



**Audited Consolidated Financial Statements  
for the one month and the seven month period ended 31 October 2008**

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## **Auditors' report**

To the Board of Directors  
MphasiS Limited

- 1 We have audited the attached consolidated balance sheet of MphasiS Limited ("the Company") and its subsidiaries [collectively referred to as the "MphasiS Group"] as at 31 October 2008 and also the consolidated profit and loss account of the Mphasis Group for the one month and the seven month period ended on that date and the consolidated cash flow statement of the Mphasis Group for the seven month period ended on that date, annexed thereto. These consolidated financial statements are the responsibility of the 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 consolidated financial statements are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3 We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standards (AS) 21, Consolidated Financial Statements prescribed by the Companies (Accounting Standards) Rules, 2006.
- 4 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:
  - (i) in the case of the consolidated balance sheet, of the consolidated state of affairs of the Mphasis Group as at 31 October 2008; and
  - (ii) in the case of the consolidated profit and loss account, of the consolidated profit of the Mphasis Group for the one month and the seven month period ended on that date; and
  - (iii) in the case of the consolidated cash flow statement, of the consolidated cash flows of the Mphasis Group for the seven month period ended on that date.

*for B S R & Co.*  
*Chartered Accountants*

**Zubin Shekary**  
*Partner*  
Membership No. 48814

Bangalore  
26 November 2008

# Mphasis Group

## Consolidated Balance Sheet

		(Rs 000's)	
	Notes	31 October 2008	31 March 2008
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share capital	3	2,089,303	2,087,309
Reserves and surplus	4	12,213,422	9,420,739
Employee stock options outstanding	5	60,718	60,718
		<b>14,363,443</b>	<b>11,568,766</b>
<b>LOAN FUNDS</b>			
Secured loans	6	53,792	56,780
		<b>14,417,235</b>	<b>11,625,546</b>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Cost	7	9,345,238	7,701,719
Accumulated depreciation		(5,939,884)	(4,823,768)
Net book value		3,405,354	2,877,951
Capital work-in-progress		730,719	754,865
		4,136,073	3,632,816
<b>GOODWILL</b>	8	2,959,287	2,448,977
<b>DEFERRED TAX ASSETS</b>	9	344,539	260,129
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Cash and bank balances	10	545,941	952,506
Debtors and unbilled revenues	11	8,809,671	5,801,899
Interest receivable	12	2,247	2,542
Loans and advances	13	3,356,948	2,955,611
		12,714,807	9,712,558
<b>CURRENT LIABILITIES AND PROVISIONS</b>			
Current liabilities	14	4,239,605	3,025,901
Provisions	15	1,497,866	1,403,033
		5,737,471	4,428,934
<b>NET CURRENT ASSETS</b>		6,977,336	5,283,624
		<b>14,417,235</b>	<b>11,625,546</b>
Significant Accounting Policies	1		

The notes referred to above form an integral part of these consolidated financial statements

This is the consolidated balance sheet referred to in our report attached

**For and on behalf of the Board of Directors**

for **B S R & Co.**  
Chartered Accountants

**Michael Coomer**  
Chairman

**Jeya Kumar**  
Chief Executive Officer

**Zubin Shekary**  
Partner  
Membership No. 48814

**Susanto Banerjee**  
Chief Financial Officer (Interim)

**A. Sivaram Nair**  
Company Secretary

Bangalore  
26 November 2008

Bangalore  
26 November 2008

# Mphasis Group

## Consolidated Profit and Loss Account

		(Rs 000's)			
	Notes	One month ended 31 October 2008	Quarter ended 30 September 2007	Seven months ended 31 October 2008	Six months ended 30 September 2007
<b>Revenues</b>		<b>3,282,474</b>	<b>6,016,875</b>	<b>19,065,192</b>	<b>11,332,507</b>
Cost of revenues	16	2,227,474	4,589,941	14,254,627	8,569,298
<b>Gross profit</b>		<b>1,055,000</b>	<b>1,426,934</b>	<b>4,810,565</b>	<b>2,763,209</b>
Selling expenses	17	121,924	251,122	727,721	497,931
General and administrative expenses	18	210,877	425,013	1,192,314	841,617
Provision for doubtful debts		1,493	12,176	11,256	12,591
<b>Operating profit</b>		<b>720,706</b>	<b>738,623</b>	<b>2,879,274</b>	<b>1,411,070</b>
Foreign exchange gain / (loss), net		30,825	(37,650)	163,926	(217,000)
Other income, net	19	3,279	942	8,495	3,710
Interest income	20	2,444	21,985	45,419	51,989
<b>Profit before taxation</b>		<b>757,254</b>	<b>723,900</b>	<b>3,097,114</b>	<b>1,249,769</b>
Income taxes (including Fringe Benefit Tax)	21	3,789	60,781	142,749	73,602
<b>Net profit</b>		<b>753,465</b>	<b>663,119</b>	<b>2,954,365</b>	<b>1,176,167</b>
<b>Earnings per share (Par value - Rs 10)</b>	<b>27</b>				
Basic (Rs)		3.61	3.18	14.16	5.65
Diluted (Rs)		3.59	3.15	14.08	5.59

Significant Accounting Policies **1**

The notes referred to above form an integral part of these consolidated financial statements

This is the consolidated profit and loss account referred to in our report attached **For and on behalf of the Board of Directors**

*for B S R & Co.*  
*Chartered Accountants*

**Michael Coomer**  
*Chairman*

**Jeya Kumar**  
*Chief Executive Officer*

**Zubin Shekary**  
*Partner*  
Membership No. 48814

**Susanto Banerjee**  
*Chief Financial Officer (Interim)*

**A. Sivaram Nair**  
*Company Secretary*

Bangalore  
26 November 2008

Bangalore  
26 November 2008

## Notes to the Consolidated Financial Statements

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### Basis of preparation

The consolidated financial statements of MphasiS Limited ('the Company') and its subsidiaries, collectively referred to as 'the MphasiS Group' or 'the Group', have been prepared and presented under the historical cost convention on the accrual basis of accounting and comply with the mandatory Accounting Standards ('AS') prescribed in the Companies (Accounting Standards) Rules, 2006, other pronouncements of the Institute of the Chartered Accountants of India ('ICAI') and guidelines issued by the Securities and Exchange Board of India.

#### Basis of consolidation

The consolidated financial statements include the financial statements of MphasiS Limited and all its subsidiaries, which are more than 50% owned or controlled. Please refer to Note 2 for the description of the Group.

The financial statements are prepared in accordance with the principles and procedures for the preparation and presentation of consolidated financial statements as laid down under AS 21, Consolidated Financial Statements prescribed by the Companies (Accounting Standards) Rules, 2006.

The financial statements of the parent company and subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances/ transactions and resulting unrealised profits in full. Unrealised losses resulting from intra-group transactions have also been eliminated except to the extent that the recoverable value of related assets are lower than their cost to the Group. The amounts shown in respect of reserves comprise the amount of the relevant reserves as per the balance sheet of the parent company and its share in the post-acquisition increase in the relevant reserves of subsidiaries.

Minority interest is the amount of equity attributable to minorities at the date on which investment in a subsidiary is made and its share of movements in the equity since that date. Any excess consideration received from minority shareholders of subsidiaries over the amount of equity attributable to the minority on the date of investment is reflected under Reserves and Surplus.

Consolidated financial statements are prepared using uniform accounting policies across the Group.

#### Use of estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities on the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period reported. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

#### Revenue recognition

The Group derives its revenues primarily from software services & projects, call centre & business process outsourcing operations, infrastructure outsourcing services and from licensing arrangements & application services.

Revenues from software services & projects comprise income from time-and-material and fixed-price contracts. Revenue from time-and-material contracts is recognised on the basis of software developed and billable in accordance with the terms of the contracts with clients. Revenue from fixed-price contracts is recognised using the percentage of completion method, calculated as the proportion of the cost of efforts incurred up to the reporting date to estimated total cost of efforts.

Revenue from call centre & business process outsourcing operations arises from both time-based and unit-priced client contracts. Such revenue is recognised on completion of the related services and is billable in accordance with the specific terms of the contracts with the client.

Revenue from infrastructure outsourcing services arises from time-and-material contracts and accordingly, revenue is recognised on the basis of services billable in accordance with the terms of the contracts with the clients.

Revenues from licensing arrangements are recognised over the period of delivery and installation. Revenues from the provision of application services are recognised as revenues in the period that the services are utilized by the client.

Maintenance revenue is recognised ratably over the period of the underlying maintenance agreement.

Provisions for estimated losses on incomplete contracts are recorded in the period in which such losses become probable based on the current contract estimates. 'Unbilled revenues' included in current assets represent revenues in excess of amounts billed to clients as at the balance sheet date. 'Unearned receivables' included in current liabilities represent billings in excess of revenues recognised.

Advances received for services are reported as liabilities until all conditions for revenue recognition are met.

Interest on the deployment of surplus funds is recognised using the time-proportion method, based on underlying interest rates.

Dividend income is recognised when the right to receive the dividend is established.

# Mphasis Group

## Fixed assets and capital work-in-progress

Fixed assets are stated at the cost of acquisition or construction less accumulated depreciation. Direct costs are capitalised until assets are ready to be put to use. Borrowing costs directly attributable to acquisition or construction of those fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalised. Fixed assets purchased in foreign currency are recorded at cost, based on the exchange rate on the date of purchase. Acquired intangible assets are capitalised at the acquisition price. Internally generated intangible assets are stated at cost that can be measured reliably during the development phase and when it is probable that future economic benefits that are attributable to the assets will flow to the company. Fixed assets held by foreign subsidiaries are translated into Indian rupees at the closing rate (refer accounting policy on foreign currency included in this note).

Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets acquired are capitalised at the fair value of the asset or the present value of the minimum lease payments at the inception of the lease, whichever is lower.

Advances paid towards acquisition of fixed assets and the cost of assets not ready for use as at the balance sheet date are disclosed under capital work-in-progress.

## Goodwill arising on consolidation

The excess of cost to the Company of its investment in subsidiaries over its portion of equity in the subsidiaries at the respective dates on which investment in subsidiaries was made is recognised in the financial statements as goodwill. The Company's portion of equity in the subsidiaries is determined on the basis of the value of assets and liabilities as per the financial statements of the subsidiaries as on the date of investment.

## Depreciation and amortization

Depreciation on fixed assets is provided using the straight-line method over the estimated useful lives of assets. Depreciation is charged on a proportionate basis for all assets purchased and sold during the period. Individual assets costing less than Rs 5,000 are depreciated in full in the period of purchase. The estimated useful lives of assets are as follows:

### For assets used in Call center services

	Years
Buildings	10
Plant and machinery (including telecom equipments)	5
Computer equipment	5
Office equipment	5
Furniture and fixtures	5
Vehicles	3

### For assets used in other services

	Years
Buildings	10
Plant and machinery	4
Computer equipment	2
Office equipment	3
Furniture and fixtures	4
Vehicles	3

Freehold land is not depreciated. Leasehold improvements are amortised over the lease term or 3 years (5 years for Call center services), whichever is shorter. Significant purchased application software and internally generated software that is an integral part of the Group's computer systems, expected to provide lasting benefits, is capitalised at cost and amortised on the straight-line method over its estimated useful life or 3 years, whichever is shorter. Internally generated software for sale expected to provide lasting benefits is amortised on the straight-line method over its estimated life or 7 years, whichever is shorter.

## Investments

Long-term investments are valued at cost less provision for diminution, other than temporary, in the value of such investments. Current investments are valued at the lower of cost and fair value.

## Employee benefits

Gratuity and compensated absences, which are defined benefits, are accrued based on independent actuarial valuations as at the balance sheet date.

Contributions payable to recognised provident funds and approved superannuation schemes, which are defined contribution schemes, are charged to the profit and loss account.

# MphasiS Group

## Foreign currency

Foreign exchange transactions are recorded at the rates of exchange prevailing on the dates of the respective transactions. Exchange differences arising on foreign exchange transactions settled during the period are recognised in the profit and loss account of the period.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the exchange rates on that date. The resultant exchange differences are recognised in the profit and loss account.

The financial statements of the foreign subsidiaries being non-integral operations in terms of para 24 of AS 11, Accounting for the Effects of Changes in Foreign Exchange Rates, are translated into Indian rupees as follows:

- a) Income and expense items are translated at the exchange rates on the dates of the transactions.
- b) Assets (including goodwill) and liabilities, both monetary and non-monetary are translated at the closing rate.
- c) All resulting exchange differences are accumulated in a foreign currency translation reserve which is reflected under Reserves and Surplus.
- d) Contingent liabilities are translated at the closing rate.

Forward contracts are entered into to hedge the foreign currency risk of the underlying outstanding at the balance sheet date and also to hedge the foreign currency risk of firm commitment or highly probable forecast transaction. The premium or discount on forward contracts that are entered into to hedge the foreign currency risk of the underlying outstanding at the balance sheet date, arising at the inception of each contract is amortised as income or expense over the life of the contract. Any profit or loss arising on the cancellation or renewal of forward contracts is recognised as income or as expense for the period.

In relation to the forward contracts entered into to hedge the foreign currency risk of the underlying outstanding at the balance sheet date, the exchange difference is calculated and recorded in accordance with paragraphs 36 and 37 of AS 11. The exchange difference on such a forward exchange contract is calculated as the difference between the foreign currency amount of the contract translated at the exchange rate at the reporting date, or the settlement date where the transaction is settled during the reporting period, and the corresponding foreign currency amount translated at the later of the date of inception of the forward exchange contract and the last reporting date. Such exchange differences are recognised in the profit and loss account in the reporting period in which the exchange rates change.

With effect from 1 April 2008, the Group has adopted the principles of Accounting Standard ('AS') 30 "Financial Instruments: Recognition and Measurement" in respect of its derivative financial instruments that are not covered by AS 11 "Accounting for the Effects of Changes in Foreign Exchange Rates" and that relate to a firm commitment or a highly probable forecast transaction. In accordance with AS 30, such derivative financial instruments, which qualify for cash flow hedge accounting and where Company has met all the conditions of AS 30, are fair valued at balance sheet date and the resultant exchange gain / loss is credited / debited to the hedging reserve included in the Reserves and Surplus. This gain / loss would be recorded in profit and loss account when the underlying transactions affect earnings. Other derivative instruments that relate to a firm commitment or a highly probable forecast transaction and that do not qualify for hedge accounting have been recorded at fair value at the reporting date and the resultant exchange gain / loss has been credited / debited to profit and loss account for the period.

## Fringe Benefit Tax

The Group provides for and discloses the Fringe Benefit Tax ("FBT") as part of Taxes in accordance with the provisions of Section 115 WC of the Income Tax Act, 1961 and the guidance note on FBT issued by the Institute of Chartered Accountants of India ('ICAI'). The Finance Act, 2007 levied FBT on Employees Stock Option Plan. Such FBT liability crystallises on the date of exercise of stock option and is accounted for accordingly.

## Income taxes

The current charge for income taxes is calculated in accordance with the relevant tax regulations. Minimum Alternative Tax ("MAT") paid in accordance with the tax laws which gives rise to future economic benefits in the form of adjustments of future income tax liability, is considered as an asset if there is convincing evidence that the Group will pay normal tax after the tax holiday period. MAT credit entitlement can be carried forward and utilised for a period of seven years from the year in which the same is availed. Accordingly, it is recognised as an asset in the balance sheet when it is probable that the future economic benefit associated with it will flow to the Group and the asset can be measured reliably.

Deferred tax assets and liabilities are recognised for the future tax consequences attributable to timing differences that result between taxable profits and accounting profits. Deferred tax in respect of timing differences which originate during the tax holiday period but reverse after the tax holiday period is recognised in the period in which the timing differences originate. For this purpose the timing difference which originates first is considered to reverse first. 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 on deferred tax assets and liabilities of a change in tax rates is recognised in the period that includes the enactment date. Deferred tax assets on timing differences are recognised only if there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. However, deferred tax assets on the timing differences when unabsorbed depreciation and losses carried forward exist, are recognised only to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets are reassessed for the appropriateness of their respective carrying values at each balance sheet date. The legal entities within the Group offsets, on a year on year basis, the current and deferred tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

# MphasiS Group

## **Provisions and contingent liabilities**

The Group recognizes provision when there is a present obligation as a result of an obligating 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 in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions for onerous contracts, i.e. contracts where the expected unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it, are recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event, based on a reliable estimate of such obligation.

## **Impairment of assets**

The Group assesses at each balance sheet date whether there is any indication that a fixed asset including goodwill may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the profit and loss account. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost. In respect of goodwill, the impairment loss will be reversed only when it was caused by specific external events and their effects have been reversed by subsequent external events.

## **Earnings per share**

The basic earnings per share is computed by dividing the net profit attributable to equity shareholders for the period by the weighted average number of equity shares outstanding during the period. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share, and also the weighted average number of equity shares which would 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 period, 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 the average market value of the outstanding shares. In computing dilutive earnings per share, only potential equity shares that are dilutive and that either reduces earnings per share or increase loss per share are included.

## **Stock-based compensation**

The Group accounts for stock-based compensation based on the intrinsic value method. 'Option Discount' is amortised on a straight-line basis over the vesting period of the shares issued under Employee Stock Option Plans ("ESOP").

'Option Discount' means the excess of the market price of the underlying shares as at the date of grant of the options over the exercise price of the options.

## MphasiS Group

### 2. DESCRIPTION OF THE GROUP

The MphasiS Group, a global, multicultural organisation headquartered jointly in Bangalore, India and New York, USA, specialises in providing a suite of application development and maintenance services, infrastructure outsourcing services and business process outsourcing solutions to clients around the world.

MphasiS Limited is registered under the Indian Companies Act, 1956 with its registered office in Bangalore. This is the flagship company of the Group and is listed on the principal stock exchanges of India.

In terms of a merger agreement executed between Electronic Data Systems Corporation, Hewlett-Packard Company ('HP') and Hawk Merger Corporation, the last named company merged into Electronic Data Systems Corporation on 26 August 2008. As a result of this merger, Electronic Data Systems Corporation became a 100% subsidiary of HP and was renamed as Electronic Data Systems LLC. Further, HP became the ultimate holding company of MphasiS.

