

**Consolidated Financial Statements
Indian GAAP**

Auditors' Report on the Consolidated Financial Statements

Report of the Auditors to the Board of Directors of Infotech Enterprises Limited.

1. We have audited the attached consolidated balance sheet of Infotech Enterprises Limited ("the Company") as at March 31, 2007, the consolidated profit and loss account for the year ended on that date annexed thereto, and the consolidated cash flow statement for the year ended on that date, which we have signed under reference to this report. These consolidated financial statements are the responsibility of Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. 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 prepared, in all material respects, in accordance with an identified financial reporting framework and 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.
3. We did not audit the financial statements of certain consolidated entities, whose financial statements reflect total assets of Rs. 1,806,776,630 as at March 31, 2007 and total revenues of Rs. 3,959,896,618 for the year ended on that date. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of these consolidated entities, is based solely on the report of the other auditors.
4. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements and Accounting Standard 23, Accounting for Investments in Associates in Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company and its consolidated entities and un-audited financial statements of a consolidated entity, subject to a limited review, as referred to in para 3 above, included in the consolidated financial statements.
5. On the basis of the information and explanations given to us and on consideration of the separate audit reports

on individual audited financial statements of the Company and its consolidated entities and un-audited financial statements of a consolidated entity, subjected to a limited review, as referred to in para 3 above, in our opinion, 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 consolidated state of affairs of the Company and its consolidated entities as at March 31, 2007;
- (b) in the case of the consolidated profit and loss account, of the consolidated results of operations of the Company and its consolidated entities for the year ended on that date; and
- (c) in the case of the consolidated cash flow statement, of the consolidated cash flows of the Company and its consolidated entities for the year ended on that date.

S. Gopalakrishnan

Partner

Membership No. 18863

for and on behalf of

Price Waterhouse

Chartered Accountants

Place : Hyderabad

Date : April 18, 2007

Consolidated Balance Sheet

(Amount in Rupees)

	Schedule Reference	As at March 31, 2007	As at March 31, 2006
I. SOURCES OF FUNDS :			
1. Shareholders' Funds			
(a) Capital	1	230,769,460	152,192,020
(b) Reserves and Surplus	2	2,709,543,992	1,971,332,189
		2,940,313,452	2,123,524,209
2. Loan Funds			
(a) Secured Loans	3	260,439,039	64,607,562
		3,200,752,491	2,188,131,771
II. Application of Funds :			
1. Fixed Assets			
(a) Gross Block	4	2,396,127,488	1,988,101,985
(b) Less: Depreciation		1,427,261,232	1,190,597,908
(c) Net Block		968,866,256	797,504,077
(d) Capital Work-in-Progress		288,480,426	10,728,991
		1,257,346,682	808,233,068
2. Investments	5	258,738,968	178,279,837
3. Deferred Tax Asset (Net)	6	22,153,232	7,806,016
4. Current Assets, Loans and Advances			
(a) Inventories	7	—	964,907
(b) Sundry Debtors	8	1,603,116,299	1,222,862,506
(c) Cash and Bank Balances	9	735,999,646	385,198,354
(d) Loans and Advances	10	241,890,034	265,078,758
		2,581,005,979	1,874,104,525
Less: Current Liabilities and Provisions			
(a) Liabilities	11	681,226,232	524,739,560
(b) Provisions	12	237,266,138	155,552,115
		918,492,370	680,291,675
Net Current Assets		1,662,513,609	1,193,812,850
		3,200,752,491	2,188,131,771
Notes to Accounts	17		

The Schedules referred to above and Statement on Significant Accounting Policies form an integral part of the Consolidated Balance Sheet.

This is the Consolidated Balance Sheet referred to in our report of even date.

S. Gopalakrishnan
Partner

For and on behalf of
Price Waterhouse
Chartered Accountants

Place : Hyderabad
Date : April 18, 2007

On behalf of the Board of Directors

B.V.R. Mohan Reddy
Chairman and Managing Director

S. Nataraja
Senior Vice President
Finance & Accounts

Place : Hyderabad
Date : April 18, 2007

B. Sucharitha
Whole-time Director

Trivikram Dasu
DGM Legal &
Company Secretary

Consolidated Profit and Loss Account

(Amount in Rupees)

	Schedule Reference	For the year ended March 31, 2007	For the year ended March 31, 2006
INCOME			
Sale of Services and Products		5,425,382,903	3,625,002,571
Other Income	13	67,247,096	33,504,329
TOTAL INCOME		5,492,629,999	3,658,506,900
EXPENDITURE			
Personnel Expenses	14	2,646,942,493	1,700,571,693
Operating and Administration Expenses	15	1,643,767,740	1,266,761,076
Depreciation and Amortization		256,601,160	185,622,241
Financial Expenses	16	14,822,490	8,914,032
TOTAL EXPENDITURE		4,562,133,883	3,161,869,042
Profit Before Taxation		930,496,116	496,637,858
Provision for Taxation			
- Current		184,580,600	77,358,435
- Fringe Benefit Tax		13,268,365	11,105,943
- Deferred		(11,454,010)	5,650,124
Profit After Tax and Before Share of Profit in Associate Company		744,101,161	402,523,356
Share of Profit in Associate Company		92,527,620	100,669,000
Profit After Tax and Share of Profit in Associate Company		836,628,781	503,192,356
Add: Balance brought forward from previous year		104,604,478	(121,761,632)
Amount Available for Appropriation		941,233,259	381,430,724
Appropriations :			
Proposed Dividend @ 22.50% (2006 - 22.50 %)		51,923,128	34,243,205
Tax on Distributed Profits		8,824,336	4,802,609
Residual Dividend and Dividend Tax paid		108,714	539,413
Transfer to Contingency Reserve		46,500,000	22,000,000
Transfer to General Reserve		535,486,961	215,241,019
Balance carried to Balance Sheet		298,390,120	104,604,478
Earnings Per Share			
(Equity Shares, Par Value of Rs. 5 Each)			
- Basic		18.24	11.11
- Diluted		17.82	10.87
Number of Shares used in computing Earnings per Share			
- Basic		45,877,805	45,284,881
- Diluted		46,948,227	46,311,163
Notes to Accounts	17		

The Schedules referred to above and Statement on Significant Accounting Policies form an integral part of the Consolidated Profit and Loss Account.

