer to note 22.2.20 for details of basic and diluted shares RESERVES AND SURPLUS Capital reserve Share premium account - As at April 1, Add: Receipts on exercise of employee stock options		57
* Also refer to note 22.2.20 for details of basic and diluted shares RESERVES AND SURPLUS Capital reserve Share premium account - As at April 1,	1,543 286 -	90 57 7
* Also refer to note 22.2.20 for details of basic and diluted shares RESERVES AND SURPLUS Capital reserve Share premium account - As at April 1, Add: Receipts on exercise of employee stock options	1,543	57 7
* Also refer to note 22.2.20 for details of basic and diluted shares RESERVES AND SURPLUS Capital reserve Share premium account - As at April 1, Add: Receipts on exercise of employee stock options Income tax benefit arising from exercise of stock options General reserve - As at April 1,	1,543 286 - 1,829 3,015	90 57 7 1,54
* Also refer to note 22.2.20 for details of basic and diluted shares RESERVES AND SURPLUS Capital reserve Share premium account - As at April 1, Add: Receipts on exercise of employee stock options Income tax benefit arising from exercise of stock options General reserve - As at April 1, Less: Gratuity transitional liability (refer to note 22.2.22)	1,543 286 - 1,829 3,015 13	90 57 7 1,54
* Also refer to note 22.2.20 for details of basic and diluted shares RESERVES AND SURPLUS Capital reserve Share premium account - As at April 1, Add: Receipts on exercise of employee stock options Income tax benefit arising from exercise of stock options General reserve - As at April 1,	1,543 286 - 1,829 3,015	90 57 7 1,54
* Also refer to note 22.2.20 for details of basic and diluted shares RESERVES AND SURPLUS Capital reserve Share premium account - As at April 1, Add: Receipts on exercise of employee stock options Income tax benefit arising from exercise of stock options General reserve - As at April 1, Less: Gratuity transitional liability (refer to note 22.2.22)	1,543 286 - - 1,829 3,015 13 138 -	90 57 7 1,54 2,77 2
* Also refer to note 22.2.20 for details of basic and diluted shares RESERVES AND SURPLUS Capital reserve Share premium account - As at April 1, Add: Receipts on exercise of employee stock options Income tax benefit arising from exercise of stock options General reserve - As at April 1, Less: Gratuity transitional liability (refer to note 22.2.22) Less: Capitalized on issue of bonus shares	1,543 286 - 1,829 3,015 13	90 57 7 1,54 2,77 2
 * Also refer to note 22.2.20 for details of basic and diluted shares RESERVES AND SURPLUS Capital reserve Share premium account - As at April 1, Add: Receipts on exercise of employee stock options Income tax benefit arising from exercise of stock options General reserve - As at April 1, Less: Gratuity transitional liability (refer to note 22.2.22) Less: Capitalized on issue of bonus shares 	1,543 286 - - 1,829 3,015 13 138 -	90 57 7 1,54 2,77

Schedules to the Balance Sheet

3 FIXED ASSETS

TIXED AGGETG										
		Original cost			Depreciation and amortization				Net book value	
	As at	Additions	Deductions/	As at	As at	For the	Deductions/	As at	As at	As at
	April 1,		Retirement	September 30,	April 1,	Period	Retirement	September 30,	September 30,	March 31,
	2006			2006	2006			2006	2006	2006
Land : free-hold *	34	4	_	38	_	_	_	_	38	34
leasehold	104	16	4	116	-		-	-	116	104
Buildings*	1,022	276		1,298	179	38	-	217	1,081	843
Plant and machinery*	559	106	-	665	305	47	-	352	313	254
Computer equipment*	700	121	1	820	516	93	1	608	212	184
Furniture and fixtures*	417	61	-	478	275	28	-	303	175	142
Vehicles	1	1	-	2	-	1	-	1	1	1
	2,837	585	5	3,417	1,275	207	1	1,481	1,936	1,562
Previous Period	2,183	462	6	2,639	1,006	165	6	1,165	1,474	
Previous year	2,183	799	145	2,837	1,006	409	140	1,275	1,562	