#### List of subsidiaries with percentage holding

Subsidiaries	Country of incorporation and other particulars	% of holding
MphasiS Corporation ('MphasiS USA')	a company organised under the laws of Delaware, USA	100
MphasiS Deutschland GmbH ('MphasiS GmbH')	a company organised under the laws of Germany	91
BFL Software Asia Pacific Pte Ltd ('BFL APAC')	a company organised under the laws of Singapore	100
MphasiS Australia Pty Ltd ('MphasiS Australia')	a company organised under the laws of Australia	100
MphasiS (Shanghai) Software & Services Company Limited ('MphasiS China')	a company organised under the laws of The People's Republic of China	100
MphasiS Consulting Limited ('MphasiS Consulting')	a company organised under the laws of United Kingdom	100
Eldorado Computing Inc. ('Eldorado')	a company organised under the laws of Arizona, USA	100
MphasiS FinsourceE Limited ('MphasiS FinsourceE')	a company organised under the laws of India	100
MphasiS Ireland Limited ('MphasiS Ireland')	a company organised under the laws of Ireland	100
MphasiS Belgium BVBA ('MphasiS Belgium') [Refer note 2(d)]	a company organised under the laws of Belgium	100
MphasiS Europe BV ('MphasiS Europe')	a subsidiary of MphasiS USA, organised under the laws of The Netherlands	100
MphasiS Pte Ltd ('MphasiS Singapore')	a subsidiary of MphasiS Europe, organised under the laws of Singapore	100
MphasiS UK Limited ('MphasiS UK')	a subsidiary of MphasiS Europe, organised under the laws of United Kingdom	100
MphasiS Software and Services (India) Private Limited ('MphasiS India')	a subsidiary of MphasiS Europe, organised under the laws of India	100
MsourceE Mauritius Inc. ('MsourceE Mauritius')	a subsidiary of MphasiS Europe, organised under the laws of Mauritius	100
MsourceE (India) Private Limited ('MsourceE India')	a subsidiary of MsourceE Mauritius, organised under the laws of India	100

## **MphasiS Group**

- 2(a) The Company acquired control of Kshema Technologies Limited (“Kshema”) on 1 June 2004. Kshema was amalgamated with MphasiS Limited with effect from 1 April 2005.

The balance consideration payable to the erstwhile shareholders of Kshema amounting to Rs 17,060,055 (31 March 2008: Rs 17,060,055) is carried as a liability which will be paid after necessary regulatory approvals are obtained (refer note 14).

- 2(b) During July 2006, the Board of the Company approved the amalgamation of EDS Electronic Data Systems (India) Private Limited (‘EDS India’), a wholly owned subsidiary of then Electronic Data Systems Corporation USA, (‘EDS’) into MphasiS Limited. The scheme of amalgamation was approved by the shareholders at their meeting on 13 November 2006, and by the Hon’ble High Courts of Maharashtra and Karnataka on 2 February 2007 and 19 June 2007 respectively. The necessary formalities to give effect to the amalgamation have been completed thereafter. Under the scheme, the Company issued 44,104,064 shares to EDS World Corporation (Far East), the holding company of EDS India and a subsidiary of EDS and 1 share to EDS World Corporation, (Netherlands) on 6 August 2007. Post allotment of the shares, EDS, through EDS Asia Pacific Holdings, Mauritius (formerly TH Holdings, Mauritius,) EDS World Corporation (Far East) and EDS World Corporation (Netherlands) holds 127,106,266 equity shares forming more than 50% of the paid-up share capital of the Company. During August 2008, EDS was merged with Hewlett Packard Company (‘HP’) and resultingly HP is the ultimate holding company. Post merger of EDS with HP, the Board of Directors of the Company on 16 October 2008 approved the change in the accounting year-end from March to October, in line with the ultimate holding company’s accounting year-end.

- 2(c) During the year ended 31 March 2008, MbrokeR India, a subsidiary of the Company made an application to the Registrar of Companies, Karnataka, to strike off its name from the Register of Companies. The name was struck off on 16 June 2008 from the Register of Companies and MbrokeR India stands dissolved.

- 2(d) During April 2008, MphasiS Belgium BVBA was incorporated as a subsidiary of MphasiS Limited.

## MphasiS Group

(Rs 000's)

	31 October 2008	31 March 2008
<b>3. SHARE CAPITAL</b>		
<b>Authorised capital</b>		
245,000,000 (31 March 2008: 245,000,000) equity shares of Rs 10 each	2,450,000	2,450,000
<b>Issued, subscribed and paid-up capital</b>		
208,937,364 (31 March 2008: 208,737,972) equity shares of Rs 10 each [Of the above 53,590,838 (31 March 2008: 53,590,838) equity shares are allotted for consideration other than cash and 134,184,874 (31 March 2008: 134,182,774) equity shares are allotted as fully paid-up by way of bonus shares.]	2,089,374	2,087,380
Less: 14,200 (31 March 2008: 14,200) equity shares of Rs 10 each forfeited	(142)	(142)
Add: Amount originally paid-up on forfeited shares	71	71
	<b>2,089,303</b>	<b>2,087,309</b>
<b>4. RESERVES AND SURPLUS</b>		
Securities premium account		
Balance brought forward	1,543,318	1,475,515
Add: Premium on allotment of shares	20,885	67,641
Add: Transferred from employee stock options outstanding [Securities premium amounting to Rs 1,126,867 (31 March 2008: Rs 1,126,867) is for consideration other than cash]	-	162
	1,564,203	1,543,318
Foreign currency translation reserve		
Balance brought forward	(373,156)	(44,676)
Add / (Less): During the period	619,299	(328,480)
	246,143	(373,156)
Capital reserve		
Balance brought forward from previous period	96,234	96,234
	96,234	96,234
General reserve		
Balance brought forward	692,461	471,692
Add: Transfer from Profit and loss account	264,514	220,769
	956,975	692,461
Hedging Reserve		
	(312,289)	-
Profit and loss account		
Balance brought forward	7,461,882	5,937,125
Add: Net profit for the period	2,954,365	2,552,873
Profit available for appropriation	10,416,247	8,489,998
Appropriations		
Transfer to General reserve	264,514	220,769
Final dividend	596	1,210
Proposed dividend	417,846	688,788
Tax on dividend	71,114	117,265
Issue of bonus shares	21	84
	9,662,156	7,461,882
	<b>12,213,422</b>	<b>9,420,739</b>

	(Rs 000's)	
	31 October 2008	31 March 2008
<b>5. EMPLOYEE STOCK OPTIONS OUTSTANDING</b>		
Balance brought forward	60,718	67,235
Less: Transferred to Securities premium account on exercise of options	-	162
Less: Reversal on forfeiture/ lapse of options granted	-	6,355
	<b>60,718</b>	<b>60,718</b>

**Employee Stock Option Plans ('ESOP')**

All the ESOPs are in respect of the Company's shares where each stock option is equivalent to one share. In accordance with the Guidance Note on "Accounting for Employee Share-based Payments" issued by the ICAI with effect from 1 April 2005, the necessary disclosures have been made for the period from 1 April 2008 to 31 October 2008 and for the year ended 31 March 2008 for grants outstanding on and made on or after that date for each of the plans described below (Also refer note 28).

Employees Stock Option Plan-1998 (the 1998 Plan): The Company instituted the 1998 Plan for all eligible employees in pursuance of the special resolution approved by the shareholders in the Annual General Meeting held on 31 July 1998. The 1998 Plan provides for the issuance of 3,720,000 options to eligible employees as recommended by the ESOP Committee constituted for this purpose.

In accordance with the 1998 Plan, the Committee has formulated 1998 Plan - (Version I) and 1998 Plan - (Version II) during the year 1998-1999 and 1999-2000 respectively.

*1998 Plan - (Version I):* Each option, granted under the 1998 Plan - (Version I), entitles the holder thereof with an option to apply for and be issued one equity share of the Company at an exercise price of Rs 34.38 per share. The equity shares covered under these options vest at various dates over a period ranging from six to sixty-six months from the date of grant based on the length of service completed by the employee to the date of grant. The options are exercisable any time after their vesting period.

The movements in the options granted under the 1998 Plan - (Version I) for the period from 1 April 2008 to 31 October 2008 and year ended 31 March 2008 are set out below:

	For the period from 1 April 2008 to 31 October 2008		For the year ended 31 March 2008	
	No of Options	Weighted Average Exercise Price	No of Options	Weighted Average Exercise Price
Options outstanding at the beginning	77,196	34.38	79,028	34.38
Granted	-	-	-	-
Forfeited	-	-	-	-
Exercised	-	-	1,832	34.38
Options outstanding at the end	77,196	34.38	77,196	34.38
Exercisable at the end of the period	77,196	34.38	77,196	34.38

The weighted average share price of options exercised as at the date of exercise was Rs Nil (31 March 2008: Rs 308.79). The options outstanding as at 31 October 2008 had an exercise price of Rs 34.38 (31 March 2008: Rs 34.38).

*1998 Plan - (Version II):* Commencing January 2000, the Company decided to grant all future options at the market price immediately preceding the date of grant. The equity shares covered under these options vest at various dates over a period ranging from twelve to forty-eight months from the date of grant based on the grade of the employee.

However, in case of options granted to the then Managing Director or Chief Executive Officer, the vesting period of the options, subject to minimum period of one year from the date of grant, is determined by the ESOP Committee and approved by the Board. The options are to be exercised within a period of ten years from their date of vesting.

