Infosys®

Infosys BPO Limited
www.infosys.com/bpo

ANNUAL REPORT

2006 - 2007

Board of Directors

T V Mohandas Pai
Chairman

Mr. S D Shibulal
Director

Mr. B G Srinivas
Director

Mr. Eric S. Paternoster
Director

Prof Jayanth R Varma
Independent Director

Sridar Iyengar
Independent Director

Mr. Amitabh Chaudhry
Managing Director and Chief Executive Officer

Committees of the Board

Audit Committee

Prof. Jayanth R Varma
Chairman

Sridar A Iyengar

S D Shibulal

Compensation Committee

Prof. Jayanth R Varma
Chairman

Sridar Iyengar

T V Mohandas Pai

Registered Office

Plot No. 26/3, 26/4 & 26/6
Electronics City, Hosur Road
Bangalore 560100

Tel. No: 080-28522405
Fax No: 080-28522411

Web Site: www. infosys.com

Contents

Certification by Chief Executive Officer (CEO) and Chief Financial Officer (CFO) of the company

We, Amitabh Chaudhry, Chief Executive Officer and Managing Director and Abraham Mathews, Head (Finance) of Infosys BPO Limited, to the best of knowledge and belief, certify that:

1. We have reviewed the balance sheet and profit and loss account, and all its schedules and notes to accounts, as well as cash flow statements and the Director's report.

2. Based on our knowledge and information, these statements do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statement made, in light of the circumstances under which such statements were made, not misleading with respect to the statement made.

3. Based on our knowledge and information, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report, and are in compliance with the existing accounting standards and/ or applicable laws and regulations.

4. The company's other certifying officers and we are responsible for establishing and maintaining disclosure controls and procedures for the company, and we have:

    - designed such disclosure controls and procedures to ensure that material information relating to the company, including its subsidiary, is made known to us by others within that entity, particularly during the period in which this report is being prepared; and

    - evaluated the effectiveness of the company's disclosure controls and procedures.

5. The company's other certifying officers and we have disclosed, based on our most recent evaluation, to the company's auditors and the audit committee of the company's board of directors (and persons performing the equivalent functions):

    - all significant deficiencies in the design or operation of internal controls, which could adversely affect the company's ability to record, process, summarize and report financial data, and have identified for the company's auditors, any material weaknesses in internal controls; and

    - any fraud, whether or not material, that involves management or other employees who have significant role in the company's internal controls; and

    - the company's other certifying officers and we have indicated in this report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

6. In the event of any materially significant misstatements or omissions, the signing officers will return to the company, that part of any bonus or incentive or equity-based compensation, which was inflated on account of such errors, as decided by the audit committee.

Amitabh Chaudhry
Managing Director and
Chief Executive Officer

Abraham Mathews
Head (Finance)

Bangalore
April 6, 2007

Directors' Report

To the Members,

We are pleased to present the report on the business and operations of the company for the year ended March 31, 2007.

Company's overview

Your company (www.infosys.com) was established in April 2002 as the business process outsourcing subsidiary of Infosys Technologies Limited ("Infosys"). Today, it is among the Top 10 third-party BPO companies in India according to the National Association of Software and Service Companies (Nasscom) ranking. Your company's promise is that it can help customers transform their business by enabling them to do their work cheaper, better, differently, and eliminate non-value adding work. Your company's sales and marketing offices are largely co-located with Infosys, and it has delivery centers in India, the Czech Republic, and Philippines.

Financial overview

in Rs. in crore

	March 31, 2007	March 31, 2006
Revenue from business process management services	649.51	367.92
Gross profit/ (loss)	283.62	172.17
Operating profit/ (loss) after interest and depreciation	154.41	93.73
Profit /(loss) after tax	152.83	92.44

Change in name

a. Progeon Limited to Infosys BPO Limited

Your company has changed its name from Progeon Limited to Infosys BPO Limited. The company received a fresh certificate of incorporation dated August 29, 2006 from Registrar of Companies, Karnataka, Bangalore, consequent to the change in name.

b. Progeon s.r.o to Infosys BPO s.r.o.

Progeon s.r.o, the wholly owned subsidiary of your company has changed its name to Infosys BPO s.r.o. with effect from February 19, 2007.

Share capital

a. Further issue of shares

During the year under review, your company further issued and allotted 8,15,822 equity shares to the eligible employees of the company on the exercise of stock options under the 2002 Employees Stock Options Plan.

b. Buy-back of equity shares

The Company, during the year, bought back 11,39,469 fully paid equity shares of a face value of Rs.10/- each at Rs. 604/- per share for an amount of Rs. 68.64 crore in accordance with the Companies Act, 1956 and Unlisted Companies and Private Limited Companies (Buy-back of Securities) Rules. The Buy-back has been done to provide a liquidity event to the employee shareholders who had converted their options into shares.

c. Purchase of shares by Infosys Technologies Limited

Infosys purchased 87,50,000 equity shares (23% of the share capital on a fully diluted basis) from Citicorp International Finance Corporation ("CIFC") for a consideration of Rs.530.00 crore. Consequent to this, the shareholders' and share subscription agreement entered into by your Company with Infosys and with CIFC was terminated. Further, Infosys purchased 2,11,909 equity shares on February 7, 2007 from various employee shareholders who have converted their options into shares, at a price of Rs.604/-. per share.

Consequent to the above, the outstanding issued, subscribed and paid-up equity share capital stands at Rs.33.82 crore as on March 31, 2007 (Rs. 34.15 crore as on March 31, 2006) and Infosys holds 98.94 % in the paid-up capital of our Company.

d. Purchase / Swap of unvested options

On March 12, 2007, Infosys swapped 7,260 unvested options of our company with its own 6,427 unvested stock options. In addition, certain employees were granted 1,45,051 Infosys Stock Options under the Infosys 1999 Employees Stock Option Plans. The Infosys 1999 Employees Stock Option Plan was approved by the Board of Directors and the Stockholders in June 1999. All options under the 1999 Plan are exercisable for equity shares. The options granted under the 1999 plan vests over 2-6 years.

Appropriations

Retained earnings

Your company proposes to retain Rs. 274.90crore in the profit and loss account.

Performance Overview

a. Business Overview

Your company delivers end-to-end voice, data, and knowledge process outsourcing and help customers transform their businesses by enabling them to do their work better, faster, cheaper, and differently. Business units are organized around -

- Horizontal focus areas: Customer Relationship Management, Finance & Accounting, Knowledge Services, Order Management, Procurement and Human Resources.
- Vertical focus areas: Banking & Capital Markets, Communication Service Providers, High Tech Discrete Manufacturing, Insurance & Healthcare, Retail, Energy, Utilities & Resources, Automotive & Aerospace, Transportation & Services

In a short span of time, your company has emerged as the 7th largest third party BPO service provider (from 10th last year. Source: Nasscom) with a growth strategy to move up the value chain based on transaction processing, increase in the share of knowledge services in the mix of offerings, increase in transformation revenue and platform based BPO offerings. The revenues have grown at over 100% CAGR since inception. These indicators speak of strong fundamentals, healthy growth, agility and ability to scale rapidly to meet customer expectations.

In the year gone by, your company focused extensively on improving operations, developing the process-system backbone and scaling up the sales and business enabler functions. The focus on operations is manifested in sustained profitability levels.

Infosys BPO partners with customers throughout the outsourcing process resulting in a transparent and structured process that proceeds in three phases – Discovery, Transition and Steady State Operations.

Infosys BPO's metrics-driven methodology results in predictable, low-risk outsourcing delivered onshore, from international centers (Brno, China and Philippines) or offshore (India) across time zones, and in multiple languages.

In the coming times, we aim at being the most respected BPO service provider. This would require us to:

- Sustain the current revenue growth and aim to be among the top 3 offshore BPO service providers.
- Position ourselves as a premium BPO service provider with full service capability.
- Be acknowledged as one of the best places to work for; with global culture and best practices.
- Be known as a disruptive force in the industry.

b. Results of operations

The performance of the company during the year has been excellent. The total revenue increased by 77% over the previous year to Rs 649.51 crore from Rs.367.92 crore in the previous year. The company ended the year with net profit of Rs.152.83 crore when compared with the previous year of Rs.92.44 crore. The company added 8.new customers and now has 30 customers. The company ended the year with 11,226 employees having added 4,205 employees during the year.

c. Human Resources Management

We started the year with 7,021employees and closed the year with 11,226 employees.

Managing Scale**:** Early into our operations we had recognized the need to not just focus on Talent Sourcing but more importantly on expanding the Talent Pool. In order to do this we have put in place some very innovative initiatives that have impacted not just our organization but the BPO industry at large. Under the aegis of **Project Genesis** we trained over 15,000 students in the Global Skills Enhancement Curriculum in identified B&C towns enriching their opportunities of pursuing a career in BPO. The project was launched initially in Karnataka but has been expanded into the states of Rajasthan and Maharashtra in the past year. Through the **Campus Ambassador Program** we have also emerged as an Employer of Choice among graduate schools and even some of the top business schools in the country.

The past year also saw us opening up new centers in Jaipur, Delhi and China and expanding our Czech Center, helping us add another dash of colour to the existing **multi-lingual and multi-cultural footprint.**

Carving a Brand: Programs such as **Infosys BPO Elective** program offered at Business Schools, the Academia Conclave and the Professor Partnership Programs directly impacted potential employees and gave them a perspective into the industry and possible careers in BPO. **'Family Day'** and other initiatives focused on the relationship between the organization and employee families to give them a perspective of the world of BPO. Multiple **recognitions** (national as well as international) saw us emerging as innovative leaders in the industry with regard to our HR practices.

Achieving Efficiency**:** The organization introduced a few innovative and focused initiatives that were implemented and monitored effectively, such as:

- Implementation of a Balance Scorecard approach to maximize individual and team performance
- Creation of a 24/7 Employee helpdesk that acted as a window to address all employee queries and issues
- Creation of early warning systems to predict, address and contain attrition
- Enhanced HRIS backed by strong communication channels to ensure maximum employee reach

Fostering Innovation: We introduced the following innovative practices:
- Complexity based pay models to determine and reward relative complexity of work
- Partnership with industry bodies to standardize employee practices across the industry

Enhancing Diversity: The past year saw more than 100 disabled people join the organization to carve out careers for themselves. **Periodic Diversity initiatives, Employee satisfaction surveys, Disability access audits and Workplace Health and Safety initiatives** ensure that these employees' needs are catered to.

Engaging Employees: We continued our focus on talent management and development within the organization and reinforced the **performance oriented work ethic**. In the last year, we have introduced more mechanisms (360 degree assessments, panel assessments, assessment centers etc) to drive the organization to achieve new heights of individual as well as team performance. Understanding our employees' need to provide more clarity around possible careers in the BPO industry, we launched **Career Workshops** with the aim of ensuring that there was more transparency and clarity built around employee development and growth.

d. Infosys BPO s.r.o

We had incorporated Infosys BPO s.r.o. in the year 2004 in the Czech Republic, as a wholly owned subsidiary. Your company till March 31, 2007, has invested an amount of Rs.3.50 crore (1,87,50,000 Czech Koruna) towards its equity capital. This initiative will help your company to provide multi-lingual processing skills to its clients and addresses their requirement for a development center closer to their locations. During the year under review, Infosys BPO s.r.o has added another client and generated revenue of Rs. crore as against revenue of Rs 11.33 crore for the year ended March 31, 2007 with a net profit of Rs 0.85 crore as against a net profit of Rs 0.85 crore for the year ended March 31, 2006.

Awards/ recognition and certifications

During the year under review, our company has won the following awards/ recognitions:

- Ranked 4th among the most respected BPO companies in India, (Business World, June 06).
- Won the **Helen Keller Award** for Diversity Hiring for 2006.
- Recognized for its **"Innovative HR Practices"** (Asia Pacific HRM Congress, 2006)
- Recognized for its **"High Performance Work Culture"** by the Institute of HRD for the year 2006
- Won the **"HR Excellence Award"** conferred by NIPM (2006)
- Recognized for its **"Innovation in Career Development Initiatives"** by the World HRD Congress, January 2007
- Recognized for its **"Innovation in Recruitment Practices"** by the World HRD Congress, January 2007
- Won the **"Global HR Excellence Award"** for Innovative HR Practices at the RASBIC Asia Pacific HRM Conference January 2007
- Ranked 4th on the **FAO List** of Global Finance and Accounts Service Providers
- Ranked 7th among the top third-party BPO's (Nasscom, Jun 06 ((National Association of Software & Service Companies)
- Ranked among **the 'World's Top BPO Providers'** by IAOP, Sep 06 (International Association of Outsourcing Professionals)

Corporate Governance

Corporate governance is about the commitment to values and about ethical business conduct. At Infosys BPO, our pursuit to achieve good governance is an on going process, thereby ensuring transparency, accountability and responsibility in all our dealings with our employees, shareholders, clients and the community at large. Our corporate governance philosophy encompasses not only regulatory and legal requirements, but also several voluntary practices aimed at a high level of business ethics, effective supervision and enhancing value of all the stakeholders. Your company believes that the governance process should ensure that these companies are managed in a manner that meets stakeholder's aspirations ad societal expectations

Your company's corporate governance initiative is based on the following principles
(i) Constitution of the Board of Directors of appropriate composition, size and commitment to discharge its responsibilities and duties.

(ii). Ensuring timely flow of information to the Board and its Committees to enable them to discharge their functions effectively.

(iii) Safeguarding the integrity of Company's financial reporting and to disclose all material information concerning the Company to all its stakeholders.

(iv) Compliance with all the applicable laws and regulations and to provide a sound system of risk management and control.

With the increasing globalization, corporate governance has assumed great significance in India in the recent past. The increasing diversity of the investing community and the integration of global capital markets make corporate governance a key issue in the investment decision of the investor. We wish to state that your company has complied with all norms of corporate governance applicable to unlisted Public Company as envisaged under the Companies Act, 1956.

Committees of the Board

1. Audit Committee

As on March 31, 2007, the committee had Prof. Jayanth R Varma as the Chairman, Mr. S D Shibulal and Mr. Sridar Iyengar as members. During the year ended March 31, 2007, the committee met four times. The primary objectives of the committee are to monitor and provide effective supervision of the management's financial reporting process with a view to ensure accurate, timely and proper disclosures and the transparency, integrity and quality of financial reporting. The Committee oversees the work carried out in the financial reporting process – by the management, including the internal auditors and statutory auditors – and notes the processes and safeguards employed by each.

2. Compensation Committee

As on March 31, 2007, the committee had Prof. Jayanth R Varma as the Chairman, Mr. T V Mohandas Pai and Mr. Sridar Iyengar as members. During the year ended March 31, 2007, the committee met four times. The committee has the mandate to review and recommend the compensation payable to the executive directors and senior management of the company. It also administers the company's stock option plan, including the review and grant of stock options payable to eligible employees under the plan.

Details of remuneration and grant of stock options to the CEO

The Board of Directors in their meeting held on January 10, 2006 appointed, subject to the approval of the shareholders, Mr. Amitabh Chaudhry as the Managing Director and CEO for a initial term of five (5) years with effect from March 2, 2006.

The details of remuneration paid to Mr. Amitabh Chaudhry for the period ended March 31, 2007 (April 1, 2006 through March 31, 2007) are as follows

In Rupees

	March 31, 2007	March 31, 2006
Salary, allowances including contributions to Provident Fund, Gratuity, Superannuation allowance and Performance incentive	62,77,305	3,08,710

Mr. Amitabh Chaudhry was also granted stock options to purchase 4,60,000 equity shares of the company at an exercise price of Rs.58.33, Rs.77.89, Rs.195 and Rs.604/- per option respectively (options exercised- 65,000, Options transferred to Infosys -1,95,000). Further, 2,00,000 stock options granted in June 2006 are replaced with 55,878 stock options issued by of Infosys under Infosys 1999 Employees Stock Option Plan.

Responsibility statement of the board of directors

The directors' responsibility statement setting out the compliance with the accounting and financial reporting requirements specified under Section 217 (2AA) of the Companies (Amendment) Act, 2000, in respect of the financial statements, is annexed to this report.

Fixed deposits

Your company has not accepted any fixed deposits and, as such, no amounts of principal or interest were outstanding as of the balance sheet date.

Directors

In accordance with Article 122 of the Article of Association of the company, Prof Jayanth R Varma and Mr. Sridar Iyengar retire by rotation in the forthcoming annual general meeting. Prof Jayanth R Varma and Mr. Sridar Iyengar, being eligible offers themselves for re-appointment. Their appointment as directors requires the approval of the members at the ensuing annual general meeting. The necessary resolutions for obtaining the approval of members with regard to re-appointment Prof Jayanth R Varma and Mr. Sridar Iyengar as Directors of the Company have been incorporated in the notice of the ensuing annual general meeting.

Auditors

The statutory auditors, M/s. BSR & Co, Chartered Accountants, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office, if reappointed.

Conservation of energy, research and development, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under subsection (1)(e) of section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988, are set out in the annexure included in this report.

Consolidation of accounts

In terms of approval granted under Section 212(8) of the Companies Act, 1956 by the Ministry of Company Affairs, Government of India vide Letter of Approval No. 47/325/2006-CL-III dated 7.12.2006, copies of the Balance sheet, Profit and Loss Account, Report of the Board of Directors and Report of the Auditors of the subsidiary company have not been attached to the Balance sheet of your company. The company will make available these documents/ details upon request by any member of the company interested in obtaining the same. Pursuant to Accounting Standard AS21 issued by the Institute of Chartered Accountants of India, the consolidated financial statements presented by your company include financial statements of its subsidiary.

Particulars of employees

As required under the provisions of section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of employees) Rules, 1975, as amended, the name and other particulars of employee are annexed to this report.

Acknowledgments

Your directors thank the company's clients, vendors, investors and bankers for their continued support during the year. Your directors place on record their appreciation of the contribution made by employees at all levels, who, through their competence, hard work, solidarity, cooperation and support, have enabled the company to achieve consistent growth.

Your directors thank the Government of India and the Czech Republic, particularly the Ministry of Communication and Information Technology, the Department of Electronics, the Customs and Excise Departments, Software Technology Parks – Bangalore, Pune and the Ministry of Commerce and Industry, the Ministry of Finance, the Reserve Bank of India, Videsh Sanchar Nigam Limited, the Department of Telecommunications, the state government, and other government agencies for their support, and look forward to their continued support in the future.

For and on behalf of the Board of Directors

T. V. Mohandas Pai	Amitabh Chaudhry
Chairman	Managing Director & CEO

Bangalore,
April 6, 2007

Annexure to the directors' report

a) Particulars pursuant to Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988

1. Conservation of Energy

The operations of your company are not energy-intensive. However, adequate measures have been taken to reduce energy consumption by using energy-efficient computers and by the purchase of energy-efficient equipment. Your company constantly evaluates new technologies and invests in them to make its infrastructure more energy-efficient.