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 Infosys BPO , a subsidiary. Please refer to note 22.2.6 for details

		in Rs. crore
chedules to the Balance Sheet as at	September 30, 2006	March 31, 2006
4 INVESTMENTS		
Trade (unquoted) – at cost		
Long- term investments		
In subsidiaries		
Infosys BPO Ltd, India		
3,32,49,993 (2,44,99,993) equity shares of Rs. 10/- each, fully paid	555	
Infosys Technologies (China) Co. Limited	32	
Infosys Technologies (Australia) Pty Limited		
1,01,08,869 (1,01,08,869) equity shares of A\$ 0.11 par value, fully paid	66	
Infosys Consulting, Inc., USA		
2,00,00,000 (1,70,00,000) common stock of US \$1.00 par value, fully paid	90	
	743	1
In other investments*	11	
Less: Provision for investments	11	
Less. Provision for investments		
Non-trade (unquoted), current investments, at the lower of cost and fair value		
Liquid mutual fund units *	2,699	6
	3,442	8
Aggregate amount of unquoted investments	3,442	8
* Refer to note 22.2.16 for details of investments	5,442	c
DEFERRED TAX ASSETS		
Fixed assets	65	
Sundry debtors	3	
	68	
SUNDRY DEBTORS*		
Debts outstanding for a period exceeding six months		
Unsecured	24	
considered doubtful	21	
Other debts		
Unsecured		
considered good	1,957	1,5
considered doubtful	1	,-
	1,979	1,5
Less: Provision for doubtful debts	22	
	1,957	1,5
* Includes dues from companies where directors are interested	3	
CASH AND BANK BALANCES Cash on hand		
Balances with scheduled banks in Indian Rupees	-	
In current accounts *	171	1
In deposit accounts	348	2,7
Balances with non-scheduled banks in foreign currency **	348	2,7
In current accounts	285	3
	804	3.2
*Includes balance in unclaimed dividend account	804	3,2