This is the Consolidated Profit and Loss Account referred to in our report of even date.

S. Gopalakrishnan
Partner

For and on behalf of
Price Waterhouse
Chartered Accountants

Place : Hyderabad
Date : April 18, 2007

On behalf of the Board of Directors

B.V.R. Mohan Reddy
Chairman and Managing Director

S. Nataraja
Senior Vice President
Finance & Accounts

Place : Hyderabad
Date : April 18, 2007

B. Sucharitha
Whole-time Director

Trivikram Dasu
DGM Legal &
Company Secretary

Schedules to the Consolidated Balance Sheet

(Amount in Rupees)

	As at March 31, 2007	As at March 31, 2006
1. CAPITAL		
Authorised :		
60,000,000 Equity Shares of Rs. 5 each (2006 - 18,000,000 Equity Shares of Rs. 10 each)	<u>300,000,000</u>	<u>180,000,000</u>
Issued and Subscribed :		
46,153,892 Equity Shares of Rs. 5 each fully paid-up (2006 - 15,219,202 Equity Shares of Rs. 10 each fully paid-up)	230,769,460	152,192,020
	230,769,460	152,192,020

Out of the above:

(156,000 * Equity Shares were allotted for a consideration other than cash pursuant to the Scheme of Amalgamation with M/s Cartographic Sciences Limited.)

(811,710 * Equity Shares were allotted for a consideration other than cash pursuant to the Acquisition of 100% Equity in M/s. Infotech Enterprises Europe Limited (formerly known as M/s. Dataview Solutions Limited.))

(34,921,157 * Equity Shares were allotted by way of Bonus shares by capitalising General Reserve/Share Premium account in 1994-95, 1995-96, 1996-97, 2002-03 and 2006-07.)

(2,159,027 * (2006 - 1,662,741) Equity Shares were allotted to employees of the Infotech Group pursuant to the Associate Stock Option Plans.)

* Consequent upon sub-division of share from Rs. 10 to Rs. 5 during the year

Schedules to the Consolidated Balance Sheet

(Amount in Rupees)

	As at March 31, 2007	As at March 31, 2006
2. RESERVES AND SURPLUS		
Share Premium Account		
As at the commencement of the year	558,311,663	463,476,531
Add: Received on account of further issue of Equity Shares	<u>32,084,530</u>	<u>94,835,132</u>
	590,396,193	558,311,663
General Reserve		
As at the commencement of the year	1,252,640,428	1,037,399,409
Add: Transferred from Profit and Loss Account	535,486,961	215,241,019
Less: Utilised on account of Bonus Issue of Equity Shares	76,462,035	-
Less: Provision for Employee Benefit (Refer Note 8 of Schedule 17)	<u>5,717,496</u>	<u>-</u>
	1,705,947,858	1,252,640,428
Contingency Reserve	67,000,000	45,000,000
Add: Transferred from Profit and Loss Account (Refer Note 4 of Schedule 17)	<u>46,500,000</u>	<u>22,000,000</u>
	113,500,000	67,000,000
Balance in Profit and Loss Account	298,390,120	104,604,478
Currency Translation Reserve	(1,304,446)	(13,838,647)
Capital Reserve	2,614,267	2,614,267
	2,709,543,992	1,971,332,189
3. SECURED LOANS		
Term Loan from Banks	150,000,000	-
Working Capital loans	108,700,000	62,293,092
Other Loans	1,739,039	2,314,470
	260,439,039	64,607,562

Schedules to the Consolidated Balance Sheet

4. FIXED ASSETS

DESCRIPTION	GROSS BLOCK			DEPRECIATION / AMORTIZATION			NET BLOCK		
	Cost as at 01.04.2006	Additions during the year	Deletions during the year	Cost as at 31.03.2007	As at 01.04.2006	For the year	Deletions	As at 31.03.2007	As at 31.03.2006
INTANGIBLE ASSETS									
1. Goodwill	287,836,898	-	-	287,836,898	173,089,634	24,183,918	-	90,563,346	114,747,264
2. Other Intangible Assets	826,350	-	-	826,350	826,350	-	-	-	-
TANGIBLE ASSETS									
3. Land									
- Freehold *	17,992,138	-	-	17,992,138	-	-	-	17,992,138	17,992,138
- Leasehold	7,771,720	-	-	7,771,720	-	-	-	7,771,720	7,771,720
4. Building	202,240,928	8,184,975	-	210,425,903	18,112,407	7,814,726	-	184,498,770	184,128,521
5. Leasehold Improvements	1,368,618	-	-	1,368,618	134,722	-	-	1,233,896	1,233,896
6. Computers and Software	1,076,918,158	364,997,141	15,333,447	1,426,581,852	801,405,568	188,696,216	15,325,886	451,805,954	275,512,590
7. Plant and Machinery	152,949,031	31,253,844	355,937	183,846,938	59,627,559	14,603,610	304,700	109,920,469	93,321,472
8. Office Equipment	24,426,444	9,281,657	159,683	33,548,418	11,016,013	3,784,237	50,043	18,798,211	13,410,431
9. Furniture and Fixtures (Including Interior Work)	156,106,057	9,549,250	982,013	164,673,293	103,993,759	10,309,474	886,447	51,256,508	52,112,298
10. Electrical Installations	40,845,635	2,519,014	-	43,364,649	10,574,857	4,506,335	-	28,283,457	30,270,778
11. Vehicles	18,820,009	2,844,529	3,773,827	17,890,711	11,817,040	2,702,644	3,370,760	6,741,787	7,002,969
	1,988,101,985	428,630,410	20,604,907	2,396,127,488	1,190,597,908	256,601,160	19,937,836	968,866,256	797,504,077
March 31, 2006	1,753,850,655	506,478,015	272,226,685	1,988,101,985	1,237,342,984	185,622,241	232,367,317	797,504,077	
12. Capital Work-in-Progress (includes interest on borrowing incurred during period - Rs. 2,516,926 (2006 - Rs. Nil))									
									10,728,991

* Includes Rs. 10,012,245 (2006 - Rs. 10,012,245) in respect of which deed of conveyance is pending.