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The movements in the options granted under the 1998 Plan - (Version II) for the period from 1 April 2008 to 31 October 2008 and year ended 31 March 2008 are set out below:

	For the period from 1 April 2008 to 31 October 2008		For the year ended 31 March 2008	
	No of Options	Weighted Average Exercise Price	No of Options	Weighted Average Exercise Price
Options outstanding at the beginning	895,108	94.68	1,040,644	97.09
Granted	-	-	-	-
Forfeited	12,000	130.60	32,736	129.52
Lapsed	-	-	7,500	130.43
Exercised	39,980	99.65	105,300	105.20
Options outstanding at the end	843,128	93.93	895,108	94.68
Exercisable at the end of the period	839,928	93.79	857,108	93.08

The weighted average share price of options exercised as at the date of exercise was Rs 233.65 (31 March 2008: Rs 271.11). The options outstanding as at 31 October 2008 had an exercise price ranging from Rs 67.38 to Rs 130.43 (31 March 2008: Rs 23.21 to Rs 275.00) and weighted average remaining contractual life of 4.98 years (31 March 2008: 5.63 years).

*Employees Stock Option Plan-2000 (the 2000 Plan):* Effective 25 July 2000, the Company instituted the 2000 Plan. The shareholders and ESOP Committee approved the 2000 Plan in July 2000. The 2000 Plan provides for the issue of equity shares to employees and directors of the Company and its subsidiaries.

The 2000 Plan is administered by an ESOP Committee appointed by the Board. Under the 2000 Plan, options will be issued to employees at an exercise price, which shall not be less than the market price immediately preceding the date of grant. The equity shares covered under these options vest over a period ranging from twelve to forty-eight months from the date of grant. The exercise period is one to two years from the date of vesting.

The movements in the options under the 2000 Plan for the period from 1 April 2008 to 31 October 2008 and year ended 31 March 2008 are set out below:

	For the period from 1 April 2008 to 31 October 2008		For the year ended 31 March 2008	
	No of Options	Weighted Average Exercise Price	No of Options	Weighted Average Exercise Price
Options outstanding at the beginning	867,725	137.06	1,205,914	133.88
Granted	-	-	-	-
Forfeited	18,350	127.67	70,720	133.12
Lapsed	46,593	132.50	145,983	124.82
Exercised	53,631	125.07	121,486	122.49
Options outstanding at the end	749,151	138.41	867,725	137.06
Exercisable at the end of the period	480,273	136.25	390,688	137.01

The weighted average share price of options exercised as at the date of exercise was Rs 219.66 (31 March 2008: Rs 286.78). The options outstanding as at 31 October 2008 had an exercise price ranging from Rs 62.13 to Rs 208.45 (31 March 2008: Rs 62.13 to Rs 208.45) and weighted average remaining contractual life of 1.63 years (31 March 2008: 2.06 years).

*Employees Stock Option Plan - 2003 (the 2003 Plan):* The shareholders at the Annual General Meeting on 2 June 2003 approved a new Employee Stock Option Plan. The 2003 Plan provides for the issue of equity shares to employees and directors of the Company and its subsidiaries and is administered by an ESOP Committee appointed by the Board of Directors. Options will be issued to employees at an exercise price which shall not be less than the market price immediately preceding the date of grant. The equity shares covered under these options vest over a period ranging from twelve to forty-eight months from the date of grant. However, certain options were granted to executive directors having a target stock price condition and a one year service condition as vesting conditions. The exercise period is two years from the date of vesting.

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The movements in the options under the 2003 Plan for the period 1 April 2008 to 31 October 2008 and year ended 31 March 2008 are set out below:

	For the period from 1 April 2008 to 31 October 2008		For the year ended 31 March 2008	
	No of Options	Weighted Average Exercise Price	No of Options	Weighted Average Exercise Price
Options outstanding at the beginning	229,877	116.00	478,427	130.93
Granted	-	-	-	-
Forfeited	3,750	130.60	62,950	91.31
Lapsed	15,827	102.19	11,500	91.50
Exercised	34,350	117.51	174,100	167.56
Options outstanding at the end	175,950	116.64	229,877	116.00
Exercisable at the end of the period	128,600	111.50	130,177	104.82

The weighted average share price of options exercised as at the date of exercise was Rs 219.53 (31 March 2008: Rs 273.46). The options outstanding as at 31 October 2008 had an exercise price ranging from Rs 85.63 to Rs 130.60 (31 March 2008: Rs 85.63 to Rs 130.60) and weighted average remaining contractual life of 1.42 years (31 March 2008: 1.76 years).

*Employees Stock Option Plan - 2004 (the 2004 Plan):* At the Extraordinary General Meeting on 12 May 2004, the shareholders approved a new Employee Stock Option Plan. The 2004 Plan provides for the issuance of equity shares to employees and directors of the Company and its subsidiaries and for the exchange of outstanding stock options of Msource Corporation as on 20 September 2004, pursuant to its merger with MphasiS Corporation and the assumption of the Msource stock options by the Company.

The 2004 Plan is administered through an ESOP Committee appointed by the Board of Directors of the Company and comprises two programs. Under Program A, outstanding options of Msource Corporation were exchanged for options in the Company on the agreed exchange ratio of 0.14028 stock options with underlying equity shares of the Company for each stock option in the Msource 2001 plan, the exercise price being the equivalent amount payable by the option holder under the Msource 2001 plan. The equity shares underlying these options vest over a period up to forty-eight months from the date of assumption by the Company and shall be exercisable within a period of ten years from the original date of grant under the Msource 2001 plan.

Options under Program B represent fresh grants and will be issued to employees at an exercise price which shall be equal to the fair value of the underlying shares at the date of grant. The equity shares covered under these options vest over a period ranging from twelve to forty-eight months from the date of grant. The exercise period is two years from the date of vesting.

The movements in the options under the 2004 Plan for the period 1 April 2008 to 31 October 2008 and year ended 31 March 2008 are set out below:

	For the period from 1 April 2008 to 31 October 2008		For the year ended 31 March 2008	
	No of Options	Weighted Average Exercise Price	No of Options	Weighted Average Exercise Price
Options outstanding at the beginning	569,973	125.20	1,012,249	124.47
Granted	-	-	-	-
Forfeited	13,402	132.90	224,229	115.86
Lapsed	26,889	132.48	81,211	133.11
Exercised	69,331	117.24	136,836	130.40
Options outstanding at the end	460,351	125.75	569,973	125.20
Exercisable at the end of the period	342,005	121.41	311,892	115.44

The weighted average share price of options exercised as at the date of exercise was Rs 222.63 (31 March 2008: Rs 306.90). The options outstanding as at 31 October 2008 had an exercise price ranging from Rs 50.34 to Rs 184.50 (31 March 2008: Rs 50.34 to Rs 184.50) and weighted average remaining contractual life of 3.20 years (31 March 2008: 4.08 years).

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### Fringe benefit tax on ESOPs

Fringe Benefit Tax (FBT) on Employee Stock Options (ESOPs) exercised during the period has been remitted to the Government, as per our understanding of the clarifications issued by the Income Tax Department on the matter. As per the ESOP schemes of the Company, all the taxes, including FBT, are to be borne by the employees and hence, this will not have an impact on the profit and loss account of the Group.

### Restricted Stock Units

Electronic Data Systems Corporation, ('EDS') the holding company, had issued Restricted Stock Units ('RSU') to certain employees of the Group. These would be replaced by RSUs of Hewlett Packard Company (HP), pursuant to the merger. Cost incurred by EDS upon issuing such RSU's for the one month and seven months period ended 31 October 2008 amounted to Rs 9,143,957 and Rs 67,763,390 respectively (quarter and six months ended 30 September 2007: Rs 15,889,981 and Rs. 37,278,627 respectively). However, the cost has been borne by EDS and accordingly this has not been accounted as an expense by the Group.

	<b>(Rs 000's)</b>	
	<b>31 October 2008</b>	<b>31 March 2008</b>
<b>6. SECURED LOANS</b>		
Other loans	53,792	56,780
(Secured by the hypothecation of vehicles)		
	<b>53,792</b>	<b>56,780</b>

7. FIXED ASSETS

(Rs 000's)

Assets	Cost				Accumulated depreciation				Net book value	
	1 April 2008	Additions	Deductions/ Adjustments*	31 October 2008	1 April 2008	Charge	Deductions/ Adjustments*	31 October 2008	31 October 2008	31 March 2008
<b>Tangible assets</b>										
Freehold land	27,375	-	-	27,375	-	-	-	-	27,375	27,375
Buildings	1,230	-	-	1,230	861	72	-	933	297	369
Leasehold improvements	1,071,790	229,238	3,378	1,304,406	718,847	131,838	2,162	852,847	451,559	352,943
Plant and machinery	1,773,596	237,810	71,267	2,082,673	1,011,228	175,362	51,820	1,238,410	844,263	762,368
Computer equipment	2,198,224	330,904	29,197	2,558,325	1,515,667	319,915	28,089	1,863,671	694,654	682,557
Office equipment	806,520	68,633	5,576	880,729	482,656	107,996	3,484	594,136	286,593	323,864
Furniture and fixtures	936,338	101,245	11,141	1,048,724	530,402	107,186	11,098	648,686	400,038	405,936
Vehicles	100,619	15,073	(9,809)	105,883	44,014	16,681	(6,825)	53,870	52,013	56,605
<b>Intangible assets</b>										
Software	786,027	468,120	81,746	1,335,893	520,093	145,801	21,437	687,331	648,562	265,934
<b>Total</b>	<b>7,701,719</b>	<b>1,451,023</b>	<b>192,496</b>	<b>9,345,238</b>	<b>4,823,768</b>	<b>1,004,851</b>	<b>111,265</b>	<b>5,939,884</b>	<b>3,405,354</b>	<b>2,877,951</b>
Previous year ended 31 March 2008	5,768,065	2,013,028	(79,374)	7,701,719	3,494,533	1,401,947	(72,712)	4,823,768	2,877,951	

\* includes the effect of translation of assets held by foreign subsidiaries, which are considered as non-integral in terms of AS 11

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	(Rs 000's)	
	31 October 2008	31 March 2008
<b>8. GOODWILL</b>		
Goodwill arising on consolidation	2,959,287	2,448,977
	<b>2,959,287</b>	<b>2,448,977</b>
<b>9. DEFERRED TAX ASSETS</b>		
On depreciation	268,852	199,974
On provisions for doubtful debts	25,299	23,274
On provisions for employee benefits	50,388	36,881
	<b>344,539</b>	<b>260,129</b>
<b>10. CASH AND BANK BALANCES</b>		
Cash in hand	962	476
Remittance in transit	11,854	5,464
Balances with scheduled banks		
- Current accounts *	137,290	144,821
- Deposit accounts **	45,614	554,067
- Margin money deposit account	913	943
Balances with non-scheduled banks		
- Current accounts	349,308	246,735
	<b>545,941</b>	<b>952,506</b>

\* Includes Rs 1,251,941 and Rs 1,275,586 representing the balances in unclaimed dividends accounts as at 31 October 2008 and 31 March 2008 respectively.