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

	September 30, 2006	<i>in Rs. crore</i> March 31, 2006
nedules to the Balance Sheet as at	September 30, 2006	Waltin 31, 2000
8 LOANS AND ADVANCES		
Unsecured, considered good		
Loans to subsidiary (refer to note 22.2.7)	24	1
Advances		
prepaid expenses	28	2
for supply of goods and rendering of services *	16	
advance to gratuity trust	8	
others	24	1
	100	6
Unbilled revenues	330	20
Advance income tax	293	20
Loans and advances to employees		
housing and other loans	43	4
salary advances	55	6
Electricity and other deposits	18	
Rental deposits	12	
Deposits with financial institution and body corporate (refer to note 22.2.14)	623	5
Mark to Market on options/ forward contracts	4	
	1,478	1,2
Unsecured, considered doubtful	1,470	1,23
Loans and advances to employees	1_	
	1,479	1,2
Less: Provision for doubtful loans and advances to employees	1	
	1,478	1,2
* Includes advances to subsidiary company	2	
Sundry creditors		
	13	
goods and services	13	
goods and services accrued salaries and benefits		
goods and services accrued salaries and benefits salaries	13	
goods and services accrued salaries and benefits salaries bonus and incentives	13 184	
goods and services accrued salaries and benefits salaries bonus and incentives unavailed leave	13	
goods and services accrued salaries and benefits salaries bonus and incentives	13 184	
goods and services accrued salaries and benefits salaries bonus and incentives unavailed leave	13 184	
goods and services accrued salaries and benefits salaries bonus and incentives unavailed leave for other liabilities provision for expenses	13 184 96 220	1
goods and services accrued salaries and benefits salaries bonus and incentives unavailed leave for other liabilities provision for expenses retention monies	13 184 96 220 12	1
goods and services accrued salaries and benefits salaries bonus and incentives unavailed leave for other liabilities provision for expenses retention monies withholding and other taxes payable	13 184 96 220 12 127	1
goods and services accrued salaries and benefits salaries bonus and incentives unavailed leave for other liabilities provision for expenses retention monies withholding and other taxes payable for purchase of intellectual property rights	13 184 96 220 12 127 20	1
goods and services accrued salaries and benefits salaries bonus and incentives unavailed leave for other liabilities provision for expenses retention monies withholding and other taxes payable for purchase of intellectual property rights Mark to market on options/ forward contracts	13 184 96 220 12 127 20	1
goods and services accrued salaries and benefits salaries bonus and incentives unavailed leave for other liabilities provision for expenses retention monies withholding and other taxes payable for purchase of intellectual property rights	13 184 96 220 12 127 20 - 4	1
goods and services accrued salaries and benefits salaries bonus and incentives unavailed leave for other liabilities provision for expenses retention monies withholding and other taxes payable for purchase of intellectual property rights Mark to market on options/ forward contracts	13 184 96 220 12 127 20	1
goods and services accrued salaries and benefits salaries bonus and incentives unavailed leave for other liabilities provision for expenses retention monies withholding and other taxes payable for purchase of intellectual property rights Mark to market on options/ forward contracts	13 184 96 220 12 127 20 - 4	2 1
goods and services accrued salaries and benefits salaries bonus and incentives unavailed leave for other liabilities provision for expenses retention monies withholding and other taxes payable for purchase of intellectual property rights Mark to market on options/ forward contracts others	13 184 96 220 12 127 20 - - 4 689	
goods and services accrued salaries and benefits salaries bonus and incentives unavailed leave for other liabilities provision for expenses retention monies withholding and other taxes payable for purchase of intellectual property rights Mark to market on options/ forward contracts others Advances received from clients Unearned revenue	13 184 96 220 12 127 20 - 4 689 8 300	
goods and services accrued salaries and benefits salaries bonus and incentives unavailed leave for other liabilities provision for expenses retention monies withholding and other taxes payable for purchase of intellectual property rights Mark to market on options/ forward contracts others	13 184 96 220 12 127 20 - 4 689 8	1 6 1
goods and services accrued salaries and benefits salaries bonus and incentives unavailed leave for other liabilities provision for expenses retention monies withholding and other taxes payable for purchase of intellectual property rights Mark to market on options/ forward contracts others Advances received from clients Unearned revenue Unclaimed dividend	13 184 96 220 12 127 20 - - 4 689 8 300 3	1
goods and services accrued salaries and benefits salaries bonus and incentives unavailed leave for other liabilities provision for expenses retention monies withholding and other taxes payable for purchase of intellectual property rights Mark to market on options/ forward contracts others Advances received from clients Unearned revenue Unclaimed dividend	13 184 96 220 12 127 20 - 4 689 8 300 3 1,000	1
goods and services accrued salaries and benefits salaries bonus and incentives unavailed leave for other liabilities provision for expenses retention monies withholding and other taxes payable for purchase of intellectual property rights Mark to market on options/ forward contracts others Advances received from clients Unearned revenue Unclaimed dividend PROVISIONS Proposed dividend	13 184 96 220 12 127 20 - - 4 689 8 300 3	1
goods and services accrued salaries and benefits salaries bonus and incentives unavailed leave for other liabilities provision for expenses retention monies withholding and other taxes payable for purchase of intellectual property rights Mark to market on options/ forward contracts others Advances received from clients Unearned revenue Unclaimed dividend	13 184 96 220 12 127 20 - 4 689 8 300 3 1,000	1 6 8
goods and services accrued salaries and benefits salaries bonus and incentives unavailed leave for other liabilities provision for expenses retention monies withholding and other taxes payable for purchase of intellectual property rights Mark to market on options/ forward contracts others Advances received from clients Unearned revenue Unclaimed dividend PROVISIONS Proposed dividend	13 184 96 220 12 127 20 - 4 689 8 300 3 1,000	1 6 8 1,0
goods and services accrued salaries and benefits salaries bonus and incentives unavailed leave for other liabilities provision for expenses retention monies withholding and other taxes payable for purchase of intellectual property rights Mark to market on options/ forward contracts others Advances received from clients Unearned revenue Unclaimed dividend Proposed dividend Provision for tax on dividend	13 184 96 220 12 127 20 - 4 689 8 300 3 1,000 278 278	1 6 8
goods and services accrued salaries and benefits salaries bonus and incentives unavailed leave for other liabilities provision for expenses retention monies withholding and other taxes payable for purchase of intellectual property rights Mark to market on options/ forward contracts others Advances received from clients Unearned revenue Unclaimed dividend Proposed dividend Provision for tax on dividend income taxes *	13 184 96 220 12 127 20 - - 4 689 8 300 3 1,000 278 39 280	1 6 8 1,0 1
goods and services accrued salaries and benefits salaries bonus and incentives unavailed leave for other liabilities provision for expenses retention monies withholding and other taxes payable for purchase of intellectual property rights Mark to market on options/ forward contracts others Advances received from clients Unearned revenue Unclaimed dividend PROVISIONS Proposed dividend Provision for tax on dividend	13 184 96 220 12 127 20 - 4 689 8 300 3 1,000 278 278	1 6 1