2. Research and Development (R & D)

Not applicable.

a. R & D initiatives at institutes of national importance

Not applicable

b. Specific areas for R & D at your company

Not applicable

c. Benefits derived as a result of R & D activity

Not applicable

d. Future plan of action

Not applicable

e. Expenditure on R & D for the year ended March 31,2007

Not applicable

3. Technology absorption, adaptation and innovation

Not applicable

4. Foreign exchange earnings and outgo

a. Activities relating to exports, initiatives taken to increase exports, developments of new export markets for product and services, and export plans

Your company has established marketing offices in Australia, Canada, Philippines, United States of America and United Kingdom. These offices are staffed with adequate sales and marketing specialist who sells your company's services to large international clients. Further, your company plans to take part in several international seminars and exhibitions to promote its services.

b. Foreign exchange earned and used for the year ended

in Rs. crore

	March 31, 2007	March 31, 2006
Foreign exchange earnings	608.88	Rs.349.53
Foreign exchange outgo (including capital goods and imported software packages)	118.43	Rs. 72.19

For and on behalf of the Board of Directors

T. V. Mohandas Pai
Chairman

Amitabh Chaudhry
Managing Director and
Chief Executive Officer

Bangalore
April 6, 2007

Annexure to the director's report

b) Information as per section 217(2A) of the Companies Act, 1956, read with the companies (particulars of employees) rules, 1975, and forming part of the director's report for the year ended March 31, 2007

Sl. No.	Name	Designation	Qualification	Age (Yrs)	Date of joining	Experience (Yrs)	Gross remuneration(Rs)	Previous employment - Designation
1	Abraham Mathews	AVP - Finance and Accounts	B.Com, CA, CWA, CPA,CMA	44	15-Dec-03	19	3,323,607	OnMobile Asia Pacific (P)Ltd, Fin Cont
2	Amit Nagpal *	Business Manager	B.Sc, PGDSM	38	8-Feb-06	18	2,301,787	Nipuna Services, VP-Operations
3	Amitabh Chaudhry	MD and CEO	B.E , PGDBM	42	18-Apr-03	20	6,075,087	Credit Lyonnais Securities Asia Ltd, MD
4	Ashish Kankan *	AVP - Operations	B.Com	43	10-Jun-05	19	698,906	Agilent Technology, Businees Leader
5	Ayan Chakraborty	AVP - Operations	B.E , PGDM	35	19-Nov-03	12	3,170,679	Citi Bank, AVP
6	Christine Bhaskaran *	VP - Operations	B.Com, MBA	53	8-Mar-06	23	2,371,733	Nokia Inc, R&D Programme Manager
7	D. Swaminathan	VP - Operations	CA	53	1-Apr-04	27	4,515,370	OTE Group - Oman , Sr.GM
8	Deepak Bhatia *	Business Manager	BE, MBA	39	3-Apr-06	17	2,532,142	Trinity Computers, Head-Operations
9	Devesh M Nayel	VP - Operations	B.Com, MMS, CWA, CS	45	29-Aug-03	23	4,332,365	Betchel group, Finance Controller
10	Dhananjay Sinha	Business Manager	BA, MA	39	1-Feb-05	11	3,381,769	ICICI Bank Ltd, Chief Economist
11	D.Patwardhan	AVP - Operations	B.com	40	4-Nov-02	14	2,971,458	KP ESOP Consulting Pvt Ltd, VP
12	Joy Ghosh *	Business Manager	BE, PGDM	43	20-Feb-07	18	277,753	IT People Ltd, Director-Marketting
13	Joydeep Mukherjee *	AVP - Operations	B.Tech	38	10-Jan-07	14	844,152	Infosys Technologies Ltd. AVP & Head Deliver
14	Mahesh K Rao *	VP - Operations	B.Com, CA	54	1-Sep-03	26	2,316,682	i-flex Solutions Ltd, VP
15	Meera V. Innanje	AVP - Operations	B.Com, ACS	50	10-Oct-05	27	2,901,808	3 Global services P Ltd, AVP
16	Nandita Gurjar	VP and Head of HRD	MA	46	1-Oct-03	16	5,236,589	Infosys, AVP - HRD
17	Naresh J D Mello	VP - Operations	B.Sc, MBA	37	28-Feb-03	15	3,879,484	Infosys, Business Manager
18	Neeraj Kumar *	AVP - HRD	BA(H), PGDM	39	9-Aug-04	16	1,917,347	Cummins India Limited, DGM-HR & OE
19	Prerna Tandon	VP - Knowledge Services	B.A, MBA	40	3-May-04	19	3,667,414	GE Capital, VP
20	Punit Mahajan	Business Manager	B.Com, MS	34	2-May-05	11	3,202,815	Open Sys Technology, Consultant
21	Rajesh M.Shetty	AVP - Operations	B.Com	40	20-Jul-05	18	2,533,134	Tracmail, VP-Operations
22	Rajiv Kuchhal *	VP and Head of BTG	B.Tech	41	17-Feb-03	18	1,057,607	Infosys, AVP
23	Rakesh Gupta *	Business Manager	BE	48	12-Jun-06	24	2,389,520	AOL, General Manager
24	K.V.Ramamohan	AVP - Quality	B.E, M.Tech	37	10-Nov-04	13	3,198,792	Accenture, GM-Quality
25	Ramesh Kamath *	CFO	B.com, CA, CWA	49	21-May-03	24	2,454,663	Bharati Tele Ventures, Finance Controller
26	Ramit Sethi *	VP - Knowledge Services	B.Com, CA	44	4-Apr-05	18	4,074,375	KPMG-India Ltd, Executive Director
27	Ravi Raman	AVP - Risk	B.Tech, PGDM, ACII, AIRM,FIII	43	1-Sep-03	20	3,455,620	Tageer Finance Company, Asst Manager
28	Ravishankar P	Business Manager	B.Com, CA	39	4-Jul-05	14	2,655,713	ICICI Securities, VP
29	Sangeeta Das *	AVP - Corporate planning	B.Sc, PGDM	36	1-Aug-06	11	1,866,772	Infosys Technologies, Senior Principal

30	Satish Shenoy *	VP - F&A	B.E , MBA	48	16-Jun-03	24	2,218,436	Schoolnet, Country Manager
31	S.Vaitheeswaran	VP - Operations	B.E, PG-Dip	48	3-Apr-06	26	3,664,147	Eicher Motors Ltd, Director- Marketting
32	Shammik Gupta *	VP - Product Mangement	B.com, MBA	41	26-Feb-03	18	2,583,769	Society general, Head
33	Sheshadri B C	AVP - Solution Design & Imp.	B.Sc, MBA, LL.B, AII	43	23-Jun-04	21	3,509,232	Infosys, Delivery Manager
34	Shyam Maller *	Group Manager	BE(H), PGDm	47	7-Jun-06	25	2,054,517	Concorde Motors(I) Ltd, President
35	K.S.Srimathi	Group Manager	BE	37	4-Jan-06	17	2,818,681	Infosys, Group Profect Manager
36	V Raja	AVP - Transformation	B.E, PGDM	39	1-Dec-04	16	2,686,293	Maven BPO Services Pvt Ltd
37	Vaishali Kasture	AVP - Solution Design & Imp.	B.Com, MBA, CWA	38	13-Feb-04	11	3,329,371	Mphasis Japan, Sr Business Analyst
38	Vijay Kumar Menon *	VP - Marketing	B.Sc, M.Sc, M.Tech	45	15-Jul-05	22	3,385,643	Polaris Software Lab Ltd, VP

* Employed during the part of the year & has drawn than Rs 2 lakhs remuneration

Notes:

1. Remuneration comprises basic salaries, allowances and taxable value of perquisites
2. None of the employees is related to any director of the company
3. None of the employees owns more than one percent of the outstanding shares of the company as on March 31, 2007

For and on behalf of board of directors

T.V. Mohandas Pai

April 6, 2007

T. V. Mohandas Pai
Chairman & Director

Amitabh Choudhry
Managing Director & CEO

Annexure to the directors' report

c) The directors' responsibility statement as required under Section 217 (2AA) of the Companies (Amendment) Act, 2000

The financial statements are prepared in conformity with the accounting standards issued by the Institute of Chartered Accountants of India and the requirements of the Companies Act, 1956, to the extent applicable to the company, on the historical cost convention, as a going concern and on accrual basis. There are no material departures from the prescribed accounting standards in the adoption of the accounting standards. The accounting policies used in the preparation of the financial statements have been consistently applied, except where otherwise stated in the notes of accounts.

The board of directors and the management of your company accept responsibility for the integrity and objectivity of these financial statements. The estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis, in order that the financial statements reflect in a true and fair manner, the form and substance of transactions, and reasonably present the company's state of affairs. To ensure this, the company has taken proper and sufficient care in installing a system of internal control and accounting records; for safeguarding assets, and, for preventing and detecting frauds as well as other irregularities; which is reviewed, evaluated and updated on an ongoing basis. Our internal auditors have conducted periodic audits to provide reasonable assurances that the established policies and procedures of the company have been followed. However, there are inherent limitations that should be recognized in weighing the assurances provided by any system of internal controls and accounts.

The financial statements have been audited by M/s. BSR & Co., Chartered Accountants, and the independent auditors.

The audit committee of your company meets periodically with the internal auditors and the independent auditors to review the manner in which the auditors are performing their responsibilities, and to discuss auditing, internal control and financial reporting issues. To ensure complete independence, the independent auditors and the internal auditors have full and free access to the members of the audit committee to discuss any matter of substance.

For and on behalf of the Board of Directors

T. V. Mohandas Pai
Chairman

Amitabh Chaudhry
Managing Director and
Chief Executive Officer

Bangalore
April 6, 2007

AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF INFOSYS BPO LIMITED (FORMERLY PROGEON LIMITED)

We have audited the attached Balance Sheet of Infosys BPO Limited (formerly Progeon Limited) ('the Company') as at March 31, 2007 and the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003, as amended, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

(a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

(b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

(c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;

(d) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;

(e) on the basis of written representations received from the directors, as on March 31, 2007, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2007 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956;

(f) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

    (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2007;

    (ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and

    (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

for BSR & Co
Chartered Accountants

Natrajan Ramkrishna
Partner
Membership No: 32815

Bangalore

April 6, 2007

ANNEXURE TO THE AUDITORS' REPORT

The Annexure referred to in the auditors' report to the board of directors of Infosys BPO Limited (formerly Progeon Limited) ('the Company') for the year ended March 31, 2007. We report that:

1. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

   The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified during the year. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

   Fixed assets disposed off during the year were not substantial, and therefore, do not affect the going concern assumption.

2. The Company is a service company, primarily rendering business process management services. Accordingly it does not hold any physical inventories. Accordingly, paragraph 4(ii) of the Order is not applicable.

3. According to the information and explanations given to us, we are of the opinion that there are no companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraph 4(iii) of the Order is not applicable.

4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and with regard to the sale of services. The activities of the Company do not involve purchase of inventory and the sale of goods. We have not observed any major weakness in the internal control system during the course of the audit.

5. In our opinion and according to the information and explanations given to us, there are no contracts or arrangements, the particulars of which need to be entered into the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraph 4(v) of the Order is not applicable.

6. The Company has not accepted any deposits from the public. Accordingly, paragraph 4(vi) of the Order is not applicable.

7. In our opinion, the Company has an internal audit system commensurate with the size and the nature of its business.

8. The Central Government has not prescribed the maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956 for any of the services rendered by the Company.

9. According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Income tax, Sales tax, Wealth tax, Service tax, Customs duty and other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of Employees' State Insurance and Excise Duty.

   Further, since the Central Government has till date not prescribed the amount of cess payable under section 441A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the Company in depositing the same.

   According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Income tax, Sales tax, Customs duty, Cess and other material statutory dues were in arrears as at March 31, 2007 for a period of more than six months from the date they became payable.

   According to the information and explanations given to us, there are no dues of Income tax, Sales tax and Customs duty which have not been deposited with the appropriate authorities on account of any dispute.

10. The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.

11. The Company did not have any outstanding dues to any financial institution, banks or debentureholders during the year. Accordingly, paragraph 4(xi) of the Order is not applicable.

12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, paragraph 4(xii) of the Order is not applicable.

13. In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society. Accordingly, paragraph 4(xiii) of the Order is not applicable.

14. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, paragraph 4(xiv) of the Order is not applicable.

15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions. Accordingly, paragraph 4(xv) of the Order is not applicable.

16. The Company did not have any term loans outstanding during the year. Accordingly, paragraph 4(xvi) of the Order is not applicable.

17. The Company has not raised any funds on short-term basis. Accordingly, paragraph 4(xvii) of the Order is not applicable.

18. As stated in paragraph 5 above, there are no companies/ firms/ parties covered in the register required to be maintained under section 301 of the Companies Act, 1956. Accordingly, paragraph 4(xviii) of the Order is not applicable.

19. The Company did not have any outstanding debentures during the year. Accordingly, paragraph 4(xix) of the Order is not applicable.

20. The Company has not raised any money by public issues. Accordingly, paragraph 4(xx) of the Order is not applicable.

21. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of the audit.

for BSR & Co.
Chartered Accountants

Natrajan Ramkrishna
Partner
Membership No: 32815
Bangalore

April 6, 2007

Balance Sheet

In Rs.

	Schedule	March 31, 2007	March 31, 2006
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	1	33,82,77,510	34,15,13,980
Reserves and surplus	2	301,53,37,138	209,04,96,577
		335,36,14,648	**243,20,10,557**
APPLICATION OF FUNDS		-	-
FIXED ASSETS			
Original cost	3	115,88,22,529	70,42,92,316
Less : Depreciation		61,33,36,917	36,33,95,823
Net book value		54,54,85,612	34,08,96,493
Capital work-in-progress and advances		7,85,81,789	31,34,752
		62,40,67,401	**34,40,31,245**
INVESTMENTS	4	**28,80,13,162**	**72,54,72,821**
DEFERRED TAX ASSET	16.2.10	**3,36,15,369**	**1,26,49,306**
CURRENT ASSETS, LOANS AND ADVANCES			
Sundry debtors	5	123,26,45,697	70,05,85,432
Cash and bank balances	6	197,83,14,943	79,61,01,978
Loans and advances	7	51,51,70,968	39,14,27,249
Other current assets	8	10,72,81,618	5,22,87,542
		383,34,13,226	**194,04,02,201**
LESS: CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	9	135,39,22,886	55,67,05,330
Provisions	10	7,15,71,624	3,38,39,686
NET CURRENT ASSETS		**240,79,18,716**	**134,98,57,185**
		335,36,14,648	**243,20,10,557**
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	16		

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached

for BSR & Co.

Chartered Accountants

Natrajan Ramkrishna	T.V.Mohandas Pai	Amitabh Chaudhry	S.D.Shibulal	Prof.Jayanth R.Varma
Partner	Chairman and Director	Managing Director & Chief Executive officer	Director	Director
Membership No. 32815				
	Sridar A.Iyengar	B.G.Srinivas	Abraham Mathews	N.R.Ravikrishnan
	Director	Director	Head - Finance & Accounts	Company Secretary

Bangalore

April 6, 2007

Profit and Loss Account

In Rs.

	Schedule	Year ended March 31, 2007	2006
INCOME			
Revenues from business process management services		649,56,53,722	367,92,25,949
		649,56,53,722	367,92,25,949
COST OF REVENUES	11	365,94,99,311	194,75,22,112
GROSS PROFIT		**283,61,54,411**	**173,17,03,837**
SELLING AND MARKETING EXPENSES	12	41,48,94,124	19,55,26,689
GENERAL AND ADMINISTRATION EXPENSES	13	71,97,74,753	47,25,01,693
OPERATING PROFIT BEFORE DEPRECIATION		**170,14,85,534**	**106,36,75,455**
Depreciation	3	24,99,94,596	17,90,05,628
OPERATING PROFIT AFTER DEPRECIATION		**145,14,90,938**	**88,46,69,827**
Other Income	14	9,28,99,061	5,30,16,451
PROFIT BEFORE TAX		**154,43,89,999**	**93,76,86,278**
Provision for taxation	15	1,57,68,940	1,28,80,685
NET PROFIT AFTER TAX		**152,86,21,059**	**92,48,05,593**
Balance brought forward from the previous year		122,04,23,600	29,56,29,078
AMOUNT AVAILABLE FOR APPROPRIATION		**274,90,44,659**	**122,04,34,671**
Preference Dividend		-	9,709
Dividend Tax		-	1,362
BALANCE CARRIED FORWARD		274,90,44,659	122,04,23,600
Total		**274,90,44,659**	**122,04,34,671**
EARNINGS PER SHARE			
Equity shares of par value Rs.10 each			
Basic		44.73	29.28
Diluted		43.00	27.29
Weighted average number of shares used in computing earnings per share:			
Basic		3,41,71,966	3,15,82,791
Diluted		3,55,49,315	3,38,89,812
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	16		

The schedules referred to above form an integral part of the Profit and Loss Account.

As per our report attached

for BSR & Co.
Chartered Accountants

Natrajan Ramakrishnai	T.V.Mohandas Pai	Amitabh Chaudhry	S.D.Shibulal	Prof.Jayanth R.Varma
Partner	Chairman & Director	Managing Director & Chief Executive Officer	Director	Director
Membership No.32815				
	Sridar A.Iyengar	B.G.Srinivas	Abraham Mathews	N.R.Ravikrishnan
	Director	Director	Head - Finance & Accounts	Company Secretary

April 6, 2007

Cash Flow Statement

In Rs.

	Year ended March 31, 2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	154,43,89,999	93,76,86,278
Adjustments to reconcile profit before tax to cash provided by operating activities		
Depreciation	24,99,94,596	17,90,05,628
Interest income	(6,60,71,377)	(3,82,51,758)
Dividend income	(7,08,50,379)	(3,55,88,866)
Profit on sale of investments	(8,62,927)	(2,93,541)
Provision for bad and doubtful debts	(3,53,847)	10,38,730
Provision for doubtful loans and advances	7,84,048	6,16,264
Effect of exchange differences on translation of foreign currency cash and cash equivalents	69,86,859	7,54,831
Changes in current assets and liabilities		
Sundry debtors	(53,17,06,417)	(23,61,12,504)
Loans and advances	(4,92,75,236)	(5,33,06,050)
Other current assets	(4,52,90,036)	(3,75,80,841)
Current liabilities	78,47,74,564	24,27,90,748
Provisions	3,05,21,686	3,86,29,425
Income tax paid during the year, net	(2,95,24,751)	(1,29,51,558)
Other receivables from subsidiary	57,39,826	-
NET CASH GENERATED BY OPERATING ACTIVITIES	**182,92,56,608**	**98,64,36,786**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets and change in capital work-in-progress / advances	(51,75,79,763)	(30,45,14,982)
Interest received	5,63,67,337	3,26,48,118
Dividend received	7,08,50,379	3,55,88,866
Purchase of units in liquid mutual funds	(159,57,32,647)	(108,45,88,866)
Proceeds from sale of units in liquid mutual funds	203,40,55,234	80,58,78,593
Loans to subsidiary	(1,10,00,357)	54,97,898
NET CASH GENERATED BY/(USED IN) INVESTING ACTIVITIES	**3,69,60,184**	**(50,94,90,373)**
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issuance of share capital	8,12,22,308	2,77,20,806
Buy back of share capital	(68,82,39,276)	-
Preference dividend paid during the year	-	(9,709)
Dividend tax paid during the year	-	(1,362)
NET CASH (USED IN) /GENERATED BY FINANCING ACTIVITIES	**(60,70,16,968)**	**2,77,09,735**
Effect of exchange differences on translation of foreign currency cash and cash equivalents	(69,86,859)	(7,54,831)
NET INCREASE IN CASH AND CASH EQUIVALENTS	125,22,12,965	50,39,01,317
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	106,61,01,978	56,22,00,661
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR*	**231,83,14,943**	**106,61,01,978**

* Cash and cash equivalents aggregating Rs.2,31,83,14,943 (Rs.1,06,61,01,978 as at March 31,2006) comprises cash on hand amounting to Rs.66,597 (Rs.4,098 as at March 31, 2006), balances with banks amounting to Rs.1,97,82,48,346 (Rs.79,60,97,880 as at March 31, 2006) and deposits with financial institution/body corporate amounting to Rs.34,00,00,000 (Rs.27,00,00,000 as at March 31,2006).