\*\* Includes restricted deposits of Rs 10,732,170 as at 31 October 2008 (31 March 2008: Rs 10,732,170) [refer note 31]

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	(Rs 000's)	
	31 October 2008	31 March 2008
<b>11. DEBTORS AND UNBILLED REVENUES</b>		
Debits outstanding for a period exceeding six months, unsecured		
- considered good	39,981	64,731
- considered doubtful	172,202	143,035
Other debts, unsecured		
- considered good	3,515,306	3,021,992
	3,727,489	3,229,758
Less: Provision for doubtful debts (net of write-offs)	(172,202)	(143,035)
	3,555,287	3,086,723
Unbilled revenues	5,254,384	2,715,176
	<b>8,809,671</b>	<b>5,801,899</b>
<b>12. INTEREST RECEIVABLE</b>		
Unsecured - considered good	2,247	2,542
	<b>2,247</b>	<b>2,542</b>
<b>13. LOANS AND ADVANCES</b>		
Unsecured - considered good		
Employee loans	3,737	5,469
Advances recoverable in cash or in kind or for value to be received	757,578	701,846
Loan to a ESOP trust	3,575	3,575
Deposits		
- premises	1,028,758	1,021,544
- with government authorities	10,907	10,683
- others	11,745	11,024
Advance tax and tax deducted at source	1,130,887	1,009,674
MAT credit entitlement	409,761	191,796
Unsecured - considered doubtful		
Advances recoverable in cash or in kind or for value to be received	43,345	40,990
	3,400,293	2,996,601
Less: Provisions (net of write-offs)	(43,345)	(40,990)
	<b>3,356,948</b>	<b>2,955,611</b>

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(Rs 000's)

	31 October 2008	31 March 2008
<b>14. CURRENT LIABILITIES</b>		
Sundry creditors	1,168,666	760,489
Advances from clients	21,821	28,320
Unearned receivables	44,632	92,388
Salary related costs	761,763	1,028,801
Other liabilities*	2,241,471	1,114,627
Unclaimed dividends	1,252	1,276
	<b>4,239,605</b>	<b>3,025,901</b>

\* The above amount includes Rs 17,060,055 (31 March 2008: Rs 17,060,055) which represents the remaining consideration payable for the acquisition of Kshema Technologies Limited [refer note 2(a)].

### 15. PROVISIONS

Compensated absences	178,704	141,985
Gratuity [refer note 29]	135,270	89,391
Proposed dividend	417,846	688,788
Tax on dividend	71,013	117,060
Taxation	695,033	365,809
	<b>1,497,866</b>	<b>1,403,033</b>

(Rs 000's)

	One month ended 31 October 2008	Quarter ended 30 September 2007	Seven months ended 31 October 2008	Six months ended 30 September 2007
<b>16. COST OF REVENUES</b>				
Salary and allowances	1,242,797	2,637,115	8,100,111	4,917,988
Contribution to provident and other funds	103,678	209,741	676,804	371,904
Staff welfare	57,745	151,111	437,831	279,336
Travel*	135,957	212,398	729,038	444,689
Recruitment charges	2,714	58,530	45,816	99,908
Communication expenses	95,194	157,220	482,217	310,305
Rent	182,543	211,722	805,049	385,866
Professional charges	28,330	39,247	44,317	43,442
Depreciation and amortisation	138,175	300,304	938,804	567,064
Software development charges	59,462	151,533	582,686	359,690
Staff training expenses	1,506	17,031	23,453	70,286
Electricity	31,273	93,419	239,997	174,132
Software support and annual maintenance charges	139,999	261,375	916,484	413,038
Miscellaneous expenses	8,101	89,195	232,020	131,650
	<b>2,227,474</b>	<b>4,589,941</b>	<b>14,254,627</b>	<b>8,569,298</b>

\* Seven months period ended 31 October 2008 includes accelerated amortization of visa costs amounting to Rs 92,786,174 incurred in prior periods owing to a change in accounting treatment. Consequently, the profit of the seven month period ended 31 October 2008 is lower by the same amount.

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	(Rs 000's)			
	One month ended 31 October 2008	Quarter ended 30 September 2007	Seven months ended 31 October 2008	Six months ended 30 September 2007
<b>17. SELLING EXPENSES</b>				
Salary and allowances	75,691	182,085	501,988	361,808
Contribution to provident and other funds	10,889	15,464	54,711	31,569
Staff welfare	1,433	2,954	7,684	5,644
Travel	17,347	18,437	70,577	38,721
Communication expenses	4,136	9,508	25,051	16,917
Rent	2,843	5,907	16,513	12,546
Professional charges	2,260	2,532	9,731	5,116
Depreciation and amortisation	999	3,772	6,865	7,011
Recruitment expenses	1,997	2,309	11,279	2,855
Business meeting expenses	595	2,579	3,301	3,606
Miscellaneous expenses	3,734	5,575	20,021	12,138
	<b>121,924</b>	<b>251,122</b>	<b>727,721</b>	<b>497,931</b>
<b>18. GENERAL AND ADMINISTRATIVE EXPENSES</b>				
Salary and allowances	76,122	173,825	512,806	334,591
Contribution to provident and other funds	5,494	10,967	39,001	23,060
Staff welfare	9,290	11,005	53,685	32,969
Travel	8,472	19,682	39,643	32,246
Communication expenses	7,117	20,774	39,537	43,598
Rent	31,100	21,690	86,946	40,477
Professional charges	13,166	14,965	85,747	38,985
Depreciation and amortisation	8,294	36,381	59,182	71,073
Auditor's remuneration	38	2,000	5,138	4,000
Bank charges	774	4,381	6,018	5,952
Insurance	2,245	5,274	16,947	11,875
Rates and taxes	2,217	2,251	15,928	4,227
Repairs and maintenance				
- Plant and machinery	5,226	6,710	23,993	11,192
- Building	1,066	5,648	8,504	12,301
- Others	17,739	35,160	80,993	74,342
Membership and subscriptions	639	1,518	5,685	2,342
Printing and stationery	4,468	12,440	24,475	22,427
Postage and courier charges	801	2,275	4,906	3,481
Miscellaneous expenses	16,609	38,067	83,180	72,479
	<b>210,877</b>	<b>425,013</b>	<b>1,192,314</b>	<b>841,617</b>

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	(Rs 000's)			
	One month ended 31 October 2008	Quarter ended 30 September 2007	Seven Months ended 31 October 2008	Six months ended 30 September 2007
<b>19. OTHER INCOME, NET</b>				
Profit on sale of fixed assets	-	938	1,463	3,575
Dividend income	3,238	-	6,958	-
Miscellaneous income	41	4	74	135
	<b>3,279</b>	<b>942</b>	<b>8,495</b>	<b>3,710</b>

<b>20. INTEREST INCOME</b>				
Interest on deposits and loans	2,444	21,985	45,419	51,989
	<b>2,444</b>	<b>21,985</b>	<b>45,419</b>	<b>51,989</b>

### 21. INCOME TAXES [INCLUDING FRINGE BENEFIT TAX]

<b>Current taxes</b>				
Domestic taxes	80,245	67,543	334,060	126,721
Foreign taxes	14,012	3,090	74,372	5,840
<b>Deferred taxes</b>				
Domestic taxes	(10,456)	(15,363)	(82,673)	(72,858)
Foreign taxes	60	43,411	(488)	41,227
<b>MAT credit entitlement</b>	(91,000)	(43,193)	(217,965)	(59,071)
<b>Fringe Benefit Tax</b>	10,928	5,293	35,443	31,743
	<b>3,789</b>	<b>60,781</b>	<b>142,749</b>	<b>73,602</b>

22. The Group's software development centres and call centres in India are 100% Export Oriented Units ('EOU') / Software Technology Park ('STP') Units under the Software Technology Park guidelines issued by the Government of India. They are exempted from customs and central excise duties and levies on imported and indigenous capital goods and stores and spares. The Group has executed legal undertakings to pay customs duty, central excise duty, levies and liquidated damages payable, if any, in respect of imported and indigenous capital goods and stores and spares consumed duty free, in the event that certain terms and conditions are not fulfilled. Bank guarantees aggregating to Rs 148,893,415 as at 31 October 2008 (31 March 2008: Rs 137,546,790) have been furnished to the Customs authorities in this regard.

