

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

in Rs. crore

Consolidated Balance Sheet as at	Schedule	December 31, 2007	March 31, 2007
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	1	286	286
Reserves and surplus	2	14,018	10,969
		<u>14,304</u>	<u>11,255</u>
MINORITY INTEREST		5	4
		<u>14,309</u>	<u>11,259</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
Original cost	3	5,453	4,642
Less: Accumulated depreciation and amortization		2,272	1,836
Net book value		<u>3,181</u>	<u>2,806</u>
Add: Capital work-in-progress		<u>1,305</u>	<u>965</u>
		<u>4,486</u>	<u>3,771</u>
INVESTMENTS	4	136	25
DEFERRED TAX ASSETS	5	115	92
CURRENT ASSETS, LOANS AND ADVANCES			
Sundry debtors	6	2,608	2,436
Cash and bank balances	7	6,679	5,871
Loans and advances	8	2,299	1,214
		<u>11,586</u>	<u>9,521</u>
LESS: CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	9	1,666	1,469
Provisions	10	348	681
NET CURRENT ASSETS		<u>9,572</u>	<u>7,371</u>
		<u>14,309</u>	<u>11,259</u>
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS			
	23		

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
Co-Chairman

S. Gopalakrishnan
Chief Executive Officer
and Managing Director

S. D. Shibulal
Chief Operating Officer

Deepak M. Satwalekar
Director

Marti G. Subrahmanyam
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Rama Bijapurkar
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Claude Smadja
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Sridar A. Iyengar
Director

David L. Boyles
Director

Jeffrey S. Lehman
Director

K. Dinesh
Director

Bangalore
January 11, 2008

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		Nine months ended	
		2007	2006	2007	2006
Income from software services, products and business process management		4,271	3,655	12,150	10,121
Software development and business process management expenses	11	2,325	1,938	6,725	5,437
GROSS PROFIT		1,946	1,717	5,425	4,684
Selling and marketing expenses	12	205	236	693	661
General and administration expenses	13	349	285	972	829
		554	521	1,665	1,490
OPERATING PROFIT BEFORE INTEREST, DEPRECIATION AND MINORITY INTEREST		1,392	1,196	3,760	3,194
Interest		-	-	-	-
Depreciation		153	141	441	369
OPERATING PROFIT BEFORE TAX, MINORITY INTEREST AND EXCEPTIONAL ITEMS		1,239	1,055	3,319	2,825
Other income, net	14	158	59	565	253
Provision for investments		-	-	-	3
NET PROFIT BEFORE TAX, MINORITY INTEREST AND EXCEPTIONAL ITEMS		1,397	1,114	3,884	3,075
Provision for taxation (refer to note 23.2.8)	15	166	130	474	359
NET PROFIT AFTER TAX AND BEFORE MINORITY INTEREST AND EXCEPTIONAL ITEMS		1,231	984	3,410	2,716
Income on sale of investments, net of taxes (refer to note 23.2.19)		-	-	-	6
NET PROFIT AFTER TAX, EXCEPTIONAL ITEMS AND BEFORE MINORITY INTEREST		1,231	984	3,410	2,722
Minority interest		-	1	-	10
NET PROFIT AFTER TAX, EXCEPTIONAL ITEMS AND MINORITY INTEREST		1,231	983	3,410	2,712
Balance Brought Forward		6,719	3,626	4,941	2,219
Less: Residual dividend paid		-	-	-	4
Additional dividend tax		-	-	-	1
		6,719	3,626	4,941	2,214
AMOUNT AVAILABLE FOR APPROPRIATION		7,950	4,609	8,351	4,926
Dividend		-	-	-	-
Interim		-	-	343	278
Final		-	-	-	-
Total dividend		-	-	343	278
Dividend tax		-	-	58	39
Amount transferred to General Reserve		-	-	-	-
Balance in profit and loss account		7,950	4,609	7,950	4,609
		7,950	4,609	8,351	4,926
EARNINGS PER SHARE *					
Equity shares of par value Rs. 5/- each					
Before Exceptional items					
Basic		21.54	17.64	59.70	48.75
Diluted		21.47	17.24	59.49	47.61
After Exceptional items					
Basic		21.54	17.64	59.70	48.88
Diluted		21.47	17.24	59.49	47.73
Number of shares used in computing earnings per share					
Basic		57,13,46,568	55,70,34,398	57,12,55,430	55,48,77,140
Diluted		57,32,85,874	56,97,17,084	57,32,10,538	56,81,73,059

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

23

* Refer to note 23.2.17

The schedules referred to above form an integral part of the consolidated profit and loss account.