chedules to Profit and Loss Account for the	Quarter e	nded	Half-ye	in Rs. crore ar ended
	Septembe	,		nber 30,
	2006	2005	2006	200
11 SOFTWARE DEVELOPMENT EXPENSES				
Salaries and bonus including overseas staff expenses	1,343	865	2,543	1,645
Overseas group health insurance	23	12	40	23
Contribution to provident and other funds	38	21	68	40
Staff welfare	10	6	18	11
Technical sub-contractors - subsidiaries	165	94	287	174
Technical sub-contractors - others	54	24	97	55
Overseas travel expenses	65	57	135	111
Visa charges and others	15	29	64	47
Software packages				
for own use	49	33	83	65
for service delivery to clients	1	8	15	18
Communication expenses	13	12	26	25
Computer maintenance	5	3	10	7
Consumables	7	4	12	7
Rent	4	3	7	6
Provision for post-sales client support and warranties	4	(4)	6	(3)
	<u> </u>	1,167	3,411	2,231
2 SELLING AND MARKETING EXPENSES				
Salaries and bonus including overseas staff expenses	111	68	217	135
Overseas group health insurance	1	1	1	2
Contribution to provident and other funds	-	-	1	-
Staff welfare	1	-	1	-
Overseas travel expenses	21	16	45	29
Visa charges and others	1	1	1	4
Traveling and conveyance	1	1	2	2
Commission and earnout charges	11	8	19	18
Brand building	15	12	27	22
Professional charges	6	10	11	15
Rent	4	3	8	7
Marketing expenses	5	3	8	6
Telephone charges	1	1	2	2
Communication expenses	-	-	-	-
Printing and stationery	-	1	1	1
Advertisements	1	-	2	1
Office maintenance	-	-	-	-
Sales promotion expenses	1	-	1	-
Consumables	-	-	-	-
Software packages				
for own use	-	-	1	-
Computer maintenance	-	-	-	-
Power and fuel	-	-	-	-
Insurance charges	-	-	-	-
Rates and taxes	-	-	-	-
Bank charges and commission	-	-	-	-
Miscellaneous expenses		<u> </u>	<u> </u>	-
	180	125	348	244