### 23. Contingent liabilities and commitments

- Claims against the Group not acknowledged as debts amounting to Rs 296,977,394 (31 March 2008: Rs 695,561,259);
- Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for as at 31 October 2008: Rs 842,880,473 (31 March 2008: Rs 717,025,017);
- Guarantees outstanding including those furnished to the Customs authorities as at 31 October 2008: Rs 343,527,315 (31 March 2008: Rs 433,125,680); and
- Forward contracts outstanding as at 31 October 2008 are as below:

Currency	Amount	Amount in INR
USD	243,624,000	12,048,424,920
GBP	2,585,037	206,673,704
EUR	1,602,777	100,958,912
SGD	7,143,405	238,357,566

Forward contracts outstanding as at 31 March 2008 are as follows:

Currency	Amount	Amount in INR
USD	76,040,000	3,048,823,800
GBP	2,809,520	224,653,181
EUR	655,046	41,486,697
CAD	1,105,171	43,388,213

Unamortized premium on forward exchange contracts accounted in accordance with AS 11, amounted to Rs 6,058,796 as at 31 October 2008 (31 March 2008: Rs 976,269).

- The Group has issued performance guarantees to certain clients for executed contracts.

## 24. Operating leases

The Group is obligated under non-cancellable leases for office and residential space that are renewable on a periodic basis at the option of both the lessor and the lessee. Total rental expense under non-cancellable operating leases amounted to Rs 57,431,960 and Rs 395,483,502 for the one month and seven months period ended 31 October 2008 respectively and Rs 126,590,144 and

Rs 243,237,585 for the quarter and six months ended 30 September 2007 respectively.

Future minimum lease payments under non-cancellable operating leases as at 31 October 2008 are as follows:

Period	(Rs 000's)
Not later than 1 year	815,313
Later than 1 year and not later than 5 years	1,039,963
More than 5 years	-
	<b>1,855,276</b>

The Group also leases office facilities and residential facilities under cancellable operating lease agreements. The Group intends to renew such leases in the normal course of its business. Total rental expense under cancellable operating leases was Rs 159,053,819 and Rs 513,023,849 for the one month and seven months period ended 31 October 2008 respectively and Rs 112,728,837 and Rs 195,651,839 for the quarter and six months ended 30 September 2008 respectively.

## 25. Related party transactions

### (a) Entities where control exists:

- Hewlett Packard Company, USA (ultimate holding company)
- Hewlett Packard Eagle Corporation, USA (100% subsidiary of Hewlett Packard Company, USA)
- Electronic Data Systems LLC, USA (formerly Electronic Data Systems Corporation, USA), (100% subsidiary of Hewlett Packard Eagle Corporation, USA)\*

\*EDS Asia Pacific Holdings, Mauritius (formerly TH Holding, Mauritius) and EDS World Corporation (Far East), the subsidiaries of Electronic Data Systems LLC, USA (formerly Electronic Data Systems Corporation, USA) hold 39.73% and 21.11% of the equity capital of the Company respectively.

The related parties where control exists also include BFL Employees Equity Reward Trust and Kshema Employees Welfare Trust.

### (b) Key management personnel:

The key management personnel of the Group are as mentioned below:

#### Executive key management personnel represented on the Board of the Company

- Jeya Kumar Chief Executive Officer
- Deepak Patel Managing Director – resigned w.e.f 10 June 2008

#### Non-executive / independent directors on the Board of the Company

- Michael Coomer Non-executive Chairman
- Jose de la Torre Director
- Nawshir H Mirza Director
- D S Brar Director
- Joseph Eazor Director
- Vinita Bali Director
- Jim Bridges Director
- Anthony Glasby Director – Appointed on 8 October 2008
- Andreas W Mattes Director – Appointed on 8 October 2008
- Jeroen Tas Non-executive Vice Chairman - resigned w.e.f 13 October 2008
- Thomas Erhardt Director - resigned w.e.f 6 October 2008

■ Michael Ronald Koehler

Director - resigned w.e.f 6 October 2008

**(c) Other related parties with whom transactions have taken place:**

- TH Consulting India Private Limited
- EDS World Corporation (Far East)
- EDS (Operations) Pty Limited
- EDS Operations Services Gmbh
- EDS Answare SA
- Electronic Data Systems Limited
- Electronic Data Systems (EDS) International B.V.
- EDS (New Zealand) Limited
- EDS Information Services LLC
- Electronic Data Systems Belgium N.V
- EDS Canada Inc
- EDS Information Business Gmbh
- EDS (Australia) PTY Limited
- EDS Business Services PTY Limited
- EDS Gulf States, WLL
- EDS (China) Co. Limited
- EDS Sweden AB
- EDS International (Singapore) Pte Limited
- EDS (Thailand) Co. Ltd.
- Electronic Data Systems Taiwan Corporation
- EDS International (Greece) SA
- EDS Application Services Gmbh
- EDS (SCHWEIZ) AG
- EDS Electronic Data Systems (Hong Kong) Limited
- RelQ Software Private Limited
- EDS Itellium Gmbh
- EDS UK Limited
- EDS Electronic Data Systems Hungary Limited
- EDS Electronic Data Systems Italia SPA
- Electronic Data Systems (Egypt) SAE
- EDS Electronic Data Systems France SAS
- Electronic Data Systems Corporation-US
- EDS Columbia
- EDS Poland Sp.Z.O.O
- GEMS Techno Solutions India Private Ltd
- Hewlett Packard India Limited
- Hewlett Packard India Sales Pvt. Ltd.
- HP India Software Operation Pvt Ltd
- Compaq Computer India Pvt Ltd
- Hewlett Packard AP (Hong Kong) Ltd
- Hewlett Packard International Sarl
- Hewlett-Packard Asia Pacific

## MphasiS Group

- Mercury Interactive (Singapore) Pte Ltd
- Neoware Inc

(d) The following is a summary of significant transactions with related parties by the Group\*:

	(Rs 000's)			
	One month ended 31 October 2008	Quarter ended 30 September 2007	Seven months ended 31 October 2008	Six months ended 30 September 2007
<b>Rendering of services to other related parties</b>	<b>2,136,987</b>	<b>2,796,898</b>	<b>11,003,640</b>	<b>5,103,264</b>
-EDS Information Services, LLC	1,581,691	2,472,906	8,573,248	4,665,627
-Others	555,296	323,992	2,430,392	437,637
<b>Software development charges paid to other related parties</b>	<b>4,178</b>	<b>16,300</b>	<b>55,129</b>	<b>19,431</b>
-RelQ Software Private Limited	774	7,989	33,657	7,989
-Electronic Data Systems Corporation-US	3,404	8,311	21,472	11,442
<b>Software support and annual maintenance charges paid to other related parties **</b>	<b>135,144</b>	<b>246,885</b>	<b>868,102</b>	<b>383,674</b>
-EDS International (Singapore) Pte Limited	135,144	246,885	868,102	383,674
<b>Remuneration to executive key management personnel</b>	<b>4,150</b>	<b>6,307</b>	<b>46,220</b>	<b>13,492</b>
-Deepak Patel	-	6,307	17,129	13,492
-Jeya Kumar	4,150	-	29,091	-
<b>Commission to non-executive directors</b>	<b>667</b>	<b>2,363</b>	<b>4,667</b>	<b>4,125</b>
-Davinder Singh Brar	200	600	1,400	1,200
-Jose de la Torre	167	563	1,167	1,125
-Vinita Bali	100	600	700	600
-Nawshir H Mirza	200	600	1,400	1,200
<b>Exercise of stock option by non-executive directors</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>26,250</b>
-Jeroen Tas	-	-	-	26,250
<b>Loan given to BFL Employee Equity Reward Trust</b>	<b>-</b>	<b>2,500</b>	<b>5,000</b>	<b>2,500</b>
<b>Loan refunded by BFL Employee Equity Reward Trust</b>	<b>-</b>	<b>-</b>	<b>5,000</b>	<b>37,500</b>

\*This does not include remuneration paid to certain non-executive directors who are paid by the ultimate parent company and its affiliates as they are employees of the said companies.

\*\*The Group has accrued expenses for certain services received from a related party where significant influence exists for which the Master Service Agreement ("MSA") has been signed and the statement of work is expected to be signed upon completion of the ongoing negotiation of terms. As at 31 October 2008, the provisioning for such services has been made on best estimate basis.

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(e) The balances receivable from and payable to related parties are as follows:

	(Rs 000's)	
	31 October 2008	31 March 2008
<b>Interest free loans to BFL Employee Equity Reward Trust, included in Loans and advances</b>	<b>3,575</b>	<b>3,575</b>
<b>Sundry debtors and unbilled revenue - other related parties</b>	<b>6,051,517</b>	<b>3,131,811</b>
-EDS Information Services, LLC	4,539,459	2,384,042
-Electronic Data Systems Limited	-	311,793
-Others	1,512,058	435,976
<b>Sundry creditors – other related parties, included in Current liabilities</b>	<b>683,431</b>	<b>430,369</b>
-EDS International (Singapore) Pte Limited	654,446	415,531
-Others	28,985	14,838

**26. Segment reporting**

The Company's operations predominantly relate to providing application development and maintenance (Application) Services, business process outsourcing (BPO) services and infrastructure outsourcing (ITO) services delivered to clients operating globally. Secondary segmental reporting is done on the basis of the geographical location of clients.