As per our report attached

for BSR & Co.

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CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

in Rs. crore

Consolidated Cash Flow Statement for the	Schedule	Nine months ended	
		2007	December 31, 2006
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit before tax, minority interest and exceptional items		3,884	3,075
Adjustments to reconcile net profit before tax to cash provided by operating activities			
(Profit)/ loss on sale of fixed assets		-	-
Depreciation		441	369
Interest and dividend income		(501)	(194)
Profit on sale of liquid mutual funds		-	(8)
Provisions for investments		-	3
Effect of exchange differences on translation of foreign currency cash and cash equivalents		40	(27)
Changes in current assets and liabilities			
Sundry debtors	16	(141)	(608)
Loans and advances	17	(311)	(235)
Current liabilities and provisions	18	233	339
Income taxes paid	19	(279)	(306)
NET CASH GENERATED BY OPERATING ACTIVITIES		3,366	2,408
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of fixed assets and change in capital work-in-progress	20	(1,063)	(866)
Payment for purchase of business, net of cash acquired		(107)	-
Proceeds on disposal of fixed assets		-	-
Payment for intellectual property rights		-	14
Investments in securities	21	(111)	(1,432)
Acquisition of minority interest in subsidiary		(2)	(599)
Interest and dividend income		501	194
Cash flow from investing activities before exceptional items		(782)	(2,689)
Proceeds on sale of long term Investments (net of taxes)		-	6
NET CASH USED IN INVESTING ACTIVITIES		(782)	(2,683)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of share capital on exercise of stock options		25	423
Dividends paid during the period, including dividend tax		(834)	(1,532)
NET CASH USED IN FINANCING ACTIVITIES		(809)	(1,109)
Effect of exchange differences on translation of foreign currency cash and cash equivalents		(26)	27
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		1,749	(1,357)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		6,048	3,956
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	22	7,797	2,599
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	23		

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

As per our report attached

for BSR & Co.
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CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES
in Rs. crore, except per share data

Schedules to the Consolidated Balance Sheet as at	December 31, 2007	March 31, 2007
1 SHARE CAPITAL		
Authorized		
Equity shares, Rs. 5/- par value		
60,00,00,000 (60,00,00,000) equity shares	<u>300</u>	<u>300</u>
Issued, Subscribed and Paid Up		
Equity shares, Rs. 5/- par value*	286	286
57,15,53,937 (57,12,09,862) equity shares fully paid up		
[Of the above, 53,53,35,478 (53,53,35,478) equity shares, fully paid up have been issued as bonus shares by capitalization of the General reserve]	<u>286</u>	<u>286</u>
Forfeited shares amounted to Rs. 1,500/- (Rs 1,500/-)		
* For details of options in respect of equity shares, refer to note 23.2.7		
* Refer to note 23.2.17 for details of basic and diluted shares		
2 RESERVES AND SURPLUS		
Capital reserve	6	5
Foreign currency translation reserve	14	-
Share premium account - Opening balance	2,768	1,543
Add: Receipts on exercise of employee stock options	25	1,206
Income Tax benefit arising from exercise of stock options	-	19
	<u>2,793</u>	<u>2,768</u>
General reserve - Opening balance	3,255	3,012
Less: Capitalized on issue of bonus shares	-	138
Less: Gratuity transitional liability (refer to note 23.2.20)	-	9
Add: Transfer from the Profit and Loss Account	-	378
Add: Fair value of employee options issued in exchange of Infosys BPO options (refer to note 23.2.12)	-	12
	<u>3,255</u>	<u>3,255</u>
Balance in Profit and Loss Account	7,950	4,941
	<u>14,018</u>	<u>10,969</u>