Schedules to the Consolidated Balance Sheet

(Amount in Rupees)

	As at March 31, 2007	As at March 31, 2006
5. INVESTMENTS		
I) Long Term (Valued at Cost)		
Trade - Unquoted		
a) Investment in Associate		
Infotech Aerospace Services Inc., USA	152,636,338	51,967,338
490 Shares of \$0.01 par value fully paid up		
Add : Share of Profit	<u>92,527,620</u>	<u>100,669,000</u>
	245,163,958	152,636,338
b) Others		
Multimedia Mapping Limited, United Kingdom	13,468,000	13,468,000
2,721 Ordinary Shares of GBP 0.01 each		
Geo Information Services, USA	-	12,068,489
(Sold during the year)		
II) Current Investments (Valued at Lower of Cost and Fair Value)		
Non Trade - Quoted		
Yeoman Group Plc, United Kingdom	6,659,000	6,659,000
35,088 Ordinary Shares of GBP 1 each		
Less: Provision for Diminution in Value of Investment	<u>6,551,990</u>	<u>6,551,990</u>
	107,010	107,010
	258,738,968	178,279,837
6. DEFERRED TAX ASSET (Net)		
Fixed Assets	(30,093,079)	(17,500,305)
Employee Benefits	90,391,942	36,193,132
Others	(38,145,631)	(10,886,811)
	<u>22,153,232</u>	<u>7,806,016</u>
7. INVENTORIES		
Finished Goods (Software Products for Resale)	-	964,907
	-	964,907
8. SUNDRY DEBTORS (Unsecured)		
Considered Good *		
(a) Over Six Months old	36,424,442	36,982,829
(b) Other Debts	<u>1,566,691,857</u>	<u>1,185,879,677</u>
	1,603,116,299	1,222,862,506
Considered Doubtful - Over Six Months old	<u>49,447,061</u>	<u>30,079,072</u>
	1,652,563,360	1,252,941,578
Less: Provision for Doubtful Debts	<u>49,447,061</u>	<u>30,079,072</u>
	<u>1,603,116,299</u>	<u>1,222,862,506</u>
* Includes Unbilled Revenue of Rs. 220,164,009 (2006 - Rs. 194,460,459).		

Schedules to the Consolidated Balance Sheet

(Amount in Rupees)

	As at March 31, 2007	As at March 31, 2006
9. CASH AND BANK BALANCES		
Cash on hand	637,152	743,986
Balances with Scheduled Banks		
- On Current Accounts	317,593,536	197,502,146
- On Deposit Accounts	<u>109,701,964</u>	<u>57,618,066</u>
	427,295,500	255,120,212
Unclaimed Dividend Accounts	889,511	735,851
Balances with Non-Scheduled Banks		
- On Current Accounts	307,177,483	127,556,362
- On Deposit Accounts	<u>—</u>	<u>1,041,943</u>
	307,177,483	128,598,305
	735,999,646	385,198,354
10. LOANS AND ADVANCES		
(Considered good unless otherwise stated)		
Unsecured - Advances recoverable in cash or in kind or for value to be received	84,682,297	114,130,198
- Advance Tax (net of provision)	96,153,394	111,244,504
- Deposits	59,700,765	38,887,699
Interest accrued on Deposits	1,353,578	816,357
Considered doubtful	<u>739,790</u>	<u>739,790</u>
	242,629,824	265,818,548
Less : Provision for doubtful Loans and Advances	739,790	739,790
	241,890,034	265,078,758
11. LIABILITIES		
Sundry Creditors		
- Dues to small scale industrial undertakings	—	—
- Dues to others	444,819,331	368,535,069
Book Overdraft	—	9,357,837
Advances from Customers	15,020,405	15,451,928
Unearned Revenue	87,712,993	46,066,750
Investor Education and Protection Fund		
- Unclaimed Dividends	889,511	735,851
Other Liabilities	132,783,992	84,592,125
	681,226,232	524,739,560
12. PROVISIONS		
Proposed Dividend including Tax thereon	60,747,464	39,045,814
Provision for Employee Benefits	176,518,674	116,506,301
	237,266,138	155,552,115

Schedules to the Consolidated Profit and Loss Account

(Amount in Rupees)

	For the year ended March 31, 2007	For the year ended March 31, 2006
13. OTHER INCOME		
Interest on Loans and Deposits	12,132,214	4,375,099
Income from Current Investments	546,844	1,564,873
Profit on Sale of Current Investments	-	292,157
Provision no longer required written back	15,105,026	23,321,496
Gain / (Loss) on exchange fluctuations (net)	29,438,586	(4,464,153)
Miscellaneous Income	10,024,426	8,414,857
	67,247,096	33,504,329
14. PERSONNEL EXPENSES		
Salaries and Bonus	2,297,146,308	1,461,280,904
Contribution to Provident and Other Funds	207,908,550	136,504,936
Staff Welfare Expenses	141,887,635	102,785,853
	2,646,942,493	1,700,571,693
15. OPERATING AND ADMINISTRATION EXPENSES		
Rent	80,677,041	36,171,381
Rates and Taxes	20,109,797	4,258,118
Insurance	27,127,544	16,549,006
Travelling and Conveyance	469,906,683	328,267,900
Communication	54,253,753	46,244,786
Printing and Stationery	17,339,827	12,466,412
Power and Fuel	62,843,084	46,983,820
Marketing Expenses	37,491,124	27,315,969
Advertisement	6,675,637	2,428,062
Repairs and Maintenance		
- Buildings	4,250,502	1,602,919
- Machinery	84,414,773	67,291,131
- Others	28,937,936	24,081,151
Professional Charges	82,060,390	66,827,665
Bad Debts/Advances Written Off	12,616,464	1,517,818
Provision for Doubtful Debts and Advances	6,751,525	5,576,844
(Profit)/Loss on sale of Fixed Assets	(543,778)	1,319,178
Provision for Diminution in Value of Investments	-	2,225,924
Auditors' Remuneration	7,009,043	5,725,343
Recruitment Expenses	13,347,818	11,845,713
Training and Development	17,179,696	13,978,474
Purchase of Computer Software	511,616,542	463,434,028
Managerial Remuneration		
- Salaries	41,156,956	44,789,443
- Contribution to PF and Other Funds	2,777,717	3,751,902
- Commission	9,586,103	5,723,037
Miscellaneous Expenses	46,181,563	26,385,052
	1,643,767,740	1,266,761,076
16. FINANCIAL EXPENSES		
Interest on Bank and Other Loans	9,207,945	3,767,686
Bank and Other Finance Charges	5,614,545	5,146,346
	14,822,490	8,914,032