As per our report attached

for BSR & Co.

Chartered Accountants

Natrajan Ramakrishnai	T.V.Mohandas Pai	Amitabh Chaudhry	S.D.Shibulal	Prof.Jayanth R.Varma
Partner	Chairman & Director	Managing Director & Chief Executive Officer	Director	Director
Membership No.32815				
	Sridar A.Iyengar	B.G.Srinivas	Abraham Mathews	N.R.Ravikrishnan
	Director	Director	Head - Finance & Accounts	Company Secretary

April 6, 2007

Schedules to the Balance Sheet

		March 31, 2007	March 31, 2006
1	**SHARE CAPITAL**		
	AUTHORISED		
	Equity shares, Rs.10 (Rs.10) par value		
	12,33,75,000 (12,33,75,000) equity shares	123,37,50,000	123,37,50,000
		123,37,50,000	**123,37,50,000**
	ISSUED, SUBSCRIBED AND PAID UP		
	Equity shares, Rs.10 (Rs.10) par value*		
	3,38,27,751** (3,41,51,398) equity shares fully paid up	33,82,77,510	34,15,13,980
	[Of the above, 3,34,61,902 (2,44,99,993) equity shares are held by Infosys Technologies Limited, the company's holding company and 7 (7) equity shares are beneficially held on behalf of Infosys Techonologies Limited by the subscribers to the Memorandum of Association]		
		33,82,77,510	**34,15,13,980**
	* For details of options in respect of the above shares refer to note 16.2.20 ** Refer to note 16.2.23 for details of buy back and note 16.2.24 for details of options.		
2	**RESERVES AND SURPLUS**		
	Securities premium account at the beginning of the year	87,00,72,977	6,27,29,651
	Add : Received during the year on issue of shares	7,30,64,088	80,80,80,826
	Less : Transfer to Capital Redemption Reserve*	1,13,94,690	-
	Less : Utilised on account of buy back of shares*	67,68,44,586	-
	Less : Share issue expenses written off	-	7,37,500
	Securities premium account at the end of the year	**25,48,97,789**	**87,00,72,977**
	Capital Redemption Reserve* (transferred during the year)	1,13,94,690	-
	Balance in profit and loss account	274,90,44,659	122,04,23,600
		301,53,37,138	**209,04,96,577**

* Refer note 16.2.23 for details of buy back of shares

Schedules to the Balance Sheet (continued)

3 FIXED ASSETS

Particulars	Original cost				Depreciation				Net book value	
	Cost as of April 01, 2006	Additions during the year	Deletions during the year	Cost as of March 31, 2007	As of April 01, 2006	For the year	Deductions during the year	As of March 31, 2007	As of March 31, 2007	As of March 31, 2006
Leasehold improvements	6,24,85,814	5,48,29,279	-	11,73,15,093	2,12,61,753	1,91,54,255	-	4,04,16,008	7,68,99,085	4,12,24,061
Plant and machinery	9,53,22,424	16,25,80,099	-	25,79,02,523	2,83,61,014	4,49,71,099	-	7,33,32,113	18,45,70,410	6,69,61,410
Computer equipment	40,84,59,853	19,82,49,198	1,18,463	60,65,90,588	26,69,92,695	15,68,22,295	53,502	42,37,61,488	18,28,29,100	14,14,67,158
Furniture and fixtures	13,80,24,225	3,89,90,100	-	17,70,14,325	4,67,80,361	2,90,46,947	-	7,58,27,308	10,11,87,017	9,12,43,864
	70,42,92,316	**45,46,48,676**	**1,18,463**	**115,88,22,529**	**36,33,95,823**	**24,99,94,596**	**53,502**	**61,33,36,917**	**54,54,85,612**	**34,08,96,493**
Previous period	20,32,27,657	4,25,82,294	-	24,58,09,951	6,89,12,855	4,67,75,159	-	11,56,88,014	13,01,21,937	-

		March 31, 2007	March 31, 2006
4	**INVESTMENTS**		
	Trade (unquoted) - at cost		
	Long term investment		
	In Subsidiary		
	Infosys BPO s.r.o, Czech Republic, a wholly owned subsidiary	3,49,78,993	3,49,78,993
	Non-Trade (unquoted) - at lower of cost or fair value		
	Current investments *		
	Liquid mutual funds	25,30,34,169	69,04,93,828
		28,80,13,162	**72,54,72,821**
	* Refer to note 16.2.15 for details of investment		
5	**SUNDRY DEBTORS**		
	Debts outstanding for a period exceeding six months		
	Unsecured, considered doubtful	6,84,882	10,38,730
	Debts outstanding for a period less than six months		
	Unsecured, considered good*	123,26,45,697	70,05,85,432
		123,33,30,579	70,16,24,162
	Less : Provision for doubtful debts	6,84,882	10,38,730
		123,26,45,697	**70,05,85,432**
	* Dues from subsidiary company	-	18,35,633
6	**CASH AND BANK BALANCES**		
	Cash on hand	66,597	4,098
	Balances with scheduled banks		
	-in current accounts	30,67,11,898	11,88,91,079
	-in deposit accounts in Indian rupees	162,00,00,000	64,50,02,000
	Balances with non-scheduled banks		
	-in current accounts	5,15,36,448	3,22,04,801
		197,83,14,943	**79,61,01,978**
	Balances with non scheduled banks*		
	In current accounts		
	Royal Bank of Canada, Ontario	15,24,430	-
	PNC Bank , New Jersey**	2,15,500	2,22,400
	ICICI Bank, London	31,68,794	27,10,863
	Bank of America, California	4,66,27,724	2,92,71,538
		5,15,36,448	3,22,04,801

* Refer to note 16.2.12 for details of maximum balances held with non scheduled banks

** This represent restricted bank balance, in trust account, in accordance with collection agency licensing requirements in US.

Schedules to the Balance Sheet (continued)

		March 31, 2007	March 31, 2006
7	**LOANS AND ADVANCES**		
	Unsecured, considered good		
	Advances		
	Prepaid expenses	2,71,68,832	1,76,82,757
	For supply of goods and rendering of services	49,07,895	82,46,948
	Loans to subsidiary	1,76,40,493	66,40,136
	Other receivables from subsidiary	-	57,39,826
	Loans and advances to employees	7,42,81,427	4,51,01,458
		12,39,98,647	**8,34,11,125**
	Deposits with financial institution and body corporate*	34,00,00,000	27,00,00,000
	Deposits with government authorities	2,17,074	2,17,074
	Rental deposits	4,72,79,273	3,48,74,673
	Electricity and other deposits	34,65,655	27,14,058
	Advance income tax, net	2,10,319	2,10,319
		51,51,70,968	**39,14,27,249**
	Unsecured, considered doubtful		
	Loans and advances to employees	14,08,312	6,16,264
		51,65,79,280	**39,20,43,513**
	Less : Provision for doubtful loans and advances to employees	14,08,312	6,16,264
		51,51,70,968	**39,14,27,249**
	* Refer to note 16.2.11 for details		
			In Rs.
8	**OTHER CURRENT ASSETS**		
	Unbilled revenue	5,51,95,459	4,32,70,958
	Other assets	5,20,86,159	90,16,584
		10,72,81,618	**5,22,87,542**
9	**CURRENT LIABILITIES**		
	Sundry creditors		
	for capital goods	5,23,93,008	3,99,50,019
	for expenses*	1,78,05,072	1,00,72,945
	for accrued salaries and benefits		
	salaries and allowances	9,68,14,526	1,58,26,199
	ex-gratia and incentives	34,40,00,249	11,59,03,207
	for other liabilites		
	provision for expenses	72,44,63,475	31,70,68,418
	withholding and other taxes payable	74,482	14,00,584
	loss on forward exchange contract and options	14,33,215	-
		123,69,84,027	50,02,21,372
	Deferred revenue	11,69,38,859	5,64,83,958
		135,39,22,886	**55,67,05,330**
	* Of which dues to subsidiary company	57,60,955	40,19,680
10	**PROVISIONS**		
	Provision for leave encashment	4,85,87,409	2,69,60,936
	Provision for income taxes, net	1,40,89,002	68,78,750
	Provisions for SLA compliance	88,95,213	-
		7,15,71,624	**3,38,39,686**

Schedules to the Profit and Loss Account

In Rs.

		Year ended March 31,	
		2007	2006
11	**COST OF REVENUES**		
	Salaries including overseas staff expenses	206,63,89,888	98,60,13,734
	Staff welfare	2,36,42,071	1,68,10,488
	Contribution to provident and other funds	8,00,50,390	4,96,56,759
	Travelling expenses	25,87,54,988	18,32,54,245
	Conveyance	35,01,59,575	18,84,95,197
	Cost of software for own use	8,73,63,015	4,52,25,032
	Cost of software for delivery to clients	-	-
	Computer maintenance	1,84,73,332	1,54,90,884
	Rent	21,13,73,288	11,03,65,155
	Consultancy charges	29,71,51,680	15,45,30,415
	Consumables	47,84,342	32,56,882
	Recruitment and training expenses	8,41,14,289	3,90,02,800
	Insurance	38,19,876	80,09,300
	Other miscellaneous expenses	1,67,13,958	1,22,81,918
		365,94,99,311	**194,75,22,112**
12	**SELLING AND MARKETING EXPENSES**		
	Salaries including overseas staff expenses	29,70,03,597	12,68,02,961
	Brand building and advertisement	55,93,402	19,93,433
	Contribution to provident and other funds	1,07,09,195	42,79,808
	Staff welfare	38,67,890	2,50,406
	Travelling expenses	6,40,48,327	3,42,60,562
	Consumables	-	-
	Cost of software package for own use	-	-
	Rent	1,11,83,633	1,15,92,768
	Printing, stationery and office maintenance	8,37,920	2,09,044
	Office maintainence	-	-
	Power & fuel	-	-
	Marketing expenses	-	-
	Professional memberships and seminars	7,81,100	8,95,975
	Other miscellaneous expenses	16,22,098	18,13,966
		41,48,94,124	**19,55,26,689**

Schedules to the Profit and Loss Account

In Rs.

		Year ended March 31, 2007	2006
13	**GENERAL AND ADMINISTRATION EXPENSES**		
	Salaries	26,24,47,786	14,34,89,669
	Staff welfare	2,64,34,614	1,39,25,349
	Contribution to provident and other funds	1,01,84,430	68,85,386
	Conveyance	3,70,43,348	2,67,32,845
	Consumables	4,36,720	4,18,012
	Cost of software for own use	62,88,119	1,88,54,854
	Rent	1,11,03,789	1,26,63,572
	Telephone and communication charges	3,39,47,382	1,98,30,465
	Legal and professional charges	5,97,76,172	3,77,05,659
	Printing, stationery and office maintainence	10,30,60,135	6,69,85,148
	Power and fuel	8,26,79,213	5,47,79,932
	Recruitment and training expenses	3,77,22,437	2,53,77,426
	Insurance	3,38,41,574	2,15,07,835
	Rates and taxes	42,89,319	91,18,780
	Auditor's remuneration		
	audit fees	13,00,000	11,00,000
	out-of-pocket expenses	60,000	60,000
	Bank charges and commission	7,96,110	13,68,830
	Postage and courier	18,83,865	12,73,891
	Professional membership and seminar participation fees	9,53,888	50,24,872
	Provision for doubtful debts	(3,53,847)	10,38,730
	Provision for doubtful loans and advances	7,84,048	6,16,264
	Exchange loss, net	,0	
	Other miscellaneous expenses	50,95,651	37,44,174
		71,97,74,753	**47,25,01,693**
14	**OTHER INCOME**		
	Interest income *		
	On deposits with financial institutions and body corporate	2,06,83,223	1,09,38,096
	On deposits with banks	4,42,77,689	2,45,24,385
	On loans to subsidiary	11,10,465	27,89,277
	Dividends from liquid mutual fund investments	7,08,50,379	3,55,88,866
	Profit on sale of investments	8,62,927	2,93,541
	Exchange gain/(loss), net	(4,51,61,905)	(2,16,53,502)
	Interest on income tax refund	-	1,66,962
	Miscellaneous income	2,76,283	3,68,826
		9,28,99,061	**5,30,16,451**
	*Tax deducted at source on interest income	1,45,55,102	88,32,174
	PROVISION FOR TAXATION		
15	Current taxes	3,67,35,003	2,18,41,130
	Deferred taxes	(2,09,66,063)	(89,60,445)
		1,57,68,940	**1,28,80,685**

Schedules to the financial statements for the year ended March 31, 2007 (continued)

16 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

Company overview

Infosys BPO Limited ("Infosys BPO" or the "company"), formerly known as "Progeon" was incorporated on April 3, 2002 to provide business process management services to organizations that outsource their business processes. Infosys BPO is a majority owned and controlled subsidiary of Infosys Technologies Limited ("Infosys", NASD NM: INFY). Leveraging the benefits of service delivery globalization, process redesign and technology, Infosys BPO drives efficiency and cost effectiveness into client's business processes. The company helps clients improve their competitive positioning by managing their business processes in addition to providing increased value. Infosys BPO s.r.o.(formerly known as Progeon s.r.o) was incorporated on February 4, 2004 in the Czech Republic as a wholly owned subsidiary to provide business process management and transitioning services.

The name of the company was changed from Progeon Limted to Infosys BPO Limited with effect from August 29, 2006.

16.1 Significant accounting policies

16.1.1 Basis of preparation of financial statements

The financial statements are prepared under the historical cost convention, in accordance with Indian Generally Accepted Accounting Principles ("GAAP") on the accrual basis. GAAP comprises accounting standards issued by the Institute of Chartered Accountants of India ("ICAI") and the relevant provisions of the Companies Act, 1956 to the extent applicable. Management evaluates all recently issued or revised accounting standards on an on-going basis.

16.1.2 Use of estimates

The preparation of the financial statements in conformity with GAAP requires that the management of the company make estimates and assumptions that affect the reported amounts of income and expenses of the period, reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as of the date of the financial statements. Examples of such estimates include expected development costs to complete business process management service contracts, provisions for doubtful debts, provision for income taxes and the useful lives of fixed assets. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

16.1.3 Revenue recognition

The company derives its revenues primarily from business process management services, on both the time-and-material and fixed-price, fixed-time frame bases. Revenue on time-and-material contracts is recognized as the related services are rendered. Revenue from fixed-price, fixed-time frame contracts is recognized as per the proportionate-completion method. Revenues from unit-priced contracts are recognized as transactions are processed based on objective measures of output. When the company receives advances for its services, such amounts are reported as client deposits until all conditions for revenue recognition are met.
Interest on deployment of surplus funds is recognised using time proportion method, based on underlying interest rates.

16.1.4 Expenditure

The cost of software user licenses purchased for rendering business process management services is charged to revenue when put to use. Charges relating to non-cancelable long-term operating leases are computed on a straight line basis over the period of the lease.

16.1.5 Fixed assets and capital work-in-progress

Fixed assets are stated at cost, after reducing accumulated depreciation until the date of the balance sheet. Direct costs are capitalized until the assets are ready for use and include financing costs relating to any borrowing attributable to acquisition or construction of those fixed assets which necessarily take a substantial period of time to get ready for their intended use. Capital work-in-progress includes the cost of fixed assets that are not yet ready for their intended use and advances paid to acquire fixed assets before the balance sheet date.

16.1.6 Depreciation

Depreciation on fixed assets is determined using the straight-line method based on useful lives of assets as estimated by the company. Depreciation for assets purchased/sold during the period is proportionately charged. Individual assets costing Rs. 5,000 or less are depreciated at the rate of 100% on a pro-rata basis. Leasehold improvements are written off over the lower of the remaining period of lease or the life of the asset. Management estimates the useful lives for the various fixed assets as follows:

Building and related assets	Fifteen years
Computer equipments	Two years
Plant and machinery	Five years
Furniture and fixtures	Five years

16.1.7 Retirement benefits to employees

16.1.7a Gratuity

In accordance with the Payment of Gratuity Act, 1972, Infosys BPO provides for gratuity, a defined benefit retirement plan (the "Gratuity Plan") covering all employees. The Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment. Liabilities with regard to the Gratuity Plan are determined by actuarial valuation, carried out at the period end by an independent actuary based upon which company contributes to the Infosys BPO employees Gratuity Fund Trust (the 'Trust'). The trustee administers contributions made to the Trust and invests the corpus with LIC of India.

16.1.7b Superannuation

Certain employees of Infosys BPO are eligible for superannuation benefits. The company contributes Rs 100 annually for the superannuation benefits of the employees. The company has no further obligations to the superannuation plan beyond the yearly contribution to the trust fund, the corpus of which is invested with the LIC of India.

16.1.7c Provident fund

Eligible employees receive benefits from a provident fund, which is a defined contribution plan. Both the employee and the company make monthly contributions to this provident fund plan equal to a specified percentage of the covered employee's salary. Amounts collected under the provident fund plan are deposited in a Government administered provident fund. The company has no further obligations under the provident fund plan beyond its monthly contributions.

16.1.7d Leave encashment

Leave encashment liability is provided on the basis of an actuarial valuation carried out at the year end.

16.1.8 Foreign currency transactions

Revenue from overseas clients and collections deposited in bank accounts are recorded at the exchange rate as of the date of the respective transactions. Expenditure in foreign currency is accounted at the exchange rate prevalent when such expenditure is incurred. Disbursements made out of bank accounts are reported at a rate that approximates the actual monthly rate. Exchange differences are recorded when the amount actually received on sales or actually paid when expenditure is incurred is converted into Indian rupees. The exchange differences arising on foreign currency transactions are recognized as income or expense in the period in which they arise. Monetary assets and monetary liabilities denominated in foreign currency are translated at the exchange rate prevalent at the date of the balance sheet. The resulting difference is also recorded in the profit and loss account.

16.1.9 Forward contracts and option contracts in foreign currencies

The company uses forward contracts and options contracts to hedge its exposure to movements in foreign exchange rates. The use of these forward contracts and option contracts reduces the risk or cost to the company and the company does not use the forward contracts and option contracts for trading or speculation purposes.

The company records the mark to market gain or loss on effective hedges in the foreign currency fluctuation reserve until the transactions are complete. On completion, the gain or loss is transferred to the profit and loss account of that period. To designate a forward contract or option contracts as an effective hedge, management objectively evaluates and evidences with appropriate supporting documents at the inception of each contract whether the contract is effective in achieving offsetting cash flows attributable to the hedged risk. In the absence of a designation as effective hedge, a gain or loss is recognized in the profit and loss account.

16.1.10 Income tax

Income taxes are computed using the tax effect accounting method, where taxes are accrued in the same period the related revenue and expenses arise. A provision is made for income tax for the period based on the tax liability computed, after considering tax allowances and exemptions. Provisions are recorded when it is estimated that a liability due to disallowances or other matters is probable.

The differences that result between the profit considered for income taxes and the profit as per the financial statements are identified, and thereafter a deferred tax asset or deferred tax liability is recorded for timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount being considered. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on prevailing enacted or substantially enacted regulations. Deferred tax assets are recognized only if there is reasonable certainty that they will be realized and are reviewed for the appropriateness of their respective carrying values at each balance sheet date.

16.1.11 Provisions and contingent liability

The company recognises a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made. Provisions are made for all known losses and liabilities and future unforeseeable factors that may affect the profit on fixed-price business process management contracts.