INFOSYS TECHNOL	OGIES LIMITED
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in Rs. crore

chedules to Profit and Loss Account for the	Quarter er			ar ended
	Septembe	,	Septem	
	2006	2005	2006	200
13 GENERAL AND ADMINISTRATION EXPENSES				
Salaries and bonus including overseas staff expenses	44	29	82	5
Overseas group health insurance	-	-	-	-
Contribution to provident and other funds	3	2	6	
Professional charges	38	25	66	4
Telephone charges	28	21	53	3
Power and fuel	23	16	44	3
Traveling and conveyance	21	16	40	2
Overseas travel expenses	6	2	9	-
Visa charges and others	U	1	1	
Office maintenance	- 25			2
	25	16	46	2
Guest house maintenance*			1	
Insurance charges	7	5	12	1
Printing and stationery	3	2	6	
Donations	5	5	9	
Rent	4	2	8	
Advertisements	3	4	3	
Repairs to building	7	5	10	
Repairs to plant and machinery	3	3	6	
Rates and taxes	3	3	12	
Professional membership and seminar participation fees	3	2	4	
Postage and courier	2	1	5	
Books and periodicals	1	1	2	
Provision for bad and doubtful debts	8	9	19	
Provision for doubtful loans and advances	Ŭ	5	10	
	- 1	- 1	- 1	
Commission to non-whole time directors	1	I	1	
Freight charges		-		-
Bank charges and commission	1	1	1	
Research grants	3	-	5	-
Auditor's remuneration				
statutory audit fees	-	-	-	-
certification charges	-	-	-	-
others	-	-	-	-
out-of-pocket expenses	-	-	-	-
Miscellaneous expenses (refer to note 22.2.15)	1	1	2	
*For non training purposes	243	173	453	3
4 OTHER INCOME, NET				
		22	70	
Interest received on deposits with banks and others* Dividend received on investment in liquid mutual funds (non	21	23	70	2
trade unquoted)	30	18	47	3
Miscellaneous income (refer to note 22.2.15)	4	4	14	
Exchange differences	11		64	(
	66	45	195	
*Tax deducted at source	5	5	18	
5 PROVISION FOR TAXATION				
Income taxes*	119	70	230	15
		(3)	(12)	
				(
Deferred taxes	<u>(5)</u>	67	218	14

Schedules to Cash Flow Statements for the	in Rs. c Half-year	
	Septeml	
	2006	200
6 CHANGE IN LOANS AND ADVANCES		
As per the Balance Sheet*	1,478	1,007
Add: Gratutity transitional liability (refer to Note 22.2.22)	13	-
Less: Deposits with financial institutions and body corporates		
included in cash and cash equivalents	(502)	(157
Advance income taxes separately considered	(293)	(493
	696	35
Less: Opening balance considered	(485)	(391
	211	(34
* includes loans to subsidiary		
7 CHANGE IN CURRENT LIABILITIES AND PROVISIONS		
As per the Balance Sheet	1,615	1,48
Less: Provisions separately considered in the cash flow statement		
Income taxes	(280)	(627
Dividends	(278)	(177
Dividend tax	(39)	(25
	1,018	656
Less: Opening balance considered	(820)	(599
	<u>198</u>	5
8 INCOME TAXES PAID		
Charge as per the Profit and Loss Account	218	146
Add: Increase in advance income taxes	26	90
Increase/(Decrease) in deferred taxes	12	6
Less: (Increase)/Decrease in income tax provision	(<u>93</u>) 163	(81 16 ′
9 PURCHASE OF FIXED ASSETS AND CHANGE IN CAPITAL WORK-IN-PROGRESS		
As per the Balance Sheet*	581	462
Less: Opening Capital work-in-progress	(571)	(318
Add: Closing Capital work-in-progress	481	39
	491	539
 * Excludes Rs 4 crore (Rs 4 crore) towards movement of land from Leasehold O INVESTMENTS IN SECURITIES * 	to Freehold	
		-
As per the Balance Sheet	3,442	2,438
Add: Provisions on investments	3	
	3,445	2,439
Less: Investment in subsidiaries	(553)	(22
Profit on sale of liquid mutual funds	(6)	-
Opening balance considered	(876) 2,010	(1,329) 1,08
* Refer to note 22.2.16 for investment and redemptions		
1 CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		
As per the Balance Sheet	804	1,292
Add: Deposits with financial institutions, included herein	502	15
	1,306	1,449