Schedule 17 - Notes to Consolidated Financial Statements

1. Description of Business

Infotech Enterprises Limited and its wholly owned subsidiaries (hereinafter referred to as 'Infotech Group') are engaged in providing global technology services and solutions specializing in geospatial, engineering design and IT solutions. Infotech Enterprises Limited (hereinafter referred to as 'Infotech') has its headquarters and development facilities in India and serves a global customer base through its subsidiaries in United States of America (USA), United Kingdom (UK) and Germany. Infotech Group's range of services include digitization of drawings and maps, photogrammetry, computer aided design/engineering (CAD/CAE), design and modelling, repair development engineering, reverse engineering application software development, software products development, consulting and implementation. Infotech Group specializes in software services and solutions for the manufacturing, utilities, telecommunications, transportation & logistics, local government and financial services markets.

2. List of Subsidiaries and Associate considered for Consolidation

Sl. No.	Name of the Subsidiary Company	Country of Incorporation	Extent of holding (%) as on March 31, 2007
	Subsidiaries		
1	Infotech Enterprises Europe Limited	U.K	100 %
2	Mapcentric Consulting Limited	U.K	100%*
3	Infotech Enterprises Benelux, B.V	Netherlands	100%*
4	Infotech Enterprises America, Inc.	U.S.A	100 %
5	Vargis LLC@	U.S.A	100%#
6	Infotech Software Solutions Canada Inc.,	Canada	100%#
7	Infotech Enterprises GmbH.	Germany	100 %
	Associate		
	Infotech Aerospace Services Inc.	U.S.A	49%

* Wholly owned by Infotech through its wholly owned subsidiary Infotech Enterprises Europe Limited.

Wholly owned by Infotech through its wholly owned subsidiary Infotech Enterprises America Inc.

@ Effective June 1, 2006 Vargis LLC merged with Infotech Enterprises America Inc.

3. Associate Stock Option Plans

Scheme established prior to SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999, (SEBI guidelines on Stock Options)

Infotech Employee Stock Offer Scheme 1999 (ESOP Plan)

In 1998-99, Infotech set up Infotech Employee Stock Offer Scheme (ESOP Plan) and allotted 80,900 equity shares of Rs. 10 each at a premium of Rs.100 per share to the "Infotech ESOP Trust" ("Trust"). The Trust, on the recommendation of the management and upon the receipt of full payment upfront transfers the equity shares in the name of selected employees. Infotech modified ESOP Plan and adjusted the number of options and exercise price on account of bonus issue and stock split cum bonus issue during 2002-03 and 2006-07 respectively. These equity shares are under lock-in-period (i.e., the date of transfer of the shares from the Trust to the employee) and it differs from offer to offer. Where the employee leaves Infotech before the expiry of the lock-in-period the options allocated to such employee stands transferred to Trust at a predetermined price. Hence, the lock-in-period has been considered as vesting period. However, the Trust and Infotech have a discretionary power to waive the restriction on selling such stock to the Trust.

As this scheme is established prior to the SEBI Guidelines on the stock options, thus there is no cost relating to the grant of options under this scheme.

Scheme established after SEBI Guidelines on Stock Options

Securities Exchange Board of India (SEBI) issued the Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines 1999, which is applicable for all Stock Option Schemes established after June 19, 1999.

Stock Split and Bonus Issue

The members of Infotech have during the year approved the stock split of the nominal value per equity share to Rs. 5 from Rs. 10 per share and the Bonus Issue at the rate of one equity share of Rs. 5 each for every two equity shares of Rs. 5 each held on the record date for the financial year 2005-06. The effect of the stock split and bonus issue has been applied to all the outstanding options as at the date of members' approval.

Associate Stock Option Plan - 2001 (ASOP 2001)

Infotech instituted ASOP 2001 in April 2001 and earmarked 225,000 equity shares of Rs.10 each for issue to the employees under ASOP. Infotech modified ASOP 2001 and adjusted the number of options and exercise price on account of bonus issue and stock split cum bonus issue during 2002-03 and 2006-07 respectively. Under ASOP 2001, options will be issued to employees at an exercise price,

which shall not be less than the market price on the date of grant. These options vest over a period ranging from one to three years from the date of grant, starting with 10% at the end of first year, 15% at the end of one and half years, 20% after two years, 25% at the end of two and half years and 30% at the end of third year. Accordingly, options (net of cancellations) for a total number of 13,500 equity shares of Rs. 5 each were outstanding as at March 31, 2007 (2006 - 38,550). As the options were granted to the employees at the market price on the date of grant there is no cost relating to grant of options.

Changes in number of options outstanding were as follows:	2007	2006
Options outstanding at the beginning of year	38,550	83,910
Granted	-	-
Forfeited	(1,800)	(1,650)
Exercised	(23,250)	(43,710)
Options outstanding at the end of year	13,500	38,550

Associate Stock Option Plan - 2002 (ASOP 2002)

Infotech instituted ASOP 2002 in October 2002 and earmarked 575,000 equity shares of Rs.10 each for issue to the employees under ASOP. Infotech modified ASOP 2002 and adjusted the number of options and exercise price on account of stock split cum bonus issue during 2006-07. Under ASOP 2002, options will be issued to employees at an exercise price, which shall not be less than the market price on the date of grant. These options vest over a period ranging from one to three years from the date of grant, starting with 10% at the end of first year, 15% at the end of one and half years, 20% after two years, 25% at the end of two and half years and 30% at the end of third year. Accordingly, options (net of cancellations) for total number of 46,025 equity shares of Rs. 5 each were outstanding as at March 31, 2007 (2006 - 239,085).

As the options were granted to the employees at the market price on the date of grant there is no cost relating to grant of options during the year.