16.1.12 Impairment of assets

Management periodically assesses using external and internal sources whether there is an indication that an asset may be impaired. An impairment occurs where the carrying value exceeds the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. The impairment loss to be expensed is determined as the excess of the carrying amount over the higher of the asset's net sales price or present value as determined above.

16.1.13 Earnings per share

In determining earnings/ (loss) per share, the company considers the net profit/ (loss) after tax. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the period. Diluted earnings per share are computed using the weighted average number of basic and dilutive common equivalent shares outstanding during the period, except where the result would be anti-dilutive. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date.

16.1.14 Preliminary expenses

Share issue expenses are written off against the security premium account.

16.1.15 Investments

Trade investments are the investments made to enhance the company's business interests. Investments are either classified as current or long-term based on the management's intention at the time of purchase. Current investments are carried at the lower of cost and fair value. Cost for overseas investments comprises the Indian Rupee value of the consideration paid for the investment. Long-term investments are carried at cost and provisions recorded to recognize any decline, other than temporary, in the carrying value of each investment. Any dividends are recorded as income in the profit and loss account when the right to receive dividend is established.

16.1.16 Cash Flow Statement

Cash flows are reported using the Indirect method, thereby profit before tax is adjusted for the effects of transactions of a non - cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, financing and investing activities of the company are segregated. Cash flows in Foreign currency are accounted at average monthly exchange rates that approximate the actual rates of exchange prevailing at the dates of the transaction.

16.1.17 Employee Stock Options

The company applies the intrinsic value-based method of accounting prescribed by Accounting Research Committee of the Institute of Chartered Accountants of India, Accounting for employee share based payments, to account for its fixed plan stock options. Under this method, compensation expense is recorded on the date of grant only if the current market price of the underlying stock exceeds the exercise price. The options vest on a graded basis; however there is no compensation expense since the grants are made at exercise prices equal to or greater than fair market value, as of the date of the grant.

16.2 Notes to financial statements

16.2.1 Capital commitments and contingent liabilities

(in Rs.)

	As at March 31, 2007	As at March 31, 2006
Estimated amount of unexecuted capital contracts (net of advance and deposits)	24,72,35,967	6,42,97,385
Outstanding guarantees and counter guarantees from various banks, in respect of the guarantees given in favour of various government authorities and others	2,61,29,120	2,55,05,760
Forward contracts outstanding		
USD/INR	$ 5,000,000	$ 19,000,000
(Equivalent approximate in Rs.)	(21,55,00,000)	(84,51,20,000)
Range barrier options in US $	$ 1,500,000	$ 8,000,000
(Equivalent approximate in Rs.)	(6,46,50,000)	(35,58,40,000)
Range barrier options in GBP	£ 8,250,000	-
(Equivalent approximate in Rs.)	(69,99,30,000)	-

Particulars of Unhedged foreign currency exposure

(in Rs.)

Particulars	As at March 31, 2007			
	GBP	USD	EUR	CAD
Foreign currency bank balances net off foreign currency creditors	95,55,602	23,10,22,644	19,33,061	15,24,430
Unhedged debtors	41,86,04,362	49,17,18,898	4,14,49,319	-
	42,81,59,964	72,27,41,542	4,33,82,380	15,24,430

16.2.2 Aggregate expenses

Following are the aggregate amounts incurred on certain specific expenses that are required to be disclosed under Schedule VI to the Companies Act, 1956:

(in Rs.)

	Year ended March 31, 2007	2006
Salaries and ex-gratia including overseas staff expenses	262,58,41,271	125,63,06,364
Staff welfare	5,39,44,575	3,09,86,243
Contribution to provident and other funds	10,09,44,015	6,08,21,953
Foreign travel expenses	32,28,03,315	21,75,14,807

Consumables	52,21,062	36,74,894
Computer maintenance	1,84,73,332	1,54,90,884
Cost of software for own use	9,36,51,134	6,40,79,886
Communication expenses	19,66,07,858	15,84,93,387
Consultancy charges	29,71,51,680	15,45,30,415
Travel and conveyance	38,87,63,531	21,60,66,247
Rent	23,36,60,710	13,46,21,495
Printing, stationery and office maintenance	10,38,98,055	6,71,94,192
Legal and professional charges	6,48,72,713	3,91,04,921
Brand building	55,93,402	19,93,433
Recruitment and training expenses	12,76,94,181	7,20,36,906
Power and fuel	8,26,79,213	5,47,79,932
Insurance charges	3,84,41,951	2,95,17,135
Rates and taxes	42,89,319	91,18,780
Auditor's remuneration		
audit fees	13,00,000	11,00,000
out-of-pocket expenses	60,000	60,000
Bank charges and commission	7,96,110	13,68,830
Postage and courier	18,83,865	12,73,891
Professional membership and seminar participation fees	17,34,988	59,20,847
Provision for bad and doubtful debts	(3,53,847)	10,38,730
Provision for bad and doubtful loans and advances	7,84,048	6,16,264
Other miscellaneous expenses	2,34,31,707	1,78,40,058
Total	479,41,68,188	261,55,50,494

The above expenses for the year ended March 31, 2007 and March 31, 2006 include Fringe Benefit Tax (FBT) in India amounting to Rs. 2,32,36,687 and Rs.3,08,99,832 respectively.

16.2.3 Quantitative details

The company is engaged in providing business process management services. The sale of such services cannot be expressed in any generic unit. Hence, it is not possible to give the quantitative details of services rendered and certain information as required under paragraphs 3, 4C and 4D of part II of Schedule VI to the Companies Act, 1956.

16.2.4 Imports (valued on the cost, insurance and freight basis)

(in Rs.)

	Year ended March 31,	
	2007	2006
Capital goods	21,48,51,669	19,01,57,740

16.2.5 Expenditure in foreign currency (on payments basis)

(in Rs.)

	Year ended March 31,	
	2007	2006
Salary, legal and professional charges	54,49,65,435	15,47,88,640
Foreign travel expenses and relocation expenses	26,60,26,640	17,39,37,830
Bank charges, consultancy and others	2,14,24,347	13,66,77,197
Communication	6,73,30,763	6,63,44,331
	89,97,47,185	53,17,47,998

16.2.6 Earnings in foreign currency (on receipt basis)

(in Rs.)

	Year ended March 31, 2007	Year ended March 31, 2006
From business process management services	608,87,54,835	349,52,78,773

16.2.7 Obligations on long-term non-cancelable operating leases

The lease rentals charged during the year and maximum obligations on long-term non-cancelable operating leases payable as per the rentals stated in the respective agreements are as follows:

(in Rs.)

	Year ended March 31, 2007	Year ended March 31, 2006
Lease rentals charged during the year	23,36,60,710	13,46,21,495

(in Rs.)

Lease obligations	As at March 31, 2007	As at March 31, 2006
Within one year of the balance sheet date	13,47,79,068	11,28,79,344
Due in a period between one year and five years	5,68,83,351	17,34,81,723
Later than five years	-	-

The company has entered into non-cancelable operating lease arrangements for premises with Infosys and others . The existing operating lease arrangements extend for periods between 36 months and 58 months from their respective dates of inception. The lease rentals paid are included as a component of services purchased from Infosys (also refer Note 16.2.13 below).

16.2.8 Dues to small-scale industrial undertakings

As at March 31, 2007 and March 31, 2006 the company had no outstanding dues to small-scale industrial undertakings.

16.2.9 Provision for taxation

The company benefits from certain significant tax incentives provided to firms rendering business process management services under Indian tax laws. These incentives presently include an exemption from payment of Indian corporate income taxes for a period of ten consecutive years of operation of software development facilities designated as "Software Technology Parks" (the "STP Tax Holiday"). The Government of India recently amended the tax incentives available to companies set up in designated STPs. The period of the STP Tax Holiday available to such companies is restricted to 10 consecutive years beginning from the financial year when the unit started rendering business process management services or March 31, 2009, whichever is earlier.

16.2.10 The break up of deferred tax asset is given below

(in Rs.)

	As at March 31, 2007	As at March 31, 2006
Excess of depreciation allowable under Income tax law over depreciation provided in the accounts	2,66,37,841	1,26,49,306
Provision for leave encashment	69,77,528	-
	3,36,15,369	1,26,49,306

16.2.11 Loans and advances

Deposits with financial institution and body corporate comprise:

(in Rs.)

	As at March 31, 2007	As at March 31, 2006
Deposits with financial institution:		
Housing Development Finance Corporation Limited	130,000,000	11,00,00,000
Deposits with body corporate:		
GE Capital Services India	21,00,00,000	16,00,00,000

Maximum balance held during the year

(in Rs.)

	As at March 31, 2007	As at March 31, 2006
Deposits with financial institution:		
Housing Development Finance Corporation Limited	1,60,00,000	16,00,00,000
Deposits with body corporate:		
GE Capital Services India	21,00,00,000	16,00,00,000

16.2.12 Maximum balances held in non-scheduled banks

(in Rs.)

	As at March 31, 2007	As at March 31, 2006
Citibank N.A., Delaware	-	22,90,388
ICICI Bank, London	2,40,62,940	83,05,044
PNC Bank,New Jersey	2,29,750	2,24,750
Bank of America, California	17,22,88,866	7,97,09,478
Royal Bank of Canada, Ontario	41,09,140	-

16.2.13 Related party transactions

The company entered into related party transactions during the year with Infosys, the company's holding company.

The transactions are set out below:

(in Rs.)

Particulars	Year ended March 31, 2007	2006
Payment for personnel and shared services including facilities	31,40,78,014	21,12,35,362
Receipt from sale of services	8,42,61,279	3,28,28,517
Receipt for personnel and shared services	3,33,96,811	1,70,84,863
including facilities	11,76,58,090	4,99,13,380

The company has received certain managerial services from Mr. T. V. Mohandas Pai and Mr. S. D. Shibulal, directors of the company who are also directors of Infosys, at no cost.

The company entered into related party transactions during the year with Infosys BPO sro, Czech Republic, a subsidiary company. The transactions are set out below:

(in Rs.)

Particulars	Year ended March 31, 2007	Year ended March 31, 2006
Loan to Infosys BPO s.r.o	1,10,00,357	(54,97,898)
Payment for business consulting services	4,70,89,652	40,19,680
Payment for personnel and shared services		-
Receipt for personnel and shared services including facilities	41,89,686	1,06,32,553
Interest due on loan	11,10,465	27,89,277
	53,00,151	1,34,21,830

Infosys BPO s.r.o loan balance outstanding as of March 31, 2007 and March 31, 2006 was Rs.1,76,40,493 and Rs. 66,40,136. Other receivables due from Infosys BPO s.r.o as of March 31, 2007 and March 31, 2006 was Rs.nil and Rs. 57,39,826. Payables due to Infosys BPO s.r.o. as of March 31, 2007 and March 31, 2006 was Rs.57,60,954 and Rs. 40,19,680. The company has reimbursed the shared services paid to its employees by Infosys Technologies (Australia) Pty Limited, a subsidiary of Infosys Technologies Limited, Bangalore, amounting to Rs.11,71,737 and Rs.1,80,31,724 for the year ended March 31, 2007 and March 31, 2006 respectively.

Particulars of remuneration and other benefits paid to Managing Director during the year ended March 31, 2007 and 2006 are given below:

(in Rs.)

	Year ended March 31, 2007	Year ended March 31, 2006
Salary and allowances	30,76,107	31,84,059
Provident fund, gratuity and superannuation contributions	2,02,218	14,332
Performance incentives	29,98,980	17,48,838
	62,77,305	49,47,229

The particulars of remuneration and benefits paid to other senior management personnel during the year ended March 31, 2007 and 2006 are given below:

(in Rs.)

	Year ended March 31, 2007	Year ended March 31, 2006
Salary and allowances	35,16,349	92,25,408
Provident fund, gratuity and superannuation contributions	2,44,746	6,14,161
Performance incentives	52,23,416	1,07,82,441
	89,84,511	2,06,22,010

16.2. 14 Managerial remuneration paid to non-whole time director

Particulars of remuneration and other benefits paid to non-whole time directors during the year ended March 31, 2007 and 2006, are given below:

(in Rs.)

	Year ended March 31, 2007	Year ended March 31, 2006
Sitting fees	1,19,065	1,30,129
Commission	24,00,000	20,00,000

Computation of net profit in accordance with section 349 of the Companies Act,1956, and calculation of commission payable to non whole time directors.

(in Rs.)

	Year ended March 31, 2007	2006
Net profit after tax from ordinary activities	152,86,21,059	92,48,05,593
Add:		
1. Whole time director's remuneration	62,77,305	49,47,229
2. Director's sitting fee	1,19,065	1,30,129
3. Commission to non whole time directors	24,00,000	20,00,000
4. Depreciation as per books of account	24,99,94,596	17,90,05,628
5. Provision for doubtful debts	(3,53,847)	10,38,730
6. Provision for doubtful loans and advances	7,84,048	6,16,264
7. Provision for taxation	1,57,68,940	1,28,80,685
	180,36,11,166	112,54,24,258
Less:		
Depreciation as envisaged under Section 350 of the Companies Act, 1956*	24,99,94,596	17,90,05,628
Net profit on which commission is payable	155,36,16,570	94,64,18,630
Commission payable to non whole time directors:		
Maximum allowed as per the Companies Act, 1956 at 1%	1,55,36,166	94,64,186
Commission approved by the Board:	24,00,000	20,00,000

* The company depreciates fixed assets based on estimated useful lives that are lower than those implicit is Schedule XIV of the Companies Act, 1956. Accordingly, the rates of depreciation used by the company are higher than the minimum rates prescribed by the Schedule XIV of the Companies Act, 1956.

16.2.15 Investment activity

(in Rs.)

Current investments	No. of units as at March 31, 2007	March 31, 2006	Amount as at March 31, 2007	March 31, 2006
Birla Cash Plus Institutional Premium	95,67,295	1,11,91,753	9,58,59,280	11,21,15,044
DSP Merrill Lynch Liquidity Fund	-	83,25,195	-	8,33,14,245
Franklin Templeton Treasury Management		8,215		81,83,010
HDFC Liquid Fund	-	65,64,298		8,04,76,979
HSBC Cash Fund Institutional Fund		92,72,441		9,27,62,109
JM High Liquidity Fund Institutional Dividend		33,10,245		3,28,54,257
Principal Cash Management Fund	-	1,24,19,193	-	12,41,92,846
Prudential ICICI Liquid Plan Institutional Dividend	-	2,99,458	-	35,48,911
Reliance Liquid Fund - Treasury Plan	-	6,90,828	-	1,04,91,171
Grindlays Cash Fund Institutional Plan Dividend	-	18,81,848	-	1,88,02,401
TATA Liquid Super High Investment Fund	1,41,070	1,11,038	15,71,74,889	12,37,52,854
			25,30,34,169	**69,04,93,828**

Movement of Investment	Opening balance in units,Amount (Rs.)	Purchased in units,Amount (Rs.)	Redemption in units,Amount (Rs.)	Closing balance in units,Amount (Rs.)
	1,11,91,753	**53,61,919**	**69,86,377**	**95,67,295**
Birla Cash Plus Institutional Premium	11,21,15,044	5,37,44,235	7,00,00,000	9,58,59,280
	-	**1,53,66,714**	**1,53,66,714**	**-**
Chola Liquid Institutional Daily Dividend Plan	-	15,41,46,696	15,41,46,696	-

	83,25,195	**61,46,248**	**1,44,71,443**	**-**
DSP Merrill Lynch Liquidity Fund	8,33,14,245	6,15,45,329	14,48,59,574	-
	8,215	**1,42,298**	**1,50,513**	**-**
Franklin Templeton Treasury Management	81,83,010	14,23,68,006	15,05,51,016	-
	65,64,298	**1,20,17,870**	**1,85,82,168**	**-**
HDFC Liquid Fund	8,04,76,979	14,73,31,510	22,78,08,489	-
	92,72,441	**52,47,311**	**1,45,19,752**	**-**
HSBC Cash Fund Institutional Fund	9,27,62,109	5,25,16,720	14,52,78,829	-
	33,10,245	**1,54,812**	**34,65,057**	**-**
JM High Liquidity Fund Institutional Dividend	3,28,54,257	15,64,221	3,44,18,478	-
	-	**36,51,598**	**36,51,598**	**-**
LIC Mutual Fund Liquid Fund Dividend Plan	-	4,00,57,698	4,00,57,698	-
	1,24,19,193	**33,09,339**	**1,57,28,533**	**-**
Principal Cash Management Fund	12,41,92,846	3,31,28,322	15,73,21,168	-
	2,99,457	**1,55,99,398**	**1,58,98,855**	**-**
Prudential ICICI Liquid Plan Institutional Dividend	35,48,911	18,48,76,409	18,84,25,320	-
	6,90,828	**2,37,89,623**	**2,44,80,451**	**-**
Reliance Liquid Fund - Treasury Plan	1,04,91,171	24,49,68,336	25,54,59,507	-
	18,81,848	**3,08,429**	**21,90,277**	**-**
Grindlays Cash Fund Institutional Plan Dividend	1,88,02,401	27,98,05,210	29,86,07,611	-
	-	**1,35,96,382**	**1,35,96,382**	**-**
Kotak Liquid(Institutional)-Daily Dividend Plan	-	16,62,57,921	16,62,57,921	-
	1,11,038	**30,032**	**-**	**1,41,070**
TATA Liquid Super High Investment Fund	12,37,52,854	3,34,22,034	-	15,71,74,889

16.2.16 Deferred revenues

Revenue recognition has been deferred pending resolution of significant uncertainties regarding the amount of consideration that will be derived from rendering services. Deferred revenues amounted to Rs.11,69,38,859 and Rs. 5,64,83,958 as at March 31, 2007 and March 31, 2006 respectively.

16.2.17 Export obligation

The company has an export obligation towards the Software Technology Parks of India, in respect of duty free capital imports made by it. The remaining export obligation was nil and Rs. 3,34,26,099 as at March 31, 2007 and March 31, 2006 respectively.

16.2.18 Reconciliation between basic and dilutive shares

The reconciliation between basic and dilutive shares is set out below:

(in Rs.)

	Year ended March 31,	
	2007	2006
Weighted average shares used in computing basic earnings per share	3,41,71,966	3,15,82,791
Dilutive effect of stock options	13,77,349	23,07,021
Weighted average shares used in computing diluted earnings per share	3,55,49,315	3,38,89,812

The reconciliation between net profits for basic and dilutive shares is set out below. (in Rs.)

	Year ended March 31, 2007	2006
Profit available to equity shareholders for basic EPS	152,86,21,059	92,48,05,593
Add: Corporate dividend tax	-	1,362
Add: Preference dividend	-	9,709
Profit for computing dilutive EPS	152,86,21,059	92,48,16,664

16.2.19 Disclosure for Defined Benefit Plans

Gratuity is applicable to all permanent and full time employees of the company. Gratuity paid out is based on last drawn basic salary and dearness allowance at the time of termination or retirement. The scheme takes into account each completed year of service or part thereof in excess of six months. The normal age of retirement is 58 years and the entire contribution is borne by the company. The company recognises actuarial gains and losses as and when the same arise. The charge in respect of the same is taken to the profit and loss account.

Reconciliation of opening and closing balances of the present value of the defined benefit obligation:

(in Rs.)

	As at March 31, 2007
Obligations at the beginning of the year	2,62,50,439
Service cost	1,14,79,588
Interest cost	19,97,287
Benefits settled	(82,27,072)
Actuarial gain	50,75,174
Obligations at the year end	3,65,75,416

Defined benefit obligation liability as at the balance sheet is wholly funded by the company.

Change in plan assets:

(in Rs.)