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

Schedules to the Consolidated Balance Sheet

in Rs. Crore, except as otherwise stated

3 FIXED ASSETS

Particulars	Original cost				Depreciation and amortization				Net book value	
	As at April 1, 2007	Additions	Deletions/ Retirement	As at December 31, 2007	As at April 1, 2007	For the period	Deletions/ Retirement	As at December 31, 2007	As at December 31, 2007	As at March 31, 2007
Goodwill	589	83	-	672	-	-	-	-	672	589
Land: free-hold	76	55	-	131	-	-	-	-	131	76
leasehold	96	3	-	99	-	-	-	-	99	96
Buildings	1,471	302	-	1,773	267	80	-	347	1,426	1,204
Plant and machinery	787	122	-	909	423	102	-	525	384	364
Computer equipment	1,028	155	5	1,178	774	186	5	955	223	254
Furniture and fixtures	573	89	-	662	362	69	-	431	231	211
Leasehold improvements	20	6	-	26	10	4	-	14	12	10
Vehicles	2	1	-	3	-	-	-	-	3	2
	4,642	816	5	5,453	1,836	441	5	2,272	3,181	2,806
Previous period	2,983	1,331	6	4,308	1,328	369	2	1,695	2,613	1,655
Previous year	2,983	1,706	47	4,642	1,328	514	6	1,836	2,806	

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 December 31, 2007 March 31, 2007

4 INVESTMENTS

Trade (unquoted) – at cost

Long- term investments	12	12
Less: Provision made for investments	12	12
	-	-

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

Liquid mutual funds*	136	25
	136	25
	136	25

Aggregate amount of unquoted investments

* refer to note 23.2.11

5 DEFERRED TAX ASSETS

Fixed assets	90	74
Sundry debtors	7	3
Leave provisions and others	18	15
	115	92

6 SUNDRY DEBTORS

Debts outstanding for a period exceeding six months

Unsecured		
considered good	-	-
considered doubtful	40	16

Other debts

Unsecured		
considered good*	2,608	2,436
considered doubtful	6	7
	2,654	2,459

Less: Provision for doubtful debts

	46	23
	2,608	2,436
	-	7

* Includes dues from companies where directors are interested

7 CASH AND BANK BALANCES

Cash on hand	-	-
Balances with scheduled banks		
In current accounts *	166	481
In deposit accounts in Indian Rupees	5,601	4,989
Balances with non-scheduled banks		
In deposit accounts in foreign currency	289	-
In current accounts in foreign currency	623	401
	6,679	5,871
	3	2

*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 December 31, 2007 March 31, 2007

8 LOANS AND ADVANCES

Unsecured, considered good		
Advances		
prepaid expenses	22	34
for supply of goods and rendering of services	8	3
advance to gratuity and provident fund trust	28	-
others	26	20
	<u>84</u>	<u>57</u>
Unbilled revenues	535	320
Advance income tax	150	353
MAT credit entitlement	62	-
Loans and advances to employees		
housing and other loans	39	42
salary advances	60	76
Electricity and other deposits	29	21
Rental deposits	25	15
Deposits with financial institution and body corporate (refer note 23.2.9)	1,266	309
Mark to Market forward contract & option - asset	49	15
Other assets	-	6
	<u>2,299</u>	<u>1,214</u>
Unsecured, considered doubtful		
Loans and advances to employees	1	1
	<u>2,300</u>	<u>1,215</u>
Less: Provision for doubtful loans and advances to employees	1	1
	<u><u>2,299</u></u>	<u><u>1,214</u></u>

9 CURRENT LIABILITIES

Sundry creditors		
capital goods	-	-
goods and services	30	25
accrued salaries and benefits		
salaries	54	39
bonus and incentives	291	264
unavailed leave	178	149
for other liabilities		
accrual for expenses	465	456
retention monies	45	24
withholding and other taxes payable	175	181
others	42	12
	<u>1,280</u>	<u>1,150</u>
Advances received from clients	13	4
Unearned revenue	370	311
Unclaimed dividend	3	2
Due to option holders of Infosys BPO	-	2
	<u>1,666</u>	<u>1,469</u>

