



**Audited Consolidated Financial Statements  
for the quarter and six months ended 30 April 2009**

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Auditors' report

To  
The Board of Directors of 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 30 April 2009, and also the consolidated profit and loss account for the quarter and six months ended 30 April 2009 and the consolidated cash flow statement for the six months ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2 We conducted our audit in accordance with auditing standards generally accepted in India. These 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 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 and AS 25, Interim Financial Reporting, notified pursuant to the Companies (Accounting Standards) Rules, 2006.
- 4 Based on our audit and to the best of our information and according to the explanations given to us, we are of the opinion that the attached 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 state of affairs of the MphasiS Group as at 30 April 2009;
  - (ii) in the case of consolidated profit and loss account, of the profit for the quarter and six months ended on that date; and
  - (iii) in the case of consolidated cash flow statement, of the cash flows for the six months ended on that date.

For S.R. BATLIBOI & CO.  
Chartered Accountants

per Sunil Bhumralkar  
Partner  
Membership No. 35141

Bangalore  
20 May 2009

# Mphasis Group

## Consolidated Balance Sheet

		(Rs 000's)	
	Notes	30 April 2009	31 October 2008
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share capital	3	2,089,666	2,089,303
Reserves and surplus	4	16,518,978	12,213,422
Employee stock options outstanding	5	8,229	60,718
		<b>18,616,873</b>	<b>14,363,443</b>
<b>LOAN FUNDS</b>			
Secured loans	6	43,860	53,792
<b>DEFERRED TAX LIABILITY</b>