Changes in number of options outstanding were as follows:	2007	2006
Options outstanding at the beginning of the year	239,085	9,95,496
Granted	-	-
Forfeited	(30,825)	(75,129)
Exercised	(162,235)	(681,282)
Options outstanding at the end of year	46,025	239,085

Associate Stock Option Plan - 2004 (ASOP 2004)

Infotech has instituted ASOP 2004 in October 2004 and earmarked 1,150,000 equity shares of Rs.10 each for issue to the employees under ASOP. Infotech modified ASOP 2004 and adjusted the number of options and exercise price on account of stock split cum bonus issue during 2006-07. Under ASOP 2004, options will be issued to employees at an exercise price, which shall not be less than the market price on the date of grant. These options vest over a period ranging from one to three years from the date of grant, starting with 10% at the end of first year, 15% at the end of one and half years, 20% after two years, 25% at the end of two and half years and 30% at the end of third year. Accordingly, options (net of cancellations) for total number of 2,157,354 equity shares of Rs. 5 each were outstanding as at March 31, 2007 (2006 - 1,974,000).

As the options were granted to the employees at the market price on the date of grant there is no cost relating to grant of options during the year.

Changes in number of options outstanding were as follows:	2007	2006
Options outstanding at the beginning of the year	1,974,000	15,000
Granted	775,000	2,185,500
Forfeited	(280,845)	(225,000)
Exercised	(310,801)	(1,500)
Options outstanding at the end of year	2,157,354	1,974,000

4. Contingency Reserve

Infotech is contesting the Income Tax Appellate Tribunal's (ITAT) order for the denial of certain export benefits under the Income Tax Act, 1961 on the grounds of the date of establishment of the Export Oriented Unit. The petition contesting the ITAT's Order has been admitted by the Hon'ble High Court of Andhra Pradesh and the case has not yet come up for hearing during the year.

Further, Infotech is contesting certain other disallowances made by the Deputy Commissioner of Income-tax for the assessment years 2002-03 to 2004-05. These matters have been taken up with the appropriate authorities and Infotech is hopeful of a favourable resolution. As a matter of abundant precaution, Infotech has set aside an additional amount of Rs. 46,500,000 during the year as Contingency Reserve to meet any future eventuality.

5. Secured Loans

- a. Rupee Term Loan in Infotech is secured by a first charge of land situated at Software Units Layout,

Madhapur including superstructures thereon and other assets.

- b. Vehicles and computers acquired under Hire Purchase Finance/ Capital Lease are hypothecated to the banks/ lenders as security for the amounts financed.
- c. During the year Infotech Enterprises America, Inc. had obtained line of credit amounting to USD 2.50 million, of which USD 1.50 million is guaranteed by Infotech and the balance is secured by standby letter of credit.

6. Segmental Information

Management evaluates the Infotech Group's performance and allocates resources based on an analysis of various performance indicators by business verticals and geographical segmentation of customers.

The Infotech group classifies its operations into two vertically oriented business segments: Geospatial Solutions Division (or GSD) (erstwhile UTG) and Engineering, Manufacturing, Industrial Products (or EMI). Both businesses cater to the specific requirements of customers in their respective user segments.

The management believes that such vertical realignment will enhance internal synergies and customer-focus, enabling the Infotech group to achieve its internal growth objectives. It will also enable it move up the value chain of service offerings, create deeper, stronger relationships with customers and improve potential of participating in larger deals. A brief description of these verticals is given below:

I. Geospatial Solutions Division (GSD)

GSD vertical services customers in industries such as power, gas, telecom, transportation and local government. Infotech Group's service offerings to the GSD vertical include data conversion, data maintenance, photogrammetry and IT services.

II. Engineering, Manufacturing, Industrial Products (EMI)

EMI vertical services customers in industries such as aerospace, automotive, off-highway transportation and industrial and commercial products, engineering design, embedded software, IT Solutions, manufacturing support, technical publications and other strategic customers.

Revenue in relation to these verticals is categorized based on items that are individually identifiable to that vertical. Geographical segmentation is driven based on the location of the respective clients and these are North America, Europe and Rest of the World.

Fixed assets used in Infotech Group's business are not identified to any of the reportable segments and management believes that it is currently not practicable to provide segment disclosures relating to total assets and liabilities since a meaningful segregation of the available data is onerous.

The segment disclosures for the previous year have been reclassified to conform to the current year's presentation.

Business Segments

(Amount in Rupees)

	GSD	EMI	Total
For the year 2007			
Revenues	2,113,681,445	3,316,543,467	5,430,224,912
Less: Inter Vertical Revenues			4,842,009
Revenue from External Customers			5,425,382,903
Operating Expenses	(1,578,016,307)	(2,502,117,487)	(4,080,133,794)
Less: Inter Vertical Expenses			5,588,493
Segmental Operating Income			1,350,837,602
Un-Allocable Expenses			(487,588,582)
Other Income			67,247,096
Profit Before Tax			930,496,116
Income Tax (including Deferred Tax)			186,394,955
Profit After Tax and Before Share of Profit in Associate Company			744,101,161
Share of Profit in Associate Company			92,527,620
Profit After Tax and Share of Profit in Associate Company			836,628,781

(Amount in Rupees)

	UTG	EMI	Total
For the year 2006			
Revenues	1,659,090,220	1,967,392,928	3,626,483,148
Less: Inter Vertical Revenues			(1,480,577)
Revenue from External Customers			3,625,002,571
Operating Expenses	(1,262,617,457)	(1,526,940,180)	(2,789,557,637)
Less: Inter Vertical Expenses			3,809,008
Segmental Operating Income			839,253,942
Un-Allocable Expenses			(376,120,413)
Other Income			33,504,329
Profit Before Tax			496,637,858
Income Tax (including Deferred Tax)			(94,114,502)
Profit After Tax and Before Share of Profit in Associate Company			402,523,356
Share of Profit in Associate Company			100,669,000
Profit After Tax and Share of Profit in Associate Company			503,192,356

Geographic Segments

Revenue attributable to location of customers is as follows:

(Amount in Rupees)

Geographic Location	2007	2006
North America	2,599,983,150	1,935,701,239
Europe	2,545,561,858	1,502,018,154
Rest of World	279,837,895	187,283,178
Total	5,425,382,903	3,625,002,571