10 PROVISIONS

Proposed dividend	-	371
Provision for		
tax on dividend	-	63
income taxes*	301	224
post-sales client support and warranties	45	23
Gratuity	2	-
	<u>348</u>	<u>681</u>

* Refer to note 23.2.8

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

in Rs. crore

Schedules to Consolidated Profit and Loss Account for the

	Quarter ended December 31,		Nine months ended December 31,	
	2007	2006	2007	2006
11 SOFTWARE DEVELOPMENT AND BUSINESS PROCESS MANAGEMENT EXPENSES				
Salaries and bonus including overseas staff expenses	1,917	1,572	5,575	4,416
Contribution to provident and other funds	49	40	140	113
Staff welfare	18	13	42	33
Overseas travel expenses	124	107	381	342
Traveling and conveyance	-	-	2	-
Technical sub-contractors	62	85	214	211
Software packages				
for own use	68	60	163	147
for service delivery to clients	9	5	23	20
Communication expenses	22	18	56	53
Rent	15	8	32	24
Computer maintenance	5	7	17	17
Consumables	6	6	17	18
Provision for post-sales client support and warranties	14	5	19	11
Miscellaneous expenses	16	12	44	32
	<u>2,325</u>	<u>1,938</u>	<u>6,725</u>	<u>5,437</u>
12 SELLING AND MARKETING EXPENSES				
Salaries and bonus including overseas staff expenses	139	136	443	411
Contribution to provident and other funds	1	1	3	3
Staff welfare	1	1	3	2
Overseas travel expenses	25	27	77	77
Traveling and conveyance	1	1	3	6
Brand building	14	17	42	44
Commission and earnout charges	3	27	61	54
Professional charges	6	5	19	17
Rent	4	5	12	14
Marketing expenses	6	11	16	19
Telephone charges	2	2	6	5
Printing and stationery	-	1	-	1
Advertisements	1	-	5	2
Sales promotion expenses	1	1	2	2
Office maintenance	-	-	-	1
Communication Expenses	1	1	1	1
Insurance charges	-	-	-	-
Consumables	-	-	-	-
Software packages				
for own use	-	-	-	-
Computer maintenance	-	-	-	-
Rates and taxes	-	-	-	-
Miscellaneous expenses	-	-	-	2
	<u>205</u>	<u>236</u>	<u>693</u>	<u>661</u>

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

in Rs. crore

Schedules to Consolidated Profit and Loss Account for the

	Quarter ended December 31,		Nine months ended December 31,	
	2007	2006	2007	2006
13 GENERAL AND ADMINISTRATION EXPENSES				
Salaries and bonus including overseas staff expenses	91	73	253	202
Contribution to provident and other funds	3	3	9	9
Staff welfare	-	-	1	-
Telephone charges	35	31	99	90
Professional charges	48	38	131	109
Power and fuel	30	25	91	73
Office maintenance	36	26	96	78
Guesthouse maintenance	1	-	1	-
Traveling and conveyance	29	23	76	68
Overseas travel expenses	6	5	17	17
Insurance charges	5	8	19	23
Printing and stationery	4	5	14	12
Rates and taxes	14	8	28	20
Donations	5	7	15	16
Rent	5	6	17	16
Advertisements	1	2	6	6
Professional membership and seminar participation fees	2	3	7	8
Repairs to building	6	5	15	15
Repairs to plant and machinery	5	4	14	10
Postage and courier	2	1	8	6
Books and periodicals	1	1	3	3
Recruitment and training	-	1	2	6
Provision for bad and doubtful debts	17	5	38	25
Provision for doubtful loans and advances	-	-	-	-
Commission to non-whole time directors	1	1	3	2
Auditor's remuneration				
statutory audit fees	-	-	-	1
certification charges	-	-	-	-
others	-	-	-	-
out-of-pocket expenses	-	-	-	-
Bank charges and commission	-	-	-	1
Freight charges	-	-	-	-
Research grants	-	2	3	7
Miscellaneous expenses	2	2	6	6
	349	285	972	829
14 OTHER INCOME, NET				
Interest received on deposits with banks and others*	169	32	494	107
Dividend received on investment in liquid mutual funds (non-trade unquoted)	1	38	7	87
Profit on sale of liquid mutual funds	-	-	-	-
Miscellaneous income, net (Refer to note 23.2.10)	2	9	7	16
Exchange gains / (losses)	(14)	(20)	57	43
	158	59	565	253
<i>*includes tax deducted at source</i>	9	4	69	23
15 PROVISION FOR TAXATION				
Income taxes*	198	134	557	376
MAT credit entitlement	(25)	-	(64)	-
Deferred taxes	(7)	(4)	(19)	(17)
	166	130	474	359
<i>* Refer to note 23.2.8</i>				