	As at March 31, 2007
Plans assets at the year beginning, at fair value	2,64,62,265
Expected return on plan assets	21,14,335
Actuarial gain	3,03,185
Contributions (estimated)	1,59,22,703
Benefits settled (estimated)	(82,27,072)
Plans assets at the year end, at fair value	3,65,75,416

Reconciliation of present value of the obligation and the fair value of the plan assets:

(in Rs.)

	As at March 31, 2007
Fair value of plan assets at the end of the year	3,65,75,416
Present value of the defined benefit obligations at the end of the year	3,65,75,416
Asset recognized in the balance sheet	-

Gratuity cost for the year

	As at March 31, 2007
Service cost	1,14,79,588
Interest cost	19,97,287
Expected return on plan assets	(21,14,335)
Actuarial gain	47,71,989
Net gratuity cost	1,61,34,529

100% of plan assets are maintained by Life Insurance Corporation of India.

Assumptions

Discount rate	7.99%
Estimated rate of return on plan assets	7.99%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

The Company has contributed Rs.1,59,22,703 to its defined benefit plan in 2006-07.

16.2.20 Employees Stock Option Plan ("2002 Plan")

Guidance note on "Accounting for employee share based payments" (the guidance note) issued by Institute of Chartered Accountants of India establishes financial accounting and reporting principles for employee share based payment plans. The guidance note applies to employee share based payment plans the grant date in respect of which falls on or after April 1, 2005. The Company applies the intrinsic value-based method of accounting to account for its fixed plan stock options. Under this method, compensation expense is recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price on this date. The options vest on a graded basis; however there is no compensation expense since the grants are made at exercise prices equal to or greater than fair market value, as of the date of the grant.

16.2.20a Infosys BPO Employee Stock Option Plan 2002

The Company's 2002 Plan provides for the grant of stock options to employees of the Company and was approved by the Board of Directors and stockholders in June 2002. All options under the 2002 Plan are exercisable for equity shares. The 2002 Plan is administered by a Compensation Committee comprising three members, all of whom are directors of the company. The 2002 Plan provides for the issue of 52,50,000 equity shares to employees, at an exercise price, which shall not be less than the Fair Market Value ("FMV") on the date of grant. Options may also be issued to employees at exercise prices that are less than the FMV only if specifically approved by the members of the company in general meeting.

	Year ended 31-Mar-07	
	Shares arising out of options	Weighted average exercise prices (in Rs.)
Outstanding at the beginning of the year	24,52,330	133.44
Granted during the year	5,93,300	604.00
Forfeitures during the year	4,90,516	206.13
Exercised during the year	8,15,822	99.61
Outstanding at the end of the year	17,39,292	289.32
Exercisable at the end of the year	65,950	67.43

The weighted average fair value of options granted during the year ended March 31, 2007 is Rs. 305.34

	Year ended March 31, 2006	
	Shares arising out of options	Weighted average exercise prices (in Rs.)
Outstanding at the beginning of the year	31,16,518	54.76
Granted during the year	11,56,520	218.50
Forfeitures during the year	10,32,960	64.02
Exercised during the year	7,87,748	36.13
Outstanding at the end of the year	24,52,330	134.06

The weighted average fair value of options granted during the year ended March 31, 2006 is Rs.87.91

The following table summarizes information about stock options as of March 31, 2007 and March 31, 2006

Range of exercise prices (in Rs.)	Stock options outstanding at the end of the period March		Weighted average remaining contractual life March	
	2007	2006	2007	2006
33.12-58.33	1,88,371	6,85,425	2.47	0.98
58.34-77.89	1,92,375	4,23,900	2.54	1.24
77.90-99.20	1,23,600	2,26,475	2.91	1.45
99.21-162.23	23,500	77,800	2.27	1.88
162.24-195.00	4,04,961	6,20,550	3.66	2.40
195.01-214.00	26,475	80,100	2.77	2.42
214.01-230.00	1,49,610	1,81,680	4.42	2.84
230.01-310.00	1,19,300	1,56,400	4.30	2.99
310.01-604.00	5,11,100	-	4.92	-
	17,39,292	24,52,330	3.80	1.77

16.2.20b Infosys Employee Stock Option Plan 1999('1999 Plan")

On March 12, 2007, Infosys Technologies Limited purchased 12,19,532 unvested options held by the employees of Infosys BPO Limited for a cash consideration of Rs. 57.87 crore and has swapped 5,18,360 unvested options with 1,51,933 unvested stock options of Infosys with a two year vesting term. In addition, certain employees were granted additional 4,86,828 Infosys stock options under the Infosys 1999 Employee Stock Option Plan. The Infosys 1999 Employees Stock Option Plan was approved by the Board of Directors and stockholders in June 1999. All options under the 1999 Plan are exercisable for equity shares. The options granted under the 1999 plan vests over 2-6 years

	Year ended March 31, 2007	
	Shares arising out of options	Weighted average exercise prices (in Rs.)
Outstanding at the beginning of the year	-	-
Granted during the year	6,38,761	2,121
Forfeitures during the year	-	-
Exercised during the year	-	-
Outstanding at the end of the year	6,38,761	2,121

The weighted average fair value of options granted during the year ended March 31, 2007 is Rs. 534.91

The following table summarizes information about stock options as of March 31, 2007

Range of exercise prices (in Rs.)	Stock options outstanding at the end of the period 31st March 2007	Weighted average remaining contractual life 31st March 2007
0- 2120.95	6,38,761	2.86

As allowed by the guidance note, the Company has elected to continue to apply the intrinsic value-based method of accounting described above, and has adopted the disclosure requirements of the guidance note. Had compensation cost for the company's stock-based compensation plan been determined in a manner consistent with the fair value approach described in guidance note, the company's net income and basic earnings per share as reported would have reduced to the proforma amounts indicated below.

(in Rs.)

	Year ended March 31,	
	2007	2006
Net profit as reported	152,86,21,059	92,48,05,593
Less: Stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects*	12,35,73,222	3,87,62,981
Adjusted proforma profit	140,50,47,837	88,60,42,612
Basic EPS as reported	44.73	29.28

Adjusted proforma	41.12	28.05
Diluted EPS as reported	43.00	26.98
Adjusted proforma	39.52	25.85

*includes cost of options issued by Infosys to the employees of the company amounting to Rs. 63,32,491 and nil for the year ended March 31,2007 and 2006 respectively under Infosys 1999 Employee Stock Option Plan.The fair value of each option granted under Infosys BPO Employee Stock Option Plan is estimated on the date of grant using the Black-Scholes model with the following assumptions:

	Year ended March 31,	
	2007	2006
Dividend yield %	0.00%	0.00%
Expected life	1-6 years	1-6 years
Risk free interest rate	8.11%	6.90% - 7.13%
Volatility	50.00%	50.00%

The fair value of each option granted under Infosys 1999 Employee Stock Option Plan is estimated on the date of grant using the Black-Scholes model with the following assumptions:

	Year ended March 31,
	2007
Dividend yield %	0.20%
Expected life	1-6 years
Risk free interest rate	7% - 7.27%
Volatility	33.63% - 53.93%

16.2.21 Provision for SLA compliance

The provision for service level agreement compliance is based on estimates made by the management for on going contracts. In accordance with paragraphs 66 and 67 of the Accounting Standard 29, the movement in provision for service level agreement is given below

	for the year ended March 31, 2007
Balance at the beginning of the year	-
Additional provision made during the year	88,95,213
Provision used during the year	-
Unused amounts reversed during the year	-
Balance at the end of the year	88,95,213

16.2.22 Segment reporting

The company's operations primarily relate to providing business process management services to organizations that outsource their business processes. Accordingly, revenues represented along industry classes comprise the primary basis of segmental information set out in these financial statements. Secondary segmental reporting is performed on the basis of the geographical location of customers. The accounting principles consistently used in the preparation of the financial statements are also consistently applied to record income in individual segments. These are set out in the note on significant accounting policies. Industry segments at the company primarily comprise customers relating to financial services, telecom and other industries. Income in relation to segments is categorized based on items that are individually identified to those segments while expenditure is categorized in relation to the associated turnover of the segment. Certain expenses which form a significant component of total expenses are not specifically allocable to specific segments as the underlying services are used interchangeably. These expenses are separately disclosed as "unallocated" and adjusted only against the total income of the company. The company believes that it is not practical to provide segment disclosures relating to these costs and expenses, and accordingly these expenses are separately disclosed as unallocated and directly charged against total income. Fixed assets or liabilities contracted have not been identified to any reportable segments, as these are used interchangeably between segments. Geographical segments are segregated based on the location of the customers, or in relation to which the revenue is otherwise recognized.

Industry segments

Year ended **March 31, 2007** and March 31, 2006 (in Rs.)

Particulars	Financial services	Manufacturing	Telecom	Others	Total
Revenues	**209,68,44,101**	**66,03,68,106**	**260,96,73,903**	**112,87,67,612**	**649,56,53,722**
	174,07,54,636	19,94,26,255	148,57,45,735	25,32,99,323	367,92,25,949
Identifiable operating expenses	**95,14,49,285**	**28,93,18,647**	**172,56,48,297**	**48,17,03,172**	**344,81,19,401**
	68,89,10,434	6,42,42,160	96,50,65,351	11,89,39,020	183,71,56,965
Allocated expenses	**13,08,98,398**	**3,89,68,235**	**18,61,11,376**	**5,82,30,513**	**41,42,08,522**
	11,83,57,244	1,31,44,567	13,79,00,809	1,71,16,555	28,65,19,175
Segmental operating profit	**101,44,96,418**	**33,20,81,224**	**69,79,14,230**	**58,88,33,927**	**263,33,25,799**
	93,34,86,958	12,20,39,528	38,27,79,575	11,72,43,748	155,55,49,809
Unallocable expenses					**118,18,34,861**
					69,25,33,481
Operating profit					**145,14,90,938**
					86,30,16,328
Other income net					**9,28,99,061**
					7,46,69,950
Net profit before taxes					**154,43,89,999**
					93,76,86,278
Taxes					**1,57,68,940**
					1,28,80,685
Net profit after taxes					**152,86,21,059**
					92,48,05,593

Geographical segments

Year ended **March 31, 2007** and March 31, 2006 (in Rs.)

Particulars	United States of America	United Kingdom	Others	Total
Revenues	**367,75,30,646**	**273,37,47,779**	**8,43,75,297**	**649,56,53,722**
	214,47,45,636	149,95,21,297	3,49,59,016	367,92,25,949
Identifiable operating expenses	**207,30,60,680**	**130,83,43,327**	**6,67,15,395**	**344,81,19,402**
	110,49,83,570	72,79,09,902	42,63,491	183,71,56,963
Allocated expenses	**24,96,35,379**	**15,61,01,106**	**84,72,036**	**41,42,08,521**
	17,30,11,215	11,28,15,533	6,92,429	28,65,19,177
Segmental operating profit	**135,48,34,587**	**126,93,03,346**	**91,87,866**	**263,33,25,799**
	86,67,50,851	65,87,95,862	3,00,03,096	155,55,49,809
Unallocable expenses				**118,18,34,861**
				69,25,33,481
Operating profit				**145,14,90,938**
				86,30,16,328
Other income net				**9,28,99,061**
				7,46,69,950
Net profit before taxes				**154,43,89,999**
				93,76,86,278
Taxes				**1,57,68,940**
				1,28,80,685

Net profit after taxes	**152,86,21,059**
	92,48,05,593

16.2.23 Pursuant to the buy back announcement made by the company on 4th December 2006, it has bought back from the employees and extinguished 11,39,469 equity shares of Rs.10 each during the year ended 31st March 2007 for a total consideration of Rs.68,82,39,276 at the price of Rs.604 per share on 29th December 2006. Consequently, an amount of Rs.1,13,94,690 being the nominal value of equity shares bought back and extinguished has been transferred to Capital Redemption Reserve and an amount of Rs.67,68,44,586 being the premium on buyback has been appropriated from Securities Premium Account.

16.2.24 Previous year figures have been regrouped/reclassified, wherever necessary, to confirm to the current year's presentation.

Balance Sheet abstract and Company's General Business Profile

Registration Details			
CIN Number			7220 KA 2002 PLC 030310
State Code			08
Balance Sheet Date			March 31, 2007
Capital raised during the year			
Public Issue		-	
Rights Issue		-	
Bonus Issue	-	-	
Private Placements		-	
Preferential offer of shares under Employees Stock Option Plan			78,77,480
Position of mobilization and deployment of funds			
Total liabilities			335,36,14,648
Total assets			335,36,14,648
Sources of Funds			
Paid up capital			33,82,77,510
Reserves and surplus			301,53,37,138
Secured loans		-	
Unsecured loans		-	
Application of Funds			
Net fixed assets			62,40,67,401
Investments			28,80,13,162
Net Current assets			244,15,34,085
Miscelleneous expenditure		-	
Accumulated losses		-	
Performance of the Company			
Turnover			649,56,53,722
Other Income			9,28,99,061
Total Income			658,85,52,783
Total Expenditure			504,41,62,784
Profit / (Loss) before tax			154,43,89,999
Extraordinary Income		-	
Profit / (Loss) after tax			152,86,21,059
Earnings per share from ordinary activities (Basic)			44.73
Earnings per share from ordinary activities (Diluted)			43.00
Dividend rate (%)		-	
Generic names of principal products / services of the company			Business Process Outsourcing
Item code no.(ITC Code)			85 24 91 19
Product description			Software - others

T.V.Mohandas Pai	Amitabh Chaudhry	S.D.Shibulal	Prof.Jayanth R.Varma
Chairman & Director	Managing Director & Chief Executive Officer	Director	Director
Sridar A.Iyengar	B.G.Srinivas	Abraham Mathews	N.R.Ravikrishnan
Director	Director	Head - Finance & Accounts	Company Secretary

April 6, 2007

Statement pursuant to Section 212 of the Companies Act, 1956, relating to the subsidiary company

1.	Name of the subsidiary	Infosys BPO s.r.o
2.	Financial period ended	March 31, 2007
3.	Holding company interest	100%
4.	The net aggregate of profits or losses for the current period of the subsidiary so far as it concerns the members of the holding company	
	a. dealt with or provided for in the accounts of the holding company	Rs. 1,46,91,251/-
	b. not dealt with or provided for in the accounts of the holding company	Nil
5.	The net aggregate of profits or losses for previous financial years of the subsidiary so far as it concerns the members of the holding company	
	a. dealt with or provided for in the accounts of the holding company	Rs.(2,40,65,926)
	b. not dealt with or provided for in the accounts of the holding company	Nil

T. V. Mohandas Pai
Chairman and Director

Amitabh Chaudhry
Managing Director and
Chief Executive Officer

S. D. Shibulal
Director

Prof. Jayanth R. Varma
Director

Sridar.A.Iyengar
Director

B.G.Srinivas
Director

Abraham Mathews
Head – Finance & Accounts

Ravikrishnan N.R
Company Secretary

Bangalore
April 6, 2007

Consolidated financial statements of Infosys BPO Limited and its subsidiary

Auditors' report to the Board of Directors of Infosys BPO Limited (formerly Progeon Limited) and its subsidiary

We have audited the attached consolidated Balance Sheet of Infosys BPO Limited (formerly Progeon Limited) ('the Company') and its subsidiary (collectively called 'the Group') as at March 31, 2007, the consolidated Profit and Loss Account and the consolidated Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India.

In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2007;

(b) in the case of the consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date; and

(c) in the case of the consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

for BSR & Co.
Chartered Accountants

Natrajan Ramkrishna
Partner
Membership No: 32815

Bangalore
April 6, 2007

Consolidated Balance Sheet

In Rs.

	Schedule	March 31, 2007	March 31, 2006
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	1	33,82,77,510	34,15,13,980
Reserves and surplus	2	298,05,37,986	206,75,21,510
		331,88,15,496	**240,90,35,490**
APPLICATION OF FUNDS		-	-
FIXED ASSETS			
Original cost	3	119,60,05,614	71,82,78,709
Less : Depreciation		62,67,15,509	37,33,44,961
		56,92,90,105	34,49,33,748
Capital work-in-progress and advances		7,85,81,789	31,34,752
		64,78,71,894	**34,80,68,500**
INVESTMENTS	4	**25,30,34,169**	**69,04,93,828**
DEFERRED TAX ASSET	16.2.6	**3,36,15,369**	**1,26,49,306**
CURRENT ASSETS, LOANS AND ADVANCES			
Sundry debtors	5	125,07,28,239	71,80,30,124
Cash and bank balances	6	200,86,72,636	81,11,22,679
Loans and advances	7	50,02,57,758	38,08,89,333
Other current assets	8	11,35,96,822	5,37,41,213
		387,32,55,455	**196,37,83,349**
LESS: CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	9	141,17,75,564	57,07,83,828
Provisions	10	7,71,85,827	3,51,75,665
NET CURRENT ASSETS		**238,42,94,064**	**135,78,23,856**
		331,88,15,496	**240,90,35,490**
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	16		

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached
for BSR & Co.

Chartered Accountants

Natrajan Ramkrishna	T.V.Mohandas Pai	Amitabh Chaudhry	S.D.Shibulal	Prof.Jayanth R.Varma
Partner	Chairman and Director	Managing Director and Chief Executive Officer	Director	Director
Membership No. 32815				
	Sridar A.Iyengar	B.G.Srinivas	Abraham Mathews	N.R.Ravikrishnan
	Director	Director	Head - Finance & Accounts	Company Secretary

Bangalore
April 6, 2007

Consolidated Profit and Loss Account

	Schedule	Year ended March 31, 2007	2006
INCOME			
Revenues from business process management services		662,39,23,687	378,67,35,152
		662,39,23,687	378,67,35,152
COST OF REVENUES	11	374,09,71,257	201,31,80,909
GROSS PROFIT		**288,29,52,430**	**177,35,54,243**
SELLING AND MARKETING EXPENSES	12	41,53,00,371	20,10,66,185
GENERAL AND ADMINISTRATION EXPENSES	13	76,54,54,327	49,53,15,500
OPERATING PROFIT BEFORE DEPRECIATION		**170,21,97,732**	**107,71,72,558**
Depreciation	3	25,61,43,986	18,27,01,636
OPERATING PROFIT AFTER DEPRECIATION		**144,60,53,746**	**89,44,70,922**
Other Income	14	8,85,94,260	5,17,32,509
PROFIT BEFORE TAX		**153,46,48,006**	**94,62,03,431**
Provision for taxation	15	1,85,58,273	1,28,80,685
NET PROFIT AFTER TAX		**151,60,89,733**	**93,33,22,746**
Balance brought forward from the previous year		119,63,57,674	26,30,45,999
AMOUNT AVAILABLE FOR APPROPRIATION		**271,24,47,407**	**119,63,68,745**
Preference Dividend		-	9,709
Dividend Tax		-	1,362
BALANCE CARRIED FORWARD		271,24,47,407	119,63,57,674
Total		**271,24,47,407**	**119,63,68,745**
EARNINGS PER SHARE			
Equity shares of par value Rs.10 each			
Basic		44.37	29.55
Diluted		42.65	27.54
Weighted average number of shares used in computing earnings per share:			
Basic		3,41,71,966	3,15,82,791
Diluted		3,55,49,315	3,38,89,812
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	16		

The schedules referred to above form an integral part of the Profit and Loss Account.