Application Services covers consulting, application development, testing and application maintenance services. BPO Services provide voice, transaction based services and knowledge based processes. ITO covers a range of infrastructure management services and service/technical help desks.

The accounting policies consistently used in the preparation of the financial statements are also applied to record revenue and expenditure in individual segments.

Assets, liabilities, revenues and direct expenses in relation to segments are categorised based on items that are individually identifiable to that segment, while other items, wherever allocable, are apportioned to the segments on an appropriate basis. Certain items are not specifically allocable to individual segments as the underlying services are used interchangeably. The Group therefore believes that it is not practical to provide segment disclosures relating to such items, and accordingly such items are separately disclosed as 'unallocated'.

Client relationships are driven based on client domicile. The geographical segments include United States of America (USA), Europe, Asia Pacific, Japan, the Middle East and India.

Primary segment information	(Rs 000's)			
	One month ended	Quarter ended	Seven months ended	Six months ended
	31 October 2008	30 September 2007	31 October 2008	30 September 2007
<b>Segment revenue</b>				
Application Services	2,120,604	4,003,327	12,207,837	7,477,922
BPO Services	635,913	1,314,476	4,001,158	2,558,713
ITO Services	525,957	699,072	2,856,197	1,295,872
	<b>3,282,474</b>	<b>6,016,875</b>	<b>19,065,192</b>	<b>11,332,507</b>
<b>Segment profit</b>				
Application Services	703,072	939,870	2,977,820	1,862,479
BPO Services	181,827	311,865	1,080,966	636,365
ITO Services	170,101	175,199	751,779	264,365
	<b>1,055,000</b>	<b>1,426,934</b>	<b>4,810,565</b>	<b>2,763,209</b>
Interest income, net	2,444	21,985	45,419	51,989
Other unallocable expenditure, net of unallocable income	300,190	725,019	1,758,870	1,565,429
<b>Profit before taxation</b>	<b>757,254</b>	<b>723,900</b>	<b>3,097,114</b>	<b>1,249,769</b>
Income taxes (Including Fringe benefit tax)	3,789	60,781	142,749	73,602
<b>Profit after taxation</b>	<b>753,465</b>	<b>663,119</b>	<b>2,954,365</b>	<b>1,176,167</b>

	31 October 2008	31 March 2008
<b>Segment assets</b>		
Application Services	10,773,895	8,601,129
BPO Services	5,127,674	3,995,127
ITO Services	1,683,795	865,976
Unallocated assets	2,569,342	2,592,248
	<b>20,154,706</b>	<b>16,054,480</b>
<b>Segment liabilities</b>		
Application Services	3,489,090	1,430,845
BPO Services	698,043	545,157
Unallocated liabilities	1,604,130	2,509,712
	<b>5,791,263</b>	<b>4,485,714</b>

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(Rs 000's)

	One month ended 31 October 2008	Quarter ended 30 September 2007	Seven months ended 31 October 2008	Six months ended 30 September 2007
<b>Capital expenditure</b>				
Application Services	26,664	429,376	854,475	780,737
BPO Services	76,336	207,178	412,086	302,533
ITO Services	6,440	10,217	95,086	29,075
Unallocated	6,602	49,391	65,230	67,124
	<b>116,042</b>	<b>696,162</b>	<b>1,426,877</b>	<b>1,179,469</b>

### Depreciation and amortisation

Application Services	79,949	133,735	535,097	232,508
BPO Services	42,994	121,472	290,956	243,657
ITO Services	2,989	11,001	23,425	21,263
Unallocated	21,536	74,249	155,373	147,720
	<b>147,468</b>	<b>340,457</b>	<b>1,004,851</b>	<b>645,148</b>

### Secondary segment information (revenues)

	One month ended 31 October 2008	Quarter ended 30 September 2007	Seven months ended 31 October 2008	Six months ended 30 September 2007
<b>Region</b>				
USA	2,328,933	4,007,549	12,928,148	7,623,737
Europe	639,122	1,205,664	3,644,580	2,178,570
Asia Pacific	93,220	275,636	736,592	534,275
Japan	20,509	60,339	130,818	103,906
The Middle East and India	200,690	467,687	1,625,054	892,019
<b>Total</b>	<b>3,282,474</b>	<b>6,016,875</b>	<b>19,065,192</b>	<b>11,332,507</b>

Revenues by geographic area are based on the geographical location of the client.

### Secondary segment information (segment assets)

	31 October 2008	31 March 2008
<b>Region</b>		
USA	2,076,483	1,758,112
The Middle East and India	17,718,458	13,853,346
Others	359,765	443,022
<b>Total</b>	<b>20,154,706</b>	<b>16,054,480</b>

### Secondary segment information (capital expenditure)

	One month ended 31 October 2008	Quarter ended 30 September 2007	Seven months ended 31 October 2008	Six months ended 30 September 2007
<b>Region</b>				
USA	20,522	46,525	135,032	79,159
The Middle East and India	95,281	646,877	1,289,650	1,094,218
Others	239	2,760	2,195	6,092
	<b>116,042</b>	<b>696,162</b>	<b>1,426,877</b>	<b>1,179,469</b>

## MphasiS Group

### 27. Earnings Per Share ('EPS')

Reconciliation of basic and diluted shares used in computing earnings per share:

	<b>One month ended 31 October 2008</b>	<b>Quarter ended 30 September 2007</b>	<b>Seven months ended 31 October 2008</b>	<b>Six months ended 30 September 2007</b>
Number of weighted average shares considered for calculation of basic earnings per share	208,714,498	208,323,797	208,643,813	208,251,460
Add: Dilutive effect of stock options	972,150	1,874,221	1,184,594	1,988,432
Number of weighted average shares considered for calculation of diluted earnings per share	<b>209,686,648</b>	<b>210,198,018</b>	<b>209,828,407</b>	<b>210,239,892</b>

205,426 weighted average number of shares (30 September 2007: 214,189 weighted average number of shares) held by the BFL Employees Equity Reward Trust and Kshema Employee Welfare Trust have been reduced from the equity shares outstanding for computing basic and diluted earnings per share.

### 28. Stock Based Compensation

The Group uses the intrinsic value method of accounting for its employee stock options. The Group has therefore adopted the pro-forma disclosure provisions as required by the Guidance Note on "Accounting for Employee Share-based Payments" issued by the ICAI with effect from 1 April 2005.

Had the compensation cost been determined in a manner consistent with the fair value approach described in the aforesaid Guidance Note, the Group's net profit and EPS as reported would have been adjusted to the pro-forma amounts indicated below:

	<b>(Rs 000's)</b>			
	<b>One month ended 31 October 2008</b>	<b>Quarter ended 30 September 2007</b>	<b>Seven months ended 31 October 2008</b>	<b>Six months ended 30 September 2007</b>
Net profit as reported	753,465	663,119	2,954,365	1,176,167
Add: Stock based employee compensation expense determined under the intrinsic value method	-	-	-	-
Less: Stock based employee compensation expense determined under the fair value method	7,396	3,627	17,275	4,446
Pro-forma net profit	746,069	659,492	2,937,090	1,171,721
Earning per share: Basic				
As reported	3.61	3.18	14.16	5.65
Pro-forma	3.57	3.17	14.08	5.63
Earning per share: Diluted				
As reported	3.59	3.15	14.08	5.59
Pro-forma	3.56	3.14	14.00	5.57

## MphasiS Group

The fair value of each stock option has been estimated by management on the respective grant date using the Black-Scholes option pricing model with the following assumptions:

Dividend yield	1.44% to 1.98%
Expected life	1 to 4 years
Risk free interest rates	5.78% to 8.00%
Expected volatility (annualised) *	67.12% to 69.48%

\* Expected volatility (annualised) is computed based on historical share price movement since April 2001.

### 29. Gratuity Plan

The following tables set out the status of the gratuity plan as required under revised AS 15.

#### Reconciliation of the projected benefit obligations

	(Rs 000's)	
	31 October 2008	31 March 2008
<b>Change in projected benefit obligation</b>		
Obligations at period beginning	204,098	173,034
Service cost	46,209	60,553
Interest cost	9,457	13,634
Benefits paid	(17,079)	(10,161)
Actuarial (gain)/loss	(6,782)	(32,962)
<b>Obligations at period end</b>	<b>235,903</b>	<b>204,098</b>
<b>Change in plan assets</b>		
Plan assets at period beginning, at fair value	114,707	95,532
Expected return on plan assets	4,980	6,973
Actuarial gain/(loss)	(2,655)	1,722
Contributions	680	20,641
Benefits paid	(17,079)	(10,161)
<b>Plans assets at period end, at fair value</b>	<b>100,633</b>	<b>114,707</b>
<b>Reconciliation of present value of obligation and fair value of plan assets</b>		
Fair value of plan assets at the end of the period	100,633	114,707
Present value of defined benefit obligation at the end of the period	235,903	204,098
<b>Liability recognised in the balance sheet</b>	<b>(135,270)</b>	<b>(89,391)</b>
<b>Assumptions</b>		
Interest rate	8.62%	7.92%
Expected rate of return on plan assets	8.62%	7.92%
Expected contribution over next one year	25,000	25,000

	One month ended 31 October 2008	Quarter ended 30 September 2007	Seven months ended 31 October 2008	Six months ended 30 September 2007
<b>Gratuity cost for the period</b>				
Service cost	6,156	15,179	46,209	40,640
Interest cost	1,318	3,288	9,457	6,818
Expected return on plan assets	(680)	(1,811)	(4,980)	(3,057)
Actuarial loss/(gain)	(4,250)	5,182	(4,127)	(35,645)
<b>Net gratuity cost</b>	<b>2,544</b>	<b>21,838</b>	<b>46,559</b>	<b>8,756</b>

The estimate 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.