7. Related Party Transactions

Infotech Group has transactions with the following related parties:

a) Associate

Name of the Associate
Infotech Aerospace Services Inc. Puerto Rico USA

b) Directors

Name of Director	Designation
Mr. B V R Mohan Reddy	Chairman & Managing Director
Mrs. B Sucharitha	Whole Time Director
Mr. Sudhir Kumar Sethi	President and Executive Director (Resigned w.e.f. August 24, 2006)
Mr. K Rajan Babu	President and Director, Infotech Enterprises America Inc.
Mr. John Patrick Renard	Managing Director of Infotech Enterprises Europe Limited, UK.
Mr. Martin Trostel	Managing Director of Infotech Enterprises GmbH, Germany.

c) Key Management Personnel

Name of Key Management Personnel	Designation
Mr. Rajeev Lal	President, SBI
Mr. A V Ram Mohan	President, GSD
Mr. Chandra Sangubotla	President, ITG
Mr. S A Lakshminarayanan	Chief Operating Officer, GSD
Mr. K Ashok Kumar	Chief Operating Officer, Engineering Services
Mr. B Ashok Reddy*	Executive Vice President - Human Resources and Corporate Affairs
Mr. S Nataraja	Senior Vice President - Finance and Accounts

*Increase in remuneration has been approved by the shareholders and pending approval of Central Government no effect has been given in the financial statements.

d) Relative of Chairman & Managing Director and Whole-Time Director

Mr. BGV Krishna	Vice President - Strategy
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The transactions with the related parties are summarized below:

(Amount in Rupees)

Nature of Transactions	Transactions for the year ended March 31		Balance as on March 31	
	2007	2006	2007	2006
Transactions with Associate:				
Investments	–	–	245,163,958	152,636,338
Transactions with Directors:				
Remuneration to Directors/Payable	17,891,664	17,406,803	10,137,180	7,661,806
Rent/Payable	1,179,360	1,123,200	–	–
Transactions with Key Managerial Personnel:				
Remuneration to Key Managerial Personnel/payable*	57,536,825	54,993,493	9,143,758	6,909,698
Loan given/ outstanding from Key Managerial Personnel	1,789,382	1,600,000	2,839,803	1,285,329
Stock Options Granted/Outstanding	–	40,000	86,625	66,750
Transaction with relative of Whole-Time Director:				
Remuneration/ payable	1,422,793	–	79,615	–

8. Provision for Employee Benefit

Pursuant to the early adoption of the Accounting Standard 15 (Revised) - Employee Benefits ("Standard") effective April 1, 2006, the Infotech has revised the provision for retirement and other benefits as at March 31, 2006. An additional liability of Rs. 5,717,496 (net of deferred tax asset of Rs. 2,893,206 on such restatement) arising out of such revision has been adjusted against General Reserve as at April 1, 2006, in accordance with the transitional provisions of the Standard.

9. Capital Lease

During the year, Infotech Enterprises America, Inc and Infotech Enterprises Europe Limited entered into a thirty-six month capital lease for computer equipment. The capital lease has been recorded at the present value of the minimum lease payments in the consolidated balance sheet. The asset is amortized over the life of the lease.

The future minimum lease payments under the capital leases as at March 31, 2007 are as follows:

(Amount in Rupees)

Lease Obligations under Capital Leases	As at March 31,	
	2007	2006
Not Later than One Year	6,225,633	8,198,430
Later than One Year but not Later than Five Years	3,309,484	7,922,749
Total	9,535,117	16,121,179

10. Lease payments made under operating leases amounting to Rs. 80,677,041 (2006 - Rs. 36,171,381) have been recognised as an expense in the consolidated profit and loss account. The future minimum lease commitments of Infotech Group under non-cancellable operating leases are as follows:

(Amount in Rupees)

Maximum Obligations on long-term non-cancellable operating leases	As at March 31,	
	2007	2006
Not Later than One Year	4,335,304	5,792,742
Later than One Year but not Later than Five Years	14,592,300	8,280,017
Total	18,927,604	14,072,759

11. Earnings per Share (EPS)

Particulars	Year ended March 31	
	2007	2006
Profit After Tax	836,628,781	503,192,356
Basic		
Opening number of shares outstanding	45,657,606	44,181,114
Weighted average shares outstanding	45,877,805	45,284,881
Earnings Per Share - (Rs.)	18.24	11.11
Diluted		
Effect of dilutive issue of stock options	1,070,422	1,026,282
Total shares outstanding (including dilution)	46,948,227	46,311,163
Earnings Per Share - (Rs.)	17.82	10.87

12. Contingent Liabilities and Commitments

- a. Estimated amount of contracts remaining to be executed on capital accounts not provided for, net of advances Rs. 292,987,557 (2006 - Rs. 38,676,098).
- b. Forward contracts outstanding Rs. 186,964,000 [Equivalent to USD 4,300,000] (2006 - Rs. 156,135,000) [Equivalent to USD 3,500,000]. Gain / (loss) on foreign exchange forward contracts which are included under the head gain / (loss) on exchange fluctuation in the profit and loss account amounted to Rs. 3,682,500 [2006 - (Rs. 2,530,000)].
- c. Infotech has outstanding counter guarantees of Rs. 47,706,845 as on March 31, 2007, to banks, in respect of guarantees given in favour of various agencies (2006 - Rs. 45,743,090).
- d. Bank guarantee given by Infotech in favour of subsidiary's bankers in respect of borrowings of subsidiary Rs. Nil (2006 - Rs. 41,629,750).
- e. Claims against Infotech not acknowledged as debt: Income-tax matters under dispute Rs. Nil (2006 - Rs. 11,033,275).
- f. Corporate guarantee given by Infotech to subsidiary's bankers to obtain line of credit Rs. 65,220,000 [Equivalent to USD 1,500,000] (2006 - Rs. 22,305,000) [Equivalent to USD 500,000]

13. Regrouping/Reclassification

The figures for previous year have been regrouped/reclassified wherever necessary, to confirm to the current year figures.

On behalf of the Board of Directors

S. Gopalakrishnan
Partner

For and on behalf of
Price Waterhouse
Chartered Accountants

Place : Hyderabad
Date : April 18, 2007

B.V.R. Mohan Reddy
Chairman and Managing Director

S. Nataraja
Senior Vice President
Finance & Accounts

Place : Hyderabad
Date : April 18, 2007

B. Sucharitha
Whole-time Director

Trivikram Dasu
DGM Legal &
Company Secretary

Statement on Significant Accounting Policies

1. Basis of Consolidation

The Consolidated Financial Statements include the accounts of Infotech Enterprises Limited (Infotech) and its subsidiary companies. Subsidiary companies are those in which Infotech, directly or indirectly, have an interest of more than one half of the voting power or otherwise have power to exercise control over the operations. Subsidiaries are consolidated from the date on which effective control is transferred to the Group and are no longer consolidated from the date of disposal.