As per our report attached
for BSR & Co.
Chartered Accountants

Natrajan Ramkrishna	T.V.Mohandas Pai	Amitabh Chaudhry	S.D.Shibulal	Prof.Jayanth R.Varma
Partner	Chairman and Director	Managing Director and Chief Executive Officer	Director	Director
Membership No. 32815				

Sridar A.Iyengar	B.G.Srinivas	Abraham Mathews	N.R.Ravikrishnan
Director	Director	Head - Finance & Accounts	Company Secretary

Bangalore

April 6, 2007

Consolidated Cash Flow Statement

	Year ended March 31, 2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	153,46,48,006	94,62,03,431
Adjustments to reconcile profit before tax to cash provided by operating activities		
Depreciation	25,61,43,986	18,27,01,636
Interest income	(6,49,60,912)	(3,54,62,481)
Dividend income	(7,08,51,766)	(3,56,05,563)
Profit on sale of investments	(8,62,927)	(2,93,541)
Provision for doubtful debts	(3,53,847)	10,38,730
Provision for doubtful loans and advances	7,84,048	6,16,264
Effect of exchange differences on translation of foreign currency cash and cash equivalents	73,65,500	14,74,459
Changes in current assets and liabilities		
Sundry debtors	(53,23,44,267)	(23,39,94,237)
Loans & Advances	(5,01,60,473)	(5,06,40,414)
Other current assets	(501,51,570)	(3,82,33,350)
Current liabilities	82,21,34,143	24,93,32,220
Provisions	3,20,10,577	3,93,69,564
Income tax paid during the year, net	(2,95,24,751)	(1,29,51,558)
NET CASH GENERATED BY OPERATING ACTIVITIES	**185,38,75,747**	**101,35,55,160**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets and change in capital work-in-progress / advances	(53,70,81,787)	(31,09,56,928)
Interest received	5,52,56,872	2,98,58,841
Dividend received	7,08,51,766	3,56,05,563
Purchase of units in liquid mutual funds	(159,57,32,647)	(108,45,88,866)
Proceeds from sale of units in liquid mutual funds	203,40,55,232	80,58,78,593
NET CASH GENERATED BY/ (USED IN) INVESTING ACTIVITIES	**2,73,49,436**	**(52,42,02,797)**
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issuance of share capital	8,12,22,308	2,77,20,806
Buy back of share capital	(68,82,39,276)	
Preference dividend paid during the period	-	(9,709)
Dividend tax paid during the period	-	(1,362)
NET CASH GENERATED BY FINANCING ACTIVITIES	**(60,70,16,968)**	**2,77,09,735**
Effect of exchange differences on translation of foreign currency cash and cash equivalents	(6,658,259)	(7,10,747)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	126,75,49,957	51,63,51,351
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	108,11,22,679	56,47,71,328
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD*	**234,86,72,636**	**108,11,22,679**

* Cash and cash equivalents aggregating Rs.234,86,72,636 (Rs.10,81,12,679 as at March 31, 2006) comprises cash on hand amounting to Rs.1,99,904 (Rs.32,223 as at March 31, 2006), balances with banks amounting to Rs.200,84,72,732 (Rs.81,10,90,456 as at March 31, 2006) and deposits with financial institution/body corporate amounting to Rs.34,00,00,000 (Rs.27,00,00,000 as at March 31, 2006).

This is the Cash Flow Statement referred to in our report of even date.

for BSR & Co.

Chartered Accountants

Natrajan Ramkrishna
Partner
Membership No. 32815

T.V.Mohandas Pai
Chairman and Director

Amitabh Chaudhry
Managing Director and
Chief Executive Officer

S. D. Shibulal
Director

Prof.Jayanth R.Varma
Director

Sridar A.Iyengar
Director

B.G.Srinivas
Director

Abraham Mathews
Head - Finance & Accounts

N.R.Ravikrishnan
Company Secretary

Bangalore

April 6, 2007

Schedules to the Consolidated Balance Sheet

In Rs.

		March 31, 2007	March 31, 2006
1	**SHARE CAPITAL**		
	AUTHORISED		
	Equity shares, Rs.10 (Rs.10) par value		
	12,33,75,000 (2,71,25,000) equity shares	123,37,50,000	123,37,50,000
		123,37,50,000	**123,37,50,000**
	ISSUED, SUBSCRIBED AND PAID UP		
	Equity shares, Rs.10 (Rs.10) par value*		
	3,38,27,751** (3,41,51,398) equity shares fully paid up	33,82,77,510	34,15,13,980
	[Of the above, 3,34,61,902 (2,44,99,993) equity shares are held by Infosys Technologies Limited, the company's holding company and 7 (7) equity shares are beneficially held on behalf of Infosys Techonologies Limited by the subscribers to the Memorandum of Association]		
		33,82,77,510	**34,15,13,980**
	* For details of options in respect of the above shares refer to note 16.2.16		
	** Refer to note 16.2.19 for details of buy back.		
2	**RESERVES AND SURPLUS**		
	Securities premium account at the beginning of the year	87,00,72,977	6,27,29,651
	Add : Received during the year on issue of shares	7,30,64,088	80,80,80,826
	Less : Transfer to Capital Redemption Reserve*	1,13,94,690	-
	Less : Utilisation on account of Buy Back of Shares*	67,68,44,586	-
	Less : Share issue expenses written off	-	7,37,500
	Securities premium account at the end of the year	**25,48,97,789**	**87,00,72,977**
	Capital Redemption Reserve* (transferred during the year)	1,13,94,690	**-**
	Foreign exchange translation reserve	17,98,100	10,90,859
	Balance in profit and loss account	271,24,47,407	119,63,57,674
		298,05,37,986	**206,75,21,510**

* Refer note 16.2.19 on Buy Back of Shares

Schedules to the Consolidated Balance Sheet (continued)

3 FIXED ASSETS

Particulars	Original cost				Depreciation				Net book value	
	Cost as of April 01, 2006	Additions during the year	Deletions during the year	Cost as of March 31, 2007	As of April 01, 2006	For the year	Deductions during the year	As of March 31, 2007	As of March 31, 2007	As of March 31, 2006
Leasehold improvements	6,48,72,577	6,72,43,113	56,09,156	12,65,06,534	2,35,36,076	1,97,94,789	27,19,936	4,06,10,929	8,58,95,605	4,12,24,061
Plant and machinery	9,82,51,418	16,31,17,800	-	26,13,69,218	3,04,95,928	4,53,39,733	-	7,58,35,661	18,55,33,557	6,77,55,490
Computer equipment	41,71,30,489	20,89,75,262	1,18,463	62,59,87,288	27,25,32,596	16,17,19,133	53,502	43,41,98,227	19,17,89,061	14,45,97,893
Furniture and fixtures	13,80,24,225	4,41,18,349	-	18,21,42,574	4,67,80,361	2,92,90,331	-	7,60,70,692	10,60,71,882	9,13,56,304
	71,82,78,709	**48,34,54,524**	**57,27,619**	**119,60,05,614**	**37,33,44,961**	**25,61,43,986**	**27,73,438**	**62,67,15,509**	**56,92,90,105**	**34,49,33,748**
Previous year	40,81,41,340	31,05,51,179	4,13,810	71,82,78,709	19,07,48,752	18,27,01,636	1,05,427	37,33,44,961	34,49,33,748	-

		March 31, 2007	March 31, 2006
4	**INVESTMENTS**		
	Trade (unquoted) - at cost		
	Long term investment	-	-
	Non-Trade (unquoted) - at lower of cost or fair value		
	Current investments *		
	Liquid mutual funds	25,30,34,169	69,04,93,828
		25,30,34,169	**69,04,93,828**
	* Refer to note 16.2.11 for details of investment		
5	**SUNDRY DEBTORS**		
	Debts outstanding for a period exceeding six months		
	Unsecured considered doubtful	6,84,882	10,38,730
	Debts outstanding for a period less than six months		
	Unsecured considered good	125,07,28,239	71,80,30,124
		125,14,13,121	71,90,68,854
	Less : Provision for doubtful debts	6,84,882	10,38,730
		125,07,28,239	**71,80,30,124**
6	**CASH AND BANK BALANCES**		
	Cash on hand	1,99,904	32,223
	Balances with scheduled banks		
	-in current accounts	30,67,11,898	11,88,91,079
	-in deposit accounts in Indian rupees	162,00,00,000	64,50,02,000
	Balances with non-scheduled banks		
	-in current accounts	8,17,60,834	4,71,97,377
		200,86,72,636	**81,11,22,679**
	Balances with non scheduled banks		
	In current accounts		
	Royal Bank of Canada, Ontario	15,24,430	-
	PNC Bank , New Jersey**	2,15,500	2,22,400
	ICICI Bank, London	31,68,794	27,10,863
	Bank of America, California	4,66,27,724	2,92,71,538
	Citibank N.A., Czech Republic	3,02,24,386	1,49,92,576
		8,17,60,834	4,71,97,377

** This represent restricted Bank balance, in trust account, in accordance with collection agency licensing requirements in US.

Schedules to the Consolidated Balance Sheet (continued)

		March 31, 2007	March 31, 2006
7	**LOANS AND ADVANCES**		
	Unsecured, considered good		
	Advances		
	Prepaid expenses	2,73,18,897	1,78,75,009
	For supply of goods and rendering of services	49,07,895	82,46,948
	Loans and advances to employees	7,57,11,384	4,58,10,854
		10,79,38,176	**7,19,32,811**
	Deposits with financial institutions and body corporate*	34,00,00,000	27,00,00,000
	Deposits with government authorities	2,17,075	2,17,074
	Rental deposits	4,84,07,057	3,58,13,188
	Electricity and other deposits	34,85,131	27,15,941
	Advance income tax, net	2,10,319	2,10,319
		50,02,57,758	**38,08,89,333**
	Unsecured, considered doubtful		
	Loans and advances to employees	14,08,312	6,16,264
		50,16,66,070	**38,15,05,597**
	Less : Provision for doubtful loans and advances to employees	14,08,312	6,16,264
		50,02,57,758	**38,08,89,333**
8	**OTHER CURRENT ASSETS**		
	Unbilled revenue	5,51,95,459	4,32,70,958
	Other assets	5,84,01,363	1,04,70,255
		11,35,96,822	**5,37,41,213**
9	**CURRENT LIABILITIES**		
	Sundry creditors		
	for capital goods	5,58,34,572	3,69,76,979
	for expenses	1,93,50,301	1,00,72,945
	for accrued salaries and benefits		
	salaries and allowances	10,67,80,639	2,12,70,073
	ex-gratia and incentives	34,76,98,528	11,95,20,578
	for other liabilites		
	provision for expenses	73,23,11,312	32,41,73,462
	withholding and other taxes payable	42,05,557	22,85,833
	advance against subsidy	2,72,22,581	-
	loss on forward exchange contract and options	14,33,215	-
		129,48,36,705	51,42,99,870
	Unearned revenue	11,69,38,859	5,64,83,958
		141,17,75,564	**57,07,83,828**
10	**PROVISIONS**		
	Provision for leave encashment	5,14,12,279	2,82,96,915
	Provisions for SLA compliance*	88,95,213	-
	Provision for income taxes, net	1,68,78,335	68,78,750
		7,71,85,827	**3,51,75,665**

* Refer to note 16.2.17 for details of Provision for SLA compliance.

Schedules to the Consolidated Profit and Loss Account

In Rs.

		Year ended March 31, 2007	2006
11	**COST OF REVENUES**		
	Salaries including overseas staff expenses	213,63,95,379	102,45,59,059
	Staff welfare	2,56,05,176	1,82,47,540
	Contribution to provident and other funds	10,27,09,903	6,25,96,781
	Travelling expenses	27,13,17,571	19,00,79,035
	Conveyance	35,18,23,044	18,90,76,279
	Cost of software for own use	8,84,99,897	4,53,39,684
	Computer maintenance	1,84,73,332	1,54,90,884
	Communication expenses	15,86,51,039	13,67,17,812
	Rent	21,85,06,819	11,58,32,456
	Consultancy charges	25,21,94,876	15,06,62,241
	Consumables	48,71,172	32,56,882
	Recruitment and training expenses	9,13,89,215	4,10,31,038
	Insurance	38,19,876	80,09,300
	Other miscellaneous expenses	1,67,13,958	1,22,81,918
		374,09,71,257	**201,31,80,909**
12	**SELLING AND MARKETING EXPENSES**		
	Salaries including overseas staff expenses	29,70,03,597	13,03,63,505
	Brand building and advertisement	57,47,332	21,23,130
	Contribution to provident and other funds	1,07,09,195	44,01,707
	Staff welfare	38,67,890	2,50,406
	Travelling expenses	6,40,48,327	3,53,31,362
	Communication expenses	59,51,857	35,33,619
	Conveyance	15,77,283	9,01,545
	Rent	1,11,83,633	1,15,92,768
	Printing and stationery	8,37,920	2,09,044
	Insurance	7,80,501	-
	Recruitment expenses	58,57,455	76,56,680
	Professional charges	50,96,541	13,99,262
	Professional memberships and seminars	7,81,100	11,93,184
	Other miscellaneous expenses	18,57,740	21,09,973
		41,53,00,371	**20,10,66,185**

Schedules to the Consolidated Profit and Loss Account

In Rs.

		Year ended ended March 31, 2007	2006
13	**GENERAL AND ADMINISTRATION EXPENSES**		
	Salaries	27,53,77,130	14,79,06,719
	Staff welfare	2,71,19,720	1,44,99,975
	Contribution to provident and other funds	1,49,46,096	80,67,290
	Conveyance	3,97,27,978	2,79,20,277
	Consumables	4,36,720	4,18,012
	Cost of software for own use	62,88,119	1,88,54,854
	Rent	1,51,24,913	1,26,63,572
	Telephone and communication charges	3,73,77,058	2,21,07,787
	Legal and professional charges	6,27,95,890	4,06,57,715
	Printing, stationery and office maintainance	11,01,73,322	7,46,95,620
	Power and fuel	8,52,44,735	5,59,91,194
	Recruitment and training expenses	3,87,62,390	2,54,33,916
	Insurance	3,42,72,081	2,17,62,663
	Rates and taxes	48,81,184	97,34,095
	Auditor's remuneration		
	audit fees	13,00,000	11,00,000
	out-of-pocket expenses	60,000	60,000
	Bank charges and commission	13,16,267	15,51,467
	Postage and courier	21,83,268	13,39,123
	Professional membership and seminar participation fees	9,53,888	50,24,872
	Provision for doubtful debts	(3,53,847)	10,38,730
	Provision for doubtful loans and advances	7,84,048	6,16,264
	Loss on sale of assets	14,44,212	-
	Other miscellaneous expenses	52,39,155	38,71,355
		76,54,54,327	**49,53,15,500**
14	**OTHER INCOME**		
	Interest income *		
	On deposits with financial institutions and body corporate	2,06,83,223	1,09,38,096
	On deposits with banks	4,42,77,689	2,45,24,385
	Dividends from liquid mutual fund investments	7,08,51,766	3,56,05,563
	Profit on sale of investments	8,62,927	2,93,541
	Exchange gain/(loss), net	(4,83,57,628)	(2,01,49,818)
	Interest on income tax refund	-	1,66,962
	Miscellaneous income	2,76,283	3,53,780
		8,85,94,260	**5,17,32,509**
	*Tax deducted at source on interest income	1,45,55,102	88,32,174
15	**PROVISION FOR TAXATION**		
	Current taxes	3,95,24,336	21,841,130
	Deferred taxes	(2,09,66,063)	(89,60,445)
		1,85,58,273	**1,28,80,685**

Schedules to the consolidated financial statements for the year ended March 31, 2007 (continued)

16 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

Company overview

Infosys BPO Limited ("the Company") along with its wholly owned subsidiary, Infosys BPO s.r.o (formerly known as Progeon s.r.o) collectively called as "Group" and individually as "Infosys BPO" and "Infosys BPO s.r.o" respectively is a leading provider of business process management services to organizations that outsource their business processes. The Group leverages the benefits of service delivery globalization, process redesign and technology and thus drives efficiency and cost effectiveness into client's business processes and thereby improve their competitive position by managing their business processes in addition to providing increased value.

The name of the company was changed from Progeon Limted to Infosys BPO Limited with effect from August 29, 2006. The name of the wholly owned subsidiary was changed from Progeon s.r.o to Infosys BPO s.r.o with effect from February 19, 2007.

16.1 Significant accounting policies

16.1.1 Basis of preparation of financial statements

The accompanying financial statements are prepared under the historical cost convention, in accordance with Indian Generally Accepted Accounting Principles ("GAAP") on the accrual basis. GAAP comprises accounting standards issued by the Institute of Chartered Accountants of India ("ICAI") and the relevant provisions of the Companies Act, 1956 to the extent applicable. All amounts are stated in Indian Rupees, except as otherwise specified.Management evaluates all recently issued or revised accounting standards on an on-going basis

The financial statements are prepared in accordance with the principles and procedures required for the preparation and presentation of consolidated financial statements as laid down under the accounting standards on Consolidated Financial Statements issued by the ICAI. The financial statements of the parent company, Infosys BPO and its subsidiary Infosys BPO s.r.o have been combined on a line by line basis by adding together book values of like items of assets, liabilities, income and expenses after eliminating intra group balances and transactions and resulting unrealized gain/ loss.The consolidated financial statements are prepared by applying uniform accounting policies in use at the Group Exchange difference resulting from the difference due to transactions of foreign currency assets and liabilities in subsidiaries is disclosed as foreign currency translation reserve.

16.1.2 Use of Estimates

The preparation of the financial statements in conformity with GAAP requires that the management of the company make estimates and assumptions that affect the reported amounts of income and expenses of the period, reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as of the date of the Consolidated financial statements. Examples of such estimates include expected development costs to complete business process management service contracts, provisions for doubtful debts, provision for income taxes and the useful lives of fixed assets. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in current and future years.

16.1.3 Revenue recognition

The Group derives its revenues primarily from business process management services, on both the time-and-material and fixed-price, fixed-time frame bases. Revenue on time-and-material contracts is recognized as the related services are rendered. Revenue from fixed-price, fixed-time frame contracts is recognized as per the proportionate-completion method. Revenues from unit-priced contracts are recognized as transactions are processed based on objective measures of output. When the company receives advances for its services, such amounts are reported as client deposits until all conditions for revenue recognition are met.Interest on deployment of surplus funds is recognised using time proportion method, based on underlying interest rates.

16.1.4 Expenditure

The cost of software user licenses purchased for rendering business process management services is charged to revenue when put to use. Charges relating to non-cancelable long-term operating leases are computed on a straight line basis over the period of the lease.

16.1.5 Fixed assets and capital work-in-progress

Fixed assets are stated at cost, after reducing accumulated depreciation until the date of the balance sheet. Direct costs are capitalized until the assets are ready for use and include financing costs relating to any borrowing attributable to acquisition or construction of those fixed assets which necessarily take a substantial period of time to get ready for their intended use. Capital work-in-progress includes the cost of fixed assets that are not yet ready for their intended use and advances paid to acquire fixed assets before the balance sheet date.

16.1.6 Depreciation

Depreciation on fixed assets is determined using the straight-line method based on useful lives of assets as estimated by the company. Depreciation for assets purchased/sold during the period is proportionately charged. Individual assets costing Rs. 5,000 or less are depreciated at the rate of 100% on a pro-rata basis. Leasehold improvements are written off over the lower of the remaining period of lease or the life of the asset. Management estimates the useful lives for the various fixed assets as follows:

Building and related assets	Fifteen years
Computer equipment	Two years
Plant and machinery	Five years
Furniture and fixtures	Five years

16.1.7 Retirement benefits to employees

16.1.7a Gratuity

In accordance with the Payment of Gratuity Act, 1972, Infosys BPO provides for gratuity, a defined benefit retirement plan (the "Gratuity Plan") covering all employees. The Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment. Liabilities with regard to the Gratuity Plan are determined by actuarial valuation, carried out at the period end by an independent actuary based upon which company contributes to the Infosys BPO employees Gratuity Fund Trust (the 'Trust'). The trustee administers contributions made to the Trust and invests the corpus with LIC of India.