## MphasiS Group

### 30. Disclosure in accordance with paragraphs 38 and 39 of Accounting standard (AS) 7-Construction contracts

	(Rs 000's)			
	One month ended 31 October 2008	Quarter ended 30 September 2007	Seven months ended 31 October 2008	Six months ended 30 September 2007
Revenue recognised on customised software development contracts	954,760	2,001,018	5,289,299	3,620,019
	<b>954,760</b>	<b>2,001,018</b>	<b>5,289,299</b>	<b>3,620,019</b>

### Disclosure for contracts in progress at the reporting date

	(Rs 000's)	
	31 October 2008	31 March 2008
<b>Fixed Price projects:</b>		
Revenue recognised until the reporting date	570,970	693,271
Unbilled revenue	345,534	124,305
Unearned receivable	17,269	14,709
<b>Time and material projects:</b>		
Revenue recognised during the quarter	4,716,265	1,780,856
Unbilled revenue	1,181,321	757,815
Unearned receivable	-	29,875

31. The Group paid an amount of US\$ 397,217 (Rs 17,529,186) against a claim received from a client in respect of alleged identity theft pertaining to customer bank accounts involving the Group's employees and ex-employees. Liquid assets and properties worth US\$ 228,489 (Rs 10,055,790) of the alleged offenders have been frozen by the authorities and legal action has been instituted against them. Under a separate deed of assignment, the client has assigned any amount recoverable from the aforesaid frozen assets of the alleged offenders to the Group. During the quarter ended 31 December 2005, the Group has reached settlements for US\$ 175,000 (Rs 7,650,875) with the insurance companies. The amount has since been received in cash.

During July 2007, the Group has received from the client, who was given this amount by the Court to be held in trust, an amount of Rs 10,732,170 including interest from the aforesaid frozen assets. The said amount has been assigned by the client to the group and has been kept in Fixed Deposit, until such time the Court in a final, non-appealable written order holds that the amounts may be appropriated by the the Group or the client.

32. These financial statements have been prepared for the one month and seven month period ended 31 October 2008 due to change in the accounting year-end from 31 March to 31 October. The new accounting year shall be 1 November to 31 October which is aligned to the accounting year of HP, which is the ultimate holding company (refer note 2). The comparatives presented are for the quarter and six months period ended 30 September 2007 and hence, not comparable to the current one month and seven month period ended 31 October 2008. Previous period's figures have been regrouped/ reclassified, wherever necessary, to conform to the current period presentation.

### For and on behalf of the Board of Directors

**Michael Coomer**  
Chairman

**Jeya Kumar**  
Chief Executive Officer

**Susanto Banerjee**  
Chief Financial Officer (Interim)

**A. Sivaram Nair**  
Company Secretary

Bangalore  
26 November 2008

# Mphasis Group

## Consolidated Cash Flow Statement

(Rs 000's)

	For the period from 1 April 2008 to 31 October 2008	Six months ended 30 September 2007
<b>Cash flows from operating activities:</b>		
Profit before taxation	3,097,114	1,249,769
Adjustments for:		
Interest income	(45,419)	(51,989)
Dividend income	(6,958)	-
Loss / (Profit) on sale of fixed assets	(1,463)	(3,575)
Depreciation and amortisation	1,004,851	645,148
Effect of exchange rate changes	(43,002)	21,929
Operating profit before working capital changes	4,005,123	1,861,282
Debtors and unbilled revenues	(2,849,123)	(748,194)
Loans and advances	18,898	(187,929)
Current liabilities and provisions	659,645	780,274
Cash generated from operations	1,834,543	1,705,433
Income taxes (paid)/ refund	(236,215)	(314,976)
<b>Net cash provided by operating activities</b>	<b>1,598,328</b>	<b>1,390,457</b>
<b>Cash flows from investing activities:</b>		
Interest received	45,714	58,717
Proceeds from sale of fixed assets	3,546	4,633
Purchase of fixed assets	(1,259,820)	(1,058,986)
Dividend income	6,958	-
Purchase of units of Mutual Funds	(2,667,090)	-
Sale of units of Mutual Funds	2,667,090	-
<b>Net cash used in investing activities</b>	<b>(1,203,602)</b>	<b>(995,636)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from issue of share capital	1,973	4,185
Proceeds of premium from issue of share capital	20,885	54,235
Availment of secured loans	16,096	31,775
Repayment of secured loans	(19,084)	(14,156)
Dividend paid including dividend tax	(806,569)	(731,305)
<b>Net cash used in financing activities</b>	<b>(786,699)</b>	<b>(655,266)</b>
Changes in cash and cash equivalents	(391,973)	(260,445)
Effect of exchange rate changes	(14,592)	(8,094)
<b>Cash and cash equivalents at beginning of the period</b>	<b>952,506</b>	<b>1,892,557</b>
<b>Cash and cash equivalents at end of the period [refer note 10]</b>	<b>545,941</b>	<b>1,624,018</b>

This is the Consolidated Cash Flow Statement referred to in our report attached.

For and on behalf of the Board of Directors

for **B S R & Co.**  
Chartered Accountants

**Michael Coomer**  
Chairman

**Jeya Kumar**  
Chief Executive Officer

**Zubin Shekary**  
Partner  
Membership No. 48814

**Susanto Banerjee**  
Chief Financial Officer (Interim)

**A. Sivaram Nair**  
Company Secretary

Bangalore  
26 November 2008

Bangalore  
26 November 2008

# MphasiS Group

## Consolidated Cash Flow Statement

### Reconciliation of consolidated financial statement items with consolidated cash flow items

	(Rs 000's)	
	For the period from 1 April 2008 to 31 October 2008	Six months ended 30 September 2007
<b>Purchase of fixed assets</b>		
As per the Consolidated Balance Sheet	1,451,023	1,061,712
Add: Closing capital work-in-progress	730,719	362,570
Add: Opening creditors for capital goods	139,280	22,870
Less: Opening capital work-in-progress	(754,865)	(244,813)
Less: Closing creditors for capital goods	(302,372)	(143,353)
Less: Effect of foreign exchange translation	(3,965)	-
<b>Purchase of fixed assets</b>	<b>1,259,820</b>	<b>1,058,986</b>
<b>Loans and advances</b>		
As per the Consolidated Balance Sheet	3,356,948	2,061,481
Less: Advance income tax & tax deducted at source considered separately	(1,130,887)	(807,033)
Less: MAT credit entitlement considered separately	(409,761)	(59,071)
Less: Effect of foreign exchange translation	(81,057)	24,777
	<b>1,735,243</b>	<b>1,220,154</b>
Less: Opening balance considered	1,754,141	1,032,225
<b>Changes in loans and advances</b>	<b>(18,898)</b>	<b>187,929</b>
<b>Current Liabilities and Provisions</b>		
As per the Consolidated Balance Sheet	5,737,471	3,212,715
Less: Creditors for capital goods, liability for unclaimed dividend, provision for taxation and proposed dividend & tax thereon considered separately	(1,487,516)	(387,435)
Less: Liability for Kshema acquisition considered separately	(17,060)	(17,060)
Less: Liability for EDS India merger expenses considered separately	(66,688)	(64,992)
Less: Derivative Liability	(312,289)	-
Less: Effect of foreign exchange translation	(161,300)	43,119
	<b>3,692,618</b>	<b>2,786,347</b>
Less: Opening balance considered	3,032,973	2,006,073
<b>Changes in current liabilities and provisions</b>	<b>659,645</b>	<b>780,274</b>

# MphasiS Group

## Reconciliation of consolidated financial statement items with consolidated cash flow items (continued)

	(Rs 000's)	
	<b>For the period from 1 April 2008 to 31 October 2008</b>	<b>Six months ended 30 September 2007</b>
<b>Income taxes paid/(refund)</b>		
As per the Consolidated Profit and Loss Account	142,749	73,602
Add: Increase in deferred taxes	84,410	27,180
Less: (Increase)/ decrease in provision for taxation	(329,224)	(87,514)
Add: Increase in balance in advance income tax and tax deducted at source	121,213	247,090
Add: Increase in balance in MAT credit entitlement	217,965	59,071
Less: Effect of exchange rate changes	(898)	(4,453)
<b>Income taxes paid</b>	<b>236,215</b>	<b>314,976</b>
<b>Interest received</b>		
Interest income, Net	45,419	51,989
Add: Opening interest receivable	2,542	11,449
Less: Closing interest receivable	(2,247)	(4,721)
<b>Interest received</b>	<b>45,714</b>	<b>58,717</b>
<b>Sundry debtors and unbilled revenue</b>		
As per the Consolidated Balance Sheet	8,809,671	4,872,750
Add: Effect of foreign exchange translation	(158,649)	85,564
	<b>8,651,022</b>	<b>4,958,314</b>
Less: Opening Balance considered	5,801,899	4,210,120
<b>Changes in sundry debtors and unbilled revenue</b>	<b>2,849,123</b>	<b>748,194</b>

For and on behalf of the Board of Directors

**Michael Coomer**  
*Chairman*

**Jeya Kumar**  
*Chief Executive Officer*

**Susanto Banerjee**  
*Chief Financial Officer (Interim)*

**A. Sivaram Nair**  
*Company Secretary*

Bangalore  
26 November 2008