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

in Rs. crore

Schedules to Consolidated Cashflow Statements for the

Nine months ended
December 31,

2007 2006

16 CHANGE IN SUNDRY DEBTORS

As per the Balance Sheet	2,608	2,216
Less: Opening balance considered	(2,436)	(1,608)
Sundry debtors pertaining to acquired company	(31)	-
	<u>141</u>	<u>608</u>

17 CHANGE IN LOANS AND ADVANCES

As per the Balance Sheet*	2,299	1,786
Add/ (Less): Gratuity plan amendment (Refer to note 23.2.20)	37	13
Less: Deposits with financial institutions, included in cash and cash equivalents	(1,118)	(751)
MAT credit entitlement	(62)	-
Advance income taxes separately considered	(150)	(309)
	<u>1,006</u>	<u>739</u>
Less: Opening balance considered	(684)	(504)
Loans and Advances pertaining to acquired company	(11)	-
	<u>311</u>	<u>235</u>

* Net of gratuity transitional liability

18 CHANGE IN CURRENT LIABILITIES AND PROVISIONS

As per the Balance Sheet	2,014	1,601
Add/ (Less): Unclaimed dividend	(3)	(3)
Gratuity plan amendment	37	-
Due to option holders of Infosys BPO	-	-
Provisions separately considered in the cash flow statement		
Income taxes	(301)	(303)
	<u>1,747</u>	<u>1,295</u>
Less: Opening balance considered	(1,488)	(956)
Current Liabilities and Provisions pertaining to acquired company	(26)	-
	<u>233</u>	<u>339</u>

19 INCOME TAXES PAID

Charge as per the Profit and Loss Account	474	359
Add: Increase/ (Decrease) in advance income taxes	(203)	42
Increase / (Decrease) in deferred taxes	23	18
Increase / (Decrease) in MAT credit entitlement	62	-
Less: Income Tax benefit arising from exercise of stock options	-	-
(Increase)/Decrease in income tax provision	(77)	(113)
	<u>279</u>	<u>306</u>

20 PURCHASE OF FIXED ASSETS AND CHANGE IN CAPITAL WORK-IN-PROGRESS

As per Balance Sheet*	723	859
Less: Opening Capital work-in-progress	(965)	(571)
Add: Closing Capital work-in-progress	1,305	578
	<u>1,063</u>	<u>866</u>

* Excludes Rs Nil crore (Rs 4 crore) towards movement of land from Leasehold to Freehold

* Excludes goodwill Rs Nil crore (Rs 411 crore) on buyback of Infosys BPO Ltd shares

* Excludes Goodwill of Rs. 83 crore and net fixed assets of Rs. 10 crore related to acquired company

21 INVESTMENTS IN / (DISPOSAL OF) SECURITIES *

As per the Balance Sheet	136	2,192
Add: Provisions made on investments	-	3
	<u>136</u>	<u>2,195</u>
Less: Profit on sale of liquid mutual funds	-	(8)
Opening balance considered	(25)	(755)
	<u>111</u>	<u>1,432</u>

* Refer to note 23.2.11 for details of investments and redemptions

22 CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD

As per the Balance Sheet	6,679	1,848
Add: Deposits with financial institutions, included herein	1,118	751
	<u>7,797</u>	<u>2,599</u>