16.1.7b Superannuation

Certain employees of Infosys BPO are eligible for superannuation benefits. The company contributes Rs 100/- annually for the superannuation benefits of the employees. The company has no further obligations to the supperannuation plan beyond the yearly contribution to the trust fund, the corpus of which is invested with the LIC of India.

16.1.7c Provident fund

Eligible employees receive benefits from a provident fund, which is a defined contribution plan. Both the employee and the company make monthly contributions to this provident fund plan equal to a specified percentage of the covered employee's salary. Amounts collected under the provident fund plan are deposited in a Government administered provident fund. The company has no further obligations under the provident fund plan beyond its monthly contributions.

16.1.7d Leave encashment

Leave encashment liability is provided on the basis of an actuarial valuation carried out at the year end.

16.1.8 Foreign currency transactions

Revenue from overseas clients and collections deposited in bank accounts are recorded at the exchange rate as of the date of the respective transactions. Expenditure in foreign currency is accounted at the exchange rate prevalent when such expenditure is incurred. Disbursements made out of bank accounts are reported at a rate that approximates the actual monthly rate. Exchange differences are recorded when the amount actually received on sales or actually paid when expenditure is incurred is converted into Indian rupees. The exchange differences arising on foreign currency transactions are recognized as income or expense in the period in which they arise. Monetary assets and monetary liabilities denominated in foreign currency are translated at the exchange rate prevalent at the date of the balance sheet. The resulting difference is also recorded in the profit and loss account.

16.1.9 Forward contracts and options contracts in foreign currencies

The Group uses forward contracts and options contract to hedge its exposure to movements in foreign exchange rates. The use of these forward contracts and options contract reduces the risk or cost to the group and the group does not use the forward contracts and options contract for trading or speculation purposes. The Group records the mark to market gain or loss on effective hedges in the foreign currency fluctuation reserve until the transactions are complete. On completion, the gain or loss is transferred to the profit and loss account of that period. To designate a forward contract or options contract as an effective hedge, management objectively evaluates and evidences with appropriate supporting documents at the inception of each contract whether the contract is effective in achieving offsetting cash flows attributable to the hedged risk. In the absence of an effective hedge, a gain or loss is recognized in the profit and loss account.

16.1.10 Income tax

Income taxes are computed using the tax effect accounting method, where taxes are accrued in the same period the related revenue and expenses arise. A provision is made for income tax annually, based on the tax liability computed, after considering tax allowances and exemptions. Provisions are recorded when it is estimated that a liability due to disallowances or other matters is probable.

The differences that result between the profit considered for income taxes and the profit as per the financial statements are identified, and thereafter a deferred tax asset or deferred tax liability is recorded for timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount being considered. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on prevailing enacted or substantially enacted regulations. Deferred tax assets are recognized only if there is reasonable certainty that they will be realized and are reviewed for the appropriateness of their respective carrying values at each balance sheet date.

16.1.11 Provisions and contingent liabilities

The company recognises a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made. Provisions are made for all known losses and liabilities and future unforeseeable factors that may affect the profit on fixed-price business process management contracts.

16.1.12 Impairment of assets

Management periodically assesses using external and internal sources whether there is an indication that an asset may be impaired. An impairment occurs where the carrying value exceeds the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. The impairment loss to be expensed is determined as the excess of the carrying amount over the higher of the asset's net sales price or present value as determined above.

16.1.13 Earnings per share

In determining earnings/ (loss) per share, the company considers the net profit/ (loss) after tax. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the period. Diluted earnings per share are computed using the weighted average number of basic and dilutive common equivalent shares outstanding during the period, except where the result would be anti-dilutive. Dilutive potential equity shares are deemed converted as of the beginning of the year, unless they have been issued at a later date.

16.1.14 Preliminary expenses

Share issue expenses are written off against the share premium account.

16.1.15 Investments

Trade Investments are the investments made to enhance the company's business interests. Investments are either classified as current or long-term based on the management's intention at the time of purchase. Current investments are carried at the lower of cost and fair value. Long-term investments are carried at cost and provisions recorded to recognize any decline, other than temporary, in the carrying value of each investment. Any dividends are recorded as income in the profit and loss account when the right to receive dividend is established.

16.1.16 Cash Flow Statement

Cash flows are reported using the Indirect method, thereby profit before tax is adjusted for the effects of transactions of a non - cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, financing and Investing activities of the company as segregated. Cash flows in Foreign currency are accounted at average monthly exchange rates that approximate the actual rates of exchange prevailing at the dates of the transaction.

16.1.17 Employee Stock Options

The company applies the intrinsic value-based method of accounting prescribed by Accounting Research Committee of the Institute of Chartered Accountants of India, Accounting for employee share based payments, to account for its fixed plan stock options. Under this method, compensation expense is recorded on the date of grant only if the current market price of the underlying stock exceeds the exercise price. The options vest on a graded basis; however there is no compensation expense since the grants are made at exercise prices equal to or greater than fair market value, as of the date of the grant.

16.2 Notes to financial statements

16.2.1 Capital commitments and contingent liabilities

(in Rs.)

		As at March 31, 2007		As at March 31, 2006
Estimated amount of un executed capital contracts (net of advance and deposits)		24,72,35,967		6,42,97,385
Outstanding guarantees and counter guarantees from various banks, in respect of the guarantees given in favor of various government authorities and others		2,61,29,120		2,55,05,760
Forward contracts outstanding (sell)				
USD/INR	$	5,000,000	$	19,000,000
(Equivalent approximate in Rs.)		(21,55,00,000)		(84,51,20,000)
GBP/USD	£	-		-
(Equivalent approximate in Rs.)		-		-
Range barrier options in US $	$	1,500,000	$	8,000,000
(Equivalent approximate in Rs.)		(6,46,50,000)		(35,58,40,000)
Range barrier options in GBP	£	8,250,000		-
(Equivalent approximate in Rs.)		(69,99,30,000)		-

Particulars of Unhedged foreign currency exposure

(in Rs.)

As at March 31, 2007

Particulars	GBP	USD	EUR	CAD
Foreign currency bank balances net off foreign currency creditors	95,55,602	23,10,22,644	19,33,061	15,24,430
Unhedged debtors	41,86,04,362	50,76,01,666	4,64,65,058	-
	42,81,59,964	72,27,41,542	4,33,82,380	15,24,430

16.2.2 Aggregate expenses

Following are the aggregate amounts incurred on certain specific expenses that are required to be disclosed under Schedule VI to the Companies Act, 1956:

(in Rs.)

	Year ended March 31, 2007	2006
Salaries and ex-gratia including staff expenses	270,87,76,106	130,28,29,283
Staff welfare	5,65,92,786	3,29,97,921
Contribution to provident and other funds	12,83,65,194	7,50,65,778
Foreign travel expenses	33,53,65,898	22,54,10,397
Consumables	53,07,892	36,74,894
Computer maintenance	1,84,73,332	1,54,90,884
Cost of software for own use	9,47,88,016	6,41,94,538
Communication expenses	20,19,79,954	16,23,59,218
Consultancy charges	25,21,94,876	15,06,62,241
Traveling and conveyance	39,31,28,305	21,78,98,101

Rent	24,48,15,365	14,00,88,796
Printing & stationery and office maintenance	11,10,11,242	7,49,04,664
Legal and professional charges	6,78,92,431	4,20,56,977
Brand building	57,47,332	21,23,130
Recruitment and training expenses	13,60,09,060	7,41,21,634
Power and fuel	8,52,44,735	5,59,91,194
Insurance charges	3,88,72,458	2,97,71,963
Rates and taxes	48,81,184	97,34,095
Auditor's remuneration		
audit fees	13,00,000	11,00,000
out-of-pocket expenses	60,000	60,000
Bank charges & commission	13,16,267	15,51,467
Postage and courier	21,83,268	13,39,123
Professional membership & seminar fees	17,34,988	62,18,056
Provision for bad and doubtful debts	(3,53,847)	10,38,730
Provision for bad and doubtful loans and advances	7,84,048	6,16,264
Other Miscellaneous Expenses	2,38,10,853	1,82,63,246
Loss on sale of fixed assets	14,44,212	-
Total	492,17,25,955	270,95,62,594

The above expenses for the year ended March 31, 2007 and March 31, 2006 include Fringe Benefit Tax (FBT) in India amounting to Rs. 2,32,36,687 and Rs.3,08,99,832 respectively.

16.2.3 Obligations on long-term, non-cancelable operating leases

The lease rentals charged during the period and maximum obligations on long-term non-cancelable operating leases payable as per the rentals stated in the respective agreements are as follows:

(in Rs.)

	Year ended March 31, 2007	2006
Lease rentals charged during the year	24,48,15,365	14,00,88,796

(in Rs.)

Lease Obligations	As at March 31, 2007	As at March 31, 2006
Within One year of the Balance sheet date	13,47,79,068	11,28,79,344
Due in a period between one year and five years	5,68,83,351	17,34,81,723
Later than Five years	-	-

The company has entered into non-cancelable operating lease arrangements for premises with Infosys and others . The existing operating lease arrangements extend for periods between 36 months and 58 months from their respective dates of inception. The lease rentals paid are included as a component of services purchased from Infosys (also refer Note 16.2.8 below).

16.2.4 Dues to small-scale industrial undertakings

As at March 31, 2007 and March 31, 2006 the company had no outstanding dues to small-scale industrial undertakings.

16.2.5 Provision for taxation

Infosys BPO Limited benefits from certain significant tax incentives provided to firms rendering business process management services under Indian tax laws. These incentives presently include an exemption from payment of Indian corporate income taxes for a period of ten consecutive years of operation of software development facilities designated as "Software Technology Parks" (the "STP Tax Holiday"). The Government of India recently amended the tax incentives available to companies set up in designated STPs. The period of the STP Tax Holiday available to such companies is restricted to 10 consecutive years beginning from the financial year when the unit started rendering business process management services or March 31, 2009, whichever is earlier.

16.2.6 The break up of deferred tax asset is given below

(in Rs.)

	As at March 31, 2007	As at March 31, 2006
Excess of depreciation allowable under Income tax law over depreciation provided in the accounts	2,66,37,841	1,26,49,306
Provision for leave encashment	69,77,528	-
	3,36,15,369	1,26,49,306

16.2.7 Loans and advances

Deposits with financial institution and bodies corporate comprise:

(in Rs.)

	As at March 31, 2007	As at March 31, 2006
Deposits with financial institution:		
Housing Development Finance Corporation Limited	13,00,00,000	11,00,00,000
Deposits with bodies corporate :		
GE Capital Services India	21,00,00,000	16,10,13,847

The above amounts include interest accrued but not due amounting to Rs. 39,07,473 and Rs.10,13,847 as at March 31, 2007 and March 31, 2006 respectively.

Maximum balance held during the year

(in Rs.)

	As at March 31, 2007	As at March 31, 2006
Deposits with bodies corporate:		
Housing Development Finance Corporation Limited	1,60,00,000	16,00,00,000
Deposits with financial institution:		
GE Capital Services India	21,00,00,000	16,00,00,000

16.2.8 Related party transactions

The company entered into related party transactions during the period with Infosys, the company's holding company. The transactions are set out below.

(in Rs.)

Particulars	Year ended March 31, 2007	2006
Payment for personnel and shared services including facilities	31,40,78,014	21,12,35,362
Receipt from sale of services	8,42,61,279	3,28,28,517
Receipt for personnel and shared services	3,33,96,811	1,70,84,863
including facilities	11,76,58,090	4,99,13,380

The company has reimbursed the shared services paid to its employees by Infosys Technologies (Australia) Pty Limited, a subsidiary of Infosys Technologies Limited, Bangalore, Rs.11,71,737 for the year ended March 31, 2007 and Rs.1,80,31,724 for the year ended March 31, 2006.

16.2.9 Transactions with key Management Personnel

The Group has received certain managerial services from Mr. T. V. Mohandas Pai and Mr. S. D. Shibulal, directors of the company who are also directors of Infosys, at no cost.

Particulars of remuneration and other benefits paid to Managing Director during year ended March 31, 2007 and 2006, are given below:

(in Rs.)

	Year ended March 31, 2007	2006
Salary and allowances	30,76,107	31,84,059
Provident fund, gratuity & superannuation contributions	2,02,218	14,332
Performance incentives	29,98,980	17,48,838
	62,77,305	49,47,229

The particulars of remuneration and benefits paid to other senior management personnel are set out below.

(in Rs.)

	Year ended March 31, 2007	2006
Salary and allowances	35,16,349	92,25,408
Provident fund, gratuity & superannuation contributions	2,44,746	6,14,161
Performance incentives	52,23,416	1,07,82,441
	89,84,511	2,06,22,010

16.2.10 Managerial remuneration paid to non-whole time directors

Particulars of remuneration and other benefits paid to non-whole time directors during the year ended March 31, 2007 and 2006, are given below:

(in Rs.)

	Year ended March 31, 2007	2006
Sitting Fees	1,19,065	1,30,129
Commission	24,00,000	20,00,000

16.2.11 Investment Activity

(in Rs.)

	No. of units as at		Amount as at	
Current investments	March 31, 2007	March 31, 2006	March 31, 2007	March 31, 2006
Birla Cash Plus Institutional Premium	95,67,295	1,11,91,753	9,58,59,280	11,21,15,044
DSP Merrill Lynch Liquidity Fund	-	83,25,195	-	8,33,14,245
Franklin Templeton Treasury Management	-	8,215	-	81,83,010
HDFC Liquid Fund	-	65,64,298	-	8,04,76,979
HSBC Cash Fund Institutional Fund	-	92,72,441	-	9,27,62,109
JM High Liquidity Fund Institutional Dividend	-	33,10,245	-	3,28,54,257
Principal Cash Management Fund	-	1,24,19,193	-	12,41,92,846
Prudential ICICI Liquid Plan Institutional Dividend	-	2,99,458	-	35,48,911
Reliance Liquid Fund - Treasury Plan	-	6,90,828	-	1,04,91,171

Grindlays Cash Fund Institutional Plan Dividend	-	18,81,848	-	1,88,02,401
Kotak Liquid(Institutional)-Daily Dividend Plan	-	-	-	-
TATA Liquid Super High Investment Fund	1,41,070	1,11,038	15,71,74,889	12,37,52,854
			25,30,34,169	69,04,93,827

Movement of Investment	Opening balance in units, Amount (Rs.)	Purchased in units, Amount (Rs.)	Redemption in units, Amount (Rs.)	Closing balance in units, Amount (Rs.)
	1,11,91,753	**53,61,919**	**69,86,377**	**95,67,295**
Birla Cash Plus Institutional Premium	11,21,15,044	5,37,44,235	7,00,00,000	9,58,59,280
	-	**1,53,66,714**	**1,53,66,714**	**-**
Chola Liquid Institutional Daily Dividend Plan	-	15,41,46,696	15,41,46,696	-
	83,25,195	**61,46,248**	**1,44,71,443**	**-**
DSP Merrill Lynch Liquidity Fund	8,33,14,245	6,15,45,329	14,48,59,574	-
	8,215	**1,42,298**	**1,50,513**	**-**
Franklin Templeton Treasury Management	81,83,010	14,23,68,006	15,05,51,016	-
	65,64,298	**1,20,17,870**	**1,85,82,168**	**-**
HDFC Liquid Fund	8,04,76,979	14,73,31,510	22,78,08,489	-
	92,72,441	**52,47,311**	**1,45,19,752**	**-**
HSBC Cash Fund Institutional Fund	9,27,62,109	5,25,16,720	14,52,78,829	-
	33,10,245	**1,54,812**	**34,65,057**	**-**
JM High Liquidity Fund Institutional Dividend	3,28,54,257	15,64,221	3,44,18,478	-
	-	**36,51,598**	**36,51,598**	**-**
LIC Mutual Fund Liquid Fund Dividend Plan	-	4,00,57,698	4,00,57,698	-
	1,24,19,193	**33,09,339**	**1,57,28,533**	**-**
Principal Cash Management Fund	12,41,92,846	3,31,28,322	15,73,21,168	-
	2,99,457	**1,55,99,398**	**1,58,98,855**	**-**
Prudential ICICI Liquid Plan Institutional Dividend	35,48,911	18,48,76,409	18,84,25,320	-
	6,90,828	**2,37,89,623**	**2,44,80,451**	**-**
Reliance Liquid Fund - Treasury Plan	1,04,91,171	24,49,68,336	25,54,59,507	-
	18,81,848	**3,08,429**	**21,90,277**	**-**
Grindlays Cash Fund Institutional Plan Dividend	1,88,02,401	27,98,05,210	29,86,07,611	-
	-	**1,35,96,382**	**1,35,96,382**	**-**
Kotak Liquid(Institutional)-Daily Dividend Plan	-	16,62,57,921	16,62,57,921	-
	1,11,038	**30,032**	**-**	**1,41,070**
TATA Liquid Super High Investment Fund	12,37,52,854	3,34,22,034	-	15,71,74,889

16.2.12 Deferred Revenues

Revenue recognition has been deferred pending resolution of significant uncertainties regarding the amount of consideration that will be derived from rendering services. Deferred revenues amounted to Rs.11,69,38,859 and Rs. 5,64,83,958 as at March 31, 2007 and March 31, 2006 respectively.

16.2.13 Export Obligation

The company has an export obligation towards the Software Technology Parks of India, in respect of duty free capital imports made by it. The remaining export obligation was nil and Rs. 3,34,26,099 as at March 31, 2007 and March 31, 2006 respectively.

16.2.14 Reconciliation between basic and dilutive shares

The reconciliation between basic and dilutive shares is set out below:

(in Rs.)

	Year ended March 31,	
	2007	2006
Weighted average shares used in computing basic earnings per share	3,41,71,966	3,15,82,791
Dilutive effect of cumulative convertible stock options	13,77,349	23,07,021
Weighted average shares used in computing diluted earnings per share	3,55,49,315	3,38,89,812

The reconciliation between net profits for basic and dilutive shares is set out below:

(in Rs.)

	Year ended March 31,	
	2007	2006
Profit Available to Equity Shareholders For Basic EPS	151,60,89,733	93,33,22,746
Add: Corporate Dividend Tax	-	1,362
Add: Preference Dividend	-	9,709
Profit for computing dilutive EPS	151,60,89,733	93,33,33,817

16.2.15 Disclosure for Defined Benefit Plans

Gratuity is applicable to all permanent and full time employees of the company. Gratuity paid out is based on last drawn basic salary and dearness allowance at the time of termination or retirement. The scheme takes into account each completed year of service or part thereof in excess of six months. The normal age of retirement is 58 years and the entire contribution is borne by the company. The company recognises actuarial gains and losses as and when the same arise. The charge in respect of the same is taken to the profit and loss account.

Reconciliation of opening and closing balances of the present value of the defined benefit obligation:

(in Rs.)

	As at March 31, 2007
Obligations at the beginning of the year	2,62,50,439
Service cost	1,14,79,588
Interest cost	19,97,287
Benefits settled	(82,27,072)
Actuarial gain	50,75,174
Obligations at the year end	3,65,75,416

Defined benefit obligation liability as at the balance sheet is wholly funded by the company.

Change in plan assets:

(in Rs.)