These consolidated financial statements of Infotech and its wholly-owned subsidiaries are prepared under historical cost convention in accordance with generally accepted accounting principles applicable in India and the Accounting Standard 21 on Consolidation of Financial Statements issued by the Institute of Chartered Accountants of India to the extent possible in the same format as that adopted by the parent company (Infotech) for its separate financial statements.

Intra-group balances and intra-group transactions and resulting unrealised profits are eliminated in full. Unrealised losses resulting from intra-group transactions are also eliminated unless cost cannot be recovered. Consistency in adoption of accounting policies among all group companies is ensured to the extent practicable.

Investments in Business entities over which the company exercises joint control are accounted for using the proportionate consolidation except where the control is considered to be temporary. Investment in associates are accounted for using the equity method.

2. Use of Estimates

The preparation of the financial statements in conformity with the GAAP requires that the management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as at the date of the financial statements, and the reported amount of revenues and expenses during the reported year. Actual results could differ from those estimates.

3. Revenue Recognition

Revenue from software services consists primarily of revenue earned from services performed on a "time and material" basis. The related revenue is recognized as and when services are performed.

Infotech Group also performs engagements on "time bound fixed-price" engagements, under which customers are billed, based on completion of specified milestones and/or on the basis of man-days/man hours spent as per

terms of the contracts. However revenue in respect of these engagements is recognized using the percentage of completion method. The cumulative impact of any revision in estimates of the percentage of work completed is reflected in the year in which the change becomes known. Provision for estimated losses on such engagements is made in the year in which such loss becomes probable and can be reasonably estimated.

Amounts received or billed in advance of services performed are recorded as unearned revenue. Unbilled revenue, included in debtors, represents amounts recognized based on services performed in advance of billings in accordance with contract terms.

4. Fixed Assets

Fixed Assets are stated at actual cost less accumulated depreciation. The actual cost capitalized comprises material cost, inward freight, installation cost, duties and taxes and other incidental expenses incurred to acquire/construct/install the assets. Gains/Losses arising on foreign exchange liabilities incurred for the purpose of acquiring fixed assets are adjusted in the carrying amount of the respective fixed assets.

The cost and the accumulated depreciation for fixed assets sold, retired or otherwise disposed off are removed from the stated values and the resulting gains and losses are included in the profit and loss account.

Advances paid towards the acquisition of fixed assets outstanding at each balance sheet date and the cost of fixed assets not put to use before such date are disclosed as Capital work in progress.

5. Depreciation

Depreciation on fixed assets is computed on the straight-line method over their estimated useful lives at the rates which are higher than the rates prescribed under Schedule XIV of the Companies Act, 1956. Individual assets acquired for less than Rs. 5,000 are fully depreciated in the year of acquisition.

The estimated useful lives are as follows:

	Estimated Useful Lives
Building	28 years
Computers and Software	3 years
Plant and Machinery	10 years
Office Equipment	10 years
Furniture and Fixtures	10 years
Electrical Installation	10 years
Vehicles	5 years
Leasehold Improvements	Shorter of lease period or estimated useful lives

Statement on Significant Accounting Policies

Costs of software purchased for use in the projects are depreciated over the estimated useful life or over the period of the project whichever is lower.

Depreciation on assets acquired under a finance lease is provided using the straight-line method over the shorter of the lease term or the useful life of the asset.

6. Goodwill and Other Intangible Assets

Goodwill represents the difference between the purchase price and the fair value of assets and liabilities acquired. Goodwill is amortized on a straight-line basis principally over a period of 5-10 years. The goodwill is reviewed for impairment whenever events or changes in business circumstances indicate the carrying amount of assets may not be fully recoverable. If impairment is indicated, the asset is written down to its fair value. Other intangible assets include license fees, which is amortized over a period of 5 years.

7. Investments

Investments are classified into current investments and long-term investments. Current investments are carried at the lower of the cost and fair value. Provision is made to recognize any reduction in the carrying value and any reversal of such reduction is credited to profit and loss account.

Long-term investments are carried at cost, and provision is made to recognize any decline, other than temporary, in the value of such investment.

Income from interest is recognized in the year in which it is accrued and stated at gross. Dividend income is recognised when the Company's right to receive dividend is established.

8. Inventories

Inventories constitute of software products/packages bought-in for resale and are stated at the lower of cost as determined using the first-in-first-out method (FIFO) and net realizable value.

9. Sundry Debtors

Sundry Debtors represents amounts receivable for software services rendered by Infotech Group. Debts, which are outstanding for more than 15 months, are considered as bad/doubtful and 100% of such debts are written off or provided for in the accounts in the year in which they become bad/doubtful. However, specific debts which are recoverable in the opinion of management and are outstanding for over 15 months need not be written off or provided in the accounts.

Specific debts, which are irrecoverable/doubtful in the opinion of the management, are written off/provided irrespective of their periodicity.

10. Research and Development

Revenue expenditure incurred on research and development is expensed as incurred. Assets used for research and development activities are included in fixed assets.

11. Foreign Currency Transactions

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of transaction and exchange differences arising from foreign currency transactions are recognized in the profit and loss account but capitalized where they relate to fixed assets. Monetary assets and liabilities denominated in foreign currency are translated at the rates of exchange at the balance sheet date and resultant gain or loss is recognized in the profit and loss account. Non-monetary assets and liabilities are translated at the rate prevailing on the date of transaction.

In case of forward exchange contract or any other financial instruments that is in substance a forward exchange contract to hedge the foreign currency risk which is on account of firm commitment and/or is a highly probable forecast transaction, the premium or discount arising at the inception of the contract is amortized as expense or income over the life of the contract.

Gains/Losses on settlement of transaction arising on cancellation or renewal of such a forward exchange contract is recognized as income or as expense for the period.