	As at March 31, 2007
Plans assets at the year beginning, at fair value	2,64,62,265
Expected return on plan assets	21,14,335
Actuarial gain	3,03,185
Contributions	1,59,22,703
Benefits settled	(82,27,072)
Plans assets at the year end, at fair value	3,65,75,416

Reconciliation of present value of the obligation and the fair value of the plan assets:

(in Rs.)

	As at March 31, 2007
Fair value of plan assets at the end of the year	3,65,75,416
Present value of the defined benefit obligations at the end of the year	3,65,75,416
Asset recognized in the balance sheet	-

Gratuity cost for the period

(in Rs.)

	As at March 31, 2007
Service cost	1,14,79,588
Interest cost	19,97,287
Expected return on plan assets	(21,14,335)
Actuarial loss	47,71,989
Net gratuity cost	1,61,34,529

100% of plan assets are maintained by Life Insurance Corporation of India.

Assumptions

Discount rate	7.99%
Estimated rate of return on plan assets	7.99%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

The Company has contributed Rs.1,59,22,703 to its defined benefit plan in 2006-07.

16.2.16 Employees Stock Option Plan ("2002 Plan")

Guidance note on "Accounting for employee share based payments" (the guidance note) issued by Institute of Chartered Accountants of India establishes financial accounting and reporting principles for employee share based payment plans. The guidance note applies to employee share based payment plans the grant date in respect of it falls on or after April 1,2005. The company applies the intrinsic value-based method of accounting to account for its fixed plan stock options. Under this method, compensation expense is recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price. The options vest on a graded basis; however there is no compensation expense since the grants are made at exercise prices equal to or greater than fair market value, as of the date of the grant.

16.2.16a Infosys BPO Employee Stock Option Plan 2002

Infosys BPO Limited's 2002 Plan provides for the grant of stock options to employees of the company and was approved by the board of directors and stockholders in June 2002. All options under the 2002 Plan are exercisable for equity shares. The 2002 Plan is administered by a Compensation Committee comprising three members, all of whom are directors of the company. The 2002 Plan provides for the issue of 52,50,000 equity shares to employees, at an exercise price, which shall not be less than the Fair Market Value ("FMV") on the date of grant. Options may also be issued to employees at exercise prices that are less than FMV only if specifically approved by the members of the company in general meeting. The options issued under the 2002 Plan vest in periods ranging between one through six years, although accelerated vesting based on performance conditions is provided in certain instances. All options granted have been accounted for as a fixed plan.

	Year ended March 31, 2007	
	Shares arising out of options	Weighted average exercise prices (in Rs.)
Outstanding at the beginning of the year	24,52,330	133.44
Granted during the year	5,93,300	604.00
Forfeitures during the year	4,90,516	206.13
Exercised during the year	8,15,822	99.61
Outstanding at the end of the year	17,39,292	67.43
Exercisable at the end of the year	65,950	67.43

The weighted average fair value of options granted during the year ended March 31, 2007 is Rs. 305.34

	Year ended March 31, 2006	
	Shares arising out of options	Weighted average exercise prices (in Rs.)
Outstanding at the beginning of the year	31,16,518	54.76
Granted during the year	11,56,520	218.50
Forfeitures during the year	10,32,960	64.02
Exercised during the year	7,87,748	36.13
Outstanding at the end of the year	24,52,330	134.06

The weighted average fair value of options granted during the year ended March 31, 2006 is Rs.87.91

The following table summarizes information about stock options as of March 31, 2007 and March 31, 2006

Range of Exercise Prices (in Rs.)	Stock options outstanding at the end of the period March		Weighted average remaining contractual life March	
	2007	2006	2007	2006
33.12-58.33	1,88,371	6,85,425	2.47	0.98
58.34-77.89	1,92,375	4,23,900	2.54	1.24
77.90-99.20	1,23,600	2,26,475	2.91	1.45
99.21-162.23	23,500	77,800	2.27	1.88
162.24-195.00	4,04,961	6,20,550	3.66	2.40

195.01-214.00	26,475	80,100	2.77	2.42
214.01-230.00	1,49,610	1,81,680	4.42	2.84
230.01-310.00	1,19,300	1,56,400	4.30	2.99
310.01-604.00	5,11,100	-	4.92	
	17,39,292	24,52,330	3.80	1.77

16.2.16b Infosys ESOP 1999 ('1999 Plan")

On March 12, 2007, Infosys Technologies Limited purchased 12,19,532 unvested options held by the employees of Infosys BPO Limited for a cash consideration of Rs. 57.87 crore and has swapped 5,18,360 unvested options with 1,51,933 unvested stock options of Infosys with a two year vesting term. In addition, certain employees were granted additional 4,86,828 Infosys stock options under the Infosys 1999 Employee Stock Option Plan. The Infosys 1999 Employees Stock Option Plan was approved by the Board of Directors and stockholders in June 1999. All options under the 1999 Plan are exercisable for equity shares. The options granted under the 1999 plan vests over 2-6 years

	Year ended March 31, 2007	
	Shares arising out of options	Weighted average exercise prices (in Rs.)
Outstanding at the beginning of the year	-	-
Granted during the year	6,38,761	2,121
Forfeitures during the year	-	-
Exercised during the year	-	-
Outstanding at the end of the year	6,38,761	2,121
Exercisable at the end of the year	-	-

The weighted average fair value of options granted during the year ended March 31, 2007 is Rs. 534.91

The following table summarizes information about stock options as of March 31, 2007

Range of exercise prices (in Rs.)	Stock options outstanding at the end of the period 31st March 2007	Weighted average remaining contractual life 31st March 2007
0- 2120.95	6,38,761	2.86

As allowed by the guidance note, the Company has elected to continue to apply the intrinsic value-based method of accounting described above, and has adopted the disclosure requirements of the guidance note. Had compensation cost for the company's stock-based compensation plan been determined in a manner consistent with the fair value approach described in guidance note, the company's net income and basic earnings per share as reported would have reduced to the proforma amounts indicated below.

(in Rs.)

	Year ended March 31,	
	2007	2006
Net Profit : As Reported	151,60,89,733	93,33,22,746
Less: Stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects*	24,52,330	3,87,62,981
Adjusted proforma profit	151,36,37,403	89,45,59,765
Basic EPS as reported	44.37	29.55
Adjusted proforma	44.29	28.32
Diluted EPS as reported	42.65	27.23
Adjusted proforma	42.58	26.10

*includes cost of options issued by Infosys to the employees of the company amounting to Rs. 63,32,491 and nil for the year ended March 31,2007 and 2006 respectively under Infosys 1999 Employee Stock Option Plan.The fair value of each option granted under Infosys BPO Employee Stock Option Plan is estimated on the date of grant using the Black-Scholes model with the following assumptions:

	Year ended March 31,	
	2007	2006
Dividend yield %	0.00%	0.00%
Expected life	1-6 years	1-6 years
Risk free interest rate	8.11%	6.90% - 7.13%
Volatility	50.00%	50.00%

The fair value of each option granted under Infosys 1999 Employee Stock Option Plan is estimated on the date of grant using the Black-Scholes model with the following assumptions:

	Year ended March 31,
	2007
Dividend yield %	0.20%
Expected life	1-6 years
Risk free interest rate	7% - 7.27%
Volatility	33.63% - 53.93%

16.2.17 Provision for SLA compliance

The provision for service level agreement compliance is based on estimates made by the management for on going contracts. In accordance with paragraphs 66 and 67 of the Accounting Standard 29, the movement in provision for service level agreement is gi

	for the year ended March 31, 2007 (in Rs)
Balance at the beginning of the year	-
Additional provision made during the year	88,95,213
Provision used during the year	-
Unused amounts reversed during the year	-
Balance at the end of the year	88,95,213

16.2.18 Segment reporting

The Group operations primarily relate to providing business process management services to organizations that outsource their business processes. Accordingly, revenues represented along industry classes comprise the primary basis of segmental information set out in these financial statements. Secondary segmental reporting is performed on the basis of the geographical location of customers.

The accounting principles consistently used in the preparation of the financial statements are also consistently applied to record income in individual segments. These are set out in the note on significant accounting policies.

Industry segments at the Group primarily comprise customers relating to financial services, telecom and other industries. Income in relation to segments is categorized based on items that are individually identified to those segments while expenditure is categorized in relation to the associated turnover of the segment. Certain expenses which form a significant component of total expenses are not specifically allocable to specific segments as the underlying services are used interchangeably. These expenses are separately disclosed as "unallocated" and adjusted only against the total income of the company. The company believes that it is not practical to provide segment disclosures relating to these costs and expenses, and accordingly these expenses are separately disclosed as unallocated and directly charged against total income. Fixed assets or liabilities contracted have not been identified to any reportable segments, as these are used interchangeably between segments.

Geographical segments are segregated based on the location of the customers, or in relation to which the revenue is otherwise recognized.

Industry Segments

Year ended **March 31, 2007** and March 31, 2006 (in Rs.)

Particulars	Financial services	Manufacturing	Telecom	Others	Total
Revenues	**222,18,48,086**	**66,03,68,107**	**260,96,73,902**	**113,20,33,592**	**662,39,23,687**
	176,77,35,435	19,94,26,255	148,57,45,736	33,38,27,726	378,67,35,152
Identifiable operating expenses	**97,23,10,054**	**29,56,19,608**	**176,26,94,364**	**49,18,33,794**	**352,24,57,820**
	71,14,53,322	6,63,73,498	99,66,66,856	12,28,54,780	189,73,48,456
Allocated expenses	**13,25,93,302**	**3,94,83,184**	**18,92,14,658**	**5,90,66,765**	**42,03,57,909**
	11,97,33,357	1,32,80,962	13,98,38,856	1,73,62,008	29,02,15,183
Segmental operating profit	**111,69,44,730**	**32,52,65,315**	**65,77,64,880**	**58,11,33,033**	**268,11,07,958**
	93,65,48,756	11,97,71,795	34,92,40,024	19,36,10,938	159,91,71,513
Unallocable expenses					**123,50,54,212**
					72,48,50,409
Operating profit					**144,60,53,746**
					87,43,21,104
Other income					**8,85,94,260**
					7,18,82,327
Net Profit before taxes					**153,46,48,006**
					94,62,03,431
Taxes					**1,85,58,273**
					1,28,80,685
Net Profit after taxes					**151,60,89,733**
					93,33,22,746

Geographical Segments

Year ended **March 31, 2007** and March 31, 2006 (in Rs.)

Particulars	United States of America	United Kingdom	Others	Total
Revenues	**380,25,34,630**	**273,37,47,779**	**8,76,41,278**	**662,39,23,687**
	225,32,00,046	149,83,11,614	3,52,23,492	378,67,35,152
Identifiable operating expenses	**211,79,67,993**	**133,65,74,720**	**6,79,15,107**	**352,24,57,820**
	114,11,74,472	75,17,63,734	44,10,250	189,73,48,456
Allocated expenses	**25,33,55,555**	**15,84,44,703**	**85,57,651**	**42,03,57,909**
	17,52,34,113	11,42,77,638	703,432	29,02,15,183
Segmental operating profit	**143,12,11,082**	**123,87,28,356**	**11,168,520**	**268,11,07,958**
	93,67,91,461	63,22,70,242	30,109,810	159,91,71,513
Unallocable expenses				**123,50,54,212**
				72,48,50,409
Operating profit				**144,60,53,746**
				87,43,21,104
Other income				**8,85,94,260**
				7,18,82,327
Net Profit before taxes				**153,46,48,006**
				94,62,03,431
Taxes				**1,85,58,273**
				1,28,80,685
Net Profit after taxes				**151,60,89,733**
				93,33,22,746

16.2.19 Pursuant to the buy back announcement made by the Company on 4th December 2006, the Company has bought back from the employees and extinguished 11,39,469 equity shares of Rs.10 each during the year ended 31st March 2007 for a total consideration of Rs.68,82,39,276 at the price of Rs.604 per share on 29th December 2006. Consequently, an amount of Rs.1,13,94,690 being the nominal value of equity shares bought back and extinguished has been transferred to Capital Redemption Reserve and an amount of Rs.67,68,44,586 being the premium on buyback has been appropriated from Securities Premium Account.

16.2.20 Previous year figures have been regrouped/reclassified, wherever necessary, to confirm to the current year's presentation.

Infosys BPO s.r.o
(Formerly Progeon s.r.o)
Balance Sheet abstract

Balance Sheet Date	March 31, 2007

Capital raised during the year	
Public Issue	-
Rights Issue	-
Bonus Issue	-
Private Placements	-
Preferential offer of shares under Employees Stock Option Plan	-
Position of mobilization and deployment of funds	
Total liabilities	5,44,17,587
Total assets	5,44,17,587
Sources of Funds	
Paid up capital	3,49,78,993
Reserves and surplus	17,98,100
Secured loans	-
Unsecured loans	1,76,40,493
Application of Funds	
Net fixed assets	2,38,04,492
Investments	-
Net Current assets	2,12,38,420
Miscelleneous expenditure	-
Accumulated losses	93,74,675
Performance of the Company	
Turnover	17,53,59,617
Other Income	2,40,27,124
Total Income	19,93,86,741
Total Expenditure	18,19,06,157
Profit / (Loss) before tax	1,74,80,584
Extraordinary Income	-
Profit / (Loss) after tax	1,46,91,251
Earnings per share from ordinary activities (Basic)	-
Earnings per share from ordinary activities (Diluted)	-
Dividend rate (%)	-

Infosys BPO Limited
Electronics City, Hosur Road
Bangalore 560100, India
Tel.: 91-80-28522405
Fax: 91-80-28522411

April 6, 2007

Dear Member,

You are cordially invited to attend the Fifth Annual General Meeting of the members of the company on Wednesday, June 13, 2007 at 10.00 A.M. at the Registered Office of the company at Plot No 26/3, 26/4 and 26/6, Electronics City, Hosur Road, Bangalore 560100.

The notice for the meeting containing the proposed resolutions is enclosed herewith.

Very truly yours,

T.V. Mohandas Pai

T V Mohandas Pai
Chairman

This page is intentionally left blank

Notice

NOTICE is hereby given that the Fifth Annual General Meeting of the Members of Infosys BPO Limited (the "Company") will be held on Wednesday, June 13, 2007 at 10.00 A.M. at the Registered Office of the company at Plot No. 26/3, 26/4, 26/6, Electronics City, Hosur Road, Bangalore 560100, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at March 31, 2007 and the Profit and Loss Account for the year ended as on that date and reports of the directors and auditors thereon.

2. To appoint a director in place of Prof. Jayanth R Varma, who retires by rotation and being eligible, offers himself for re-appointment.

3. To appoint a director in place of Sridar Iyengar, who retires by rotation and being eligible, offers himself for re-appointment.

4. To appoint auditors and to fix their remuneration for the ensuing year.

RESOLVED THAT BSR & Co., Chartered Accountants be and are hereby appointed as the auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next annual general meeting and the Board of Directors be and are hereby authorised to fix a suitable remuneration in consultation with the auditors which remuneration may be paid on a progressive billing basis as may be agreed between the auditors and the Board of Directors.

By Order of the Board

Bangalore — **N. R. Ravikrishnan**

April 6, 2007 — **Company Secretary**

Notes:

1. An explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto.

2. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND THE MEETING AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. UNDER THE COMPANIES ACT, 1956, VOTING IS BY A SHOW OF HANDS UNLESS A POLL IS DEMANDED BY A MEMBER OR MEMBERS PRESENT IN PERSON OR BY PROXY, HOLDING AT LEAST ONE-TENTH OF THE TOTAL SHARES ENTITLED TO VOTE ON THE RESOLUTION OR BY THOSE HOLDING PAID-UP CAPITAL OF ATLEAST Rs. 50,000. A PROXY SHALL NOT VOTE EXCEPT ON A POLL.**

3. The instrument appointing the proxy must be deposited at the registered office of the Company not less than 48 hours before the commencement of the meeting.

4. Members/ proxies should bring duly-filled attendance slips sent herewith to attend the meeting.

5. The Register of Director's shareholdings, maintained under Section 307 of the Companies Act, 1956, will be available for inspection by the members at the AGM.

6. The Register of Contracts, maintained under Section 301 of the Companies Act, 1956, will be available for inspection by the members at the registered office of the company.

Additional information on directors seeking election at the annual general meeting

Brief profile of Prof Jayanth R Varma, Director

Prof. Jayanth R. Varma is a Professor at the Indian Institute of Management, Ahmadabad. He was also the chairman and member of various committees formed by the Securities Exchange Board of India and Department of Company Affairs. Prof. Jayanth R. Varma is the Chairman of the Audit Committee and Compensation Committee of the company and also an independent director of the company. He is also in the Boards of UTI Bank Limited and OnMobile Asia Pacific Private Limited as an Independent Director

Brief profile of Mr. Sridar Iyengar, Director

Mr. Sridar Iyengar is the President of TiE (The Indus Entrepreneurs) in Silicon Valley. Previously, he was partner-in-charge of KPMG's Emerging Business Practice. Mr. Sridar Iyengar has the unique distinction of having worked as a partner in all three of KPMG's regions – Europe, America and Asia-pacific as well as in all four of KPMG's functional disciplines - assurance, tax, consulting and financial advisory services. He was the Chairman and CEO of KPMG's India operations between 1997 to 2000 and during that period was a member of the executive board of KPMG's Asia-Pacific practice. Prior to that, he headed the International Services practice in the West Coast. On his return from India in 2000 he was asked to lead a major effort of KPMG focused on delivering audit and advisory services to early stage companies. Mr. Sridar Iyengar served as a member of the audit strategy group of KPMG LLP. He was with KPMG from 1968 until his retirement in March 2002. Mr. Sridar Iyengar is a Fellow of the Institute of Chartered Accountants in England and Wales, holds Bachelors Degree in Commerce (honors) from the University of Calcutta and has attended the Executive Education Course at Stanford. He is also in the Boards of ICICI Bank Limited, Infosys Technologies Limited OnMobile Asia Pacific Private Limited as an Independent Director

Infosys BPO Limited

Registered office: Electronics City, Hosur Road, Bangalore 560100, INDIA

Proxy Form

Regd. Folio No. □□□□□□□□□□□□

I/We…………………………………………………………………..of………………………………………

……………in the district of

....being a member/members

of the Company hereby appoint……………………………………………………of...

in the district of……………….. ……………………………or failing him/her ....

of……………………………………………………………….in the district of ....

as my/our proxy to vote for me/us on my/our behalf at the **ANNUAL GENERAL MEETING** of Infosys BPO Limited to be held at the Registered Office of the Company at Plot No. 26/3, 26/4 and 26/6, Electronics City, Hosur Road, Bangalore 560100 on Wednesday, June 13, 2007 at 10.00 A.M. and at any adjournment(s) thereof.

Signed this…………………………………………………….day of...2006

15 Paise revenue stamp

Signature……………...

Notes: This form, in order to be effective, should be completed, duly signed and stamped and must be deposited at the Registered Office of the Company, not less than 48 hours before the meeting.

Infosys BPO Limited

Registered office: Electronics City, Hosur Road, Bangalore 560100, INDIA

Attendance Slip

Regd. Folio No. □□□□□ No. of shares held □□□□□

I certify that I am a member / proxy for the member of the Company.

I hereby record my presence at the **ANNUAL GENERAL MEETING** of the Company held at Plot No.26/3,26/4 & 26/6, Electronics City, Hosur Road, , Bangalore 560100, India , India at 10.00 A.M. on Wednesday, June 13, 2007.

.... …………………………………

Member's / Proxy's name in BLOCK letters — Signature of member / proxy

Notes: Please fill up this attendance slip and hand it over at the entrance of the meeting hall.