In all other cases the gain or loss on contract is computed by multiplying the foreign currency amount of the forward exchange contract by the difference between the forward rate available at the reporting date for the remaining maturity of the contract and the contracted forward rate (or the forward rate last used to measure a gain or loss on that contract for an earlier period), is recognized in the profit and loss account for the period.

Foreign subsidiaries are non-integral in nature. Assets and Liabilities of such subsidiaries are translated at the year end exchange rate. Income and expenditure are translated at the average rate during the year. The resultant translation adjustment is reflected as a separate component of shareholders' funds as a 'Currency Translation Reserve'.

The operations of foreign branches of Infotech Group are of integral in nature and the financial statements of these branches are translated using the same principles and procedures of head office.

Statement on Significant Accounting Policies

12. Retirement Benefits

Contributions in respect of Employees Provident Fund and Pension Fund are made to fund administered and managed by the Government of India and are charged as incurred on accrual basis. Contributions under the superannuation plan are made to the fund administered and managed by the Life Insurance Corporation of India and are charged as incurred on accrual basis. Infotech also provides for other retirement benefits in the form of gratuity and leave encashment based on actuarial valuation made by an independent actuary as at the balance sheet date.

The subsidiaries of Infotech operate a defined contribution pension scheme. The assets of the scheme are held separately from those of the subsidiaries in an independent administered fund. The subsidiaries have no further obligations under the scheme beyond its monthly contributions.

13. Taxes on Income

Tax expense for a year comprises of current tax and deferred tax. Provision for current tax is made based on the applicable tax rates and tax laws with respect to that year. In case of matters under appeal, due to disallowances or otherwise, full provision is made when the said liabilities are accepted by Infotech Group. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. The effect of deferred tax assets and liabilities of a change in tax rates is recognized in the profit and loss account in the year of change. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statements carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carry forwards.

14. Earnings Per Share

The earnings considered in ascertaining Infotech Group's EPS comprises the net profit after tax (and includes the post tax effect of any extra ordinary items). The number of shares used in computing Basic EPS is the weighted average number of shares outstanding during the year. The number of shares used in computing Diluted EPS comprises of weighted average shares considered for deriving Basic EPS, and also the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the year, unless they have been issued at a later date. The diluted potential equity shares have been

adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e., average market value of the outstanding shares). The number of shares and potentially dilutive shares are adjusted for share splits/ reverse share splits and bonus shares, as appropriate.

15. Employee Stock Options

Stock options granted to the employees under the Stock Option Schemes established after June 19, 1999 are evaluated as per the accounting treatment prescribed by Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines 1999 issued by Securities Exchange Board of India. Accordingly the excess of market value of stock options as on the date of grant over the exercise price of the options is recognized as deferred employee compensation and is charged to profit and loss account on straight line method over the vesting period of the options. The unamortized portion of the cost is shown under Reserves and Surplus.

Consolidated Cash Flow Statement

FOR THE YEAR ENDED	March 31, 2007	March 31, 2006
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit Before Tax	930,496,116	496,637,858
Adjustment for :		
Depreciation and Amortisation	256,601,160	185,622,241
Financial Expenses	14,822,490	8,914,032
(Profit)/Loss on Sale of Fixed Assets	(543,778)	1,319,178
Interest and Dividend Income	(12,679,058)	(4,375,099)
Provision for Diminution in the Value of Investment	-	31,763
Loss on Sale of Long Term Investments	-	2,194,161
Profit on Sale of Current Investments	-	(292,157)
(Increase) / Decrease in Inventories	964,907	1,484,756
(Increase) / Decrease in Sundry Debtors	(380,253,793)	(311,639,988)
(Increase) / Decrease in Loans and Advances	8,634,623	(33,278,302)
Increase / (Decrease) in Current Liabilities and Provisions	208,199,560	162,975,998
Income Taxes	(169,489,490)	(178,657,950)
Fringe Benefit Tax	(13,268,365)	(11,105,943)
Unrealized Gain on Translation Differences	12,534,201	(6,755,588)
Exchange Differences on Translation of Foreign Currency Cash and Cash Equivalents	(8,757,759)	(2,857,745)
NET CASH GENERATED BY OPERATING ACTIVITIES	847,260,814	310,217,215
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets and Change in Capital Work in Progress	(706,381,845)	(340,293,935)
Proceeds from Sale of Fixed Assets	1,210,760	2,585,740
Purchase of Long Term Investments	-	(82,875,616)
Proceeds from Sale of Long Term Investments	12,068,489	-
Purchase of Current Investments	(67,000,000)	(155,000,000)
Proceeds from Sale of Current Investments	67,546,844	175,292,157
Proceeds from Long Term matured deposits	14,592,983	11,355,474
Long Term Deposits placed with Banks	(13,449,209)	(13,829,137)
Interest and dividend income	10,366,571	3,989,769
NET CASH USED IN INVESTING ACTIVITIES	(681,045,407)	(398,775,548)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Issue of Share Capital	34,199,935	99,756,772
Proceeds from Secured Loans	196,406,908	58,558,831
Repayment of Secured Loans	(575,431)	(7,967,021)
Financial Expenses Paid	(14,822,490)	(8,914,032)
Dividends Paid	(39,000,868)	(25,571,811)
NET CASH GENERATED BY FINANCING ACTIVITIES	176,208,054	115,862,739
D. EXCHANGE DIFFERENCES ON TRANSLATION OF CASH AND CASH EQUIVALENTS	8,757,759	2,857,745
NET INCREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	351,181,220	30,162,151
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	371,369,217	341,207,066
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	722,550,437	371,369,217
Supplementary Information :		
Cash and Bank Balances	735,999,646	385,198,354
Less: Long term deposits with Scheduled Banks considered as Investment	13,449,209	13,829,137
Balance considered for Cash Flow Statement	722,550,437	371,369,217

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

On behalf of the Board of Directors

S. Gopalakrishnan
Partner

B.V.R. Mohan Reddy
Chairman and Managing Director

B. Sucharitha
Whole-time Director

For and on behalf of
Price Waterhouse
Chartered Accountants

S. Nataraja
Senior Vice President
Finance & Accounts

Trivikram Dasu
DGM Legal &
Company Secretary

Place : Hyderabad
Date : April 18, 2007

Place : Hyderabad
Date : April 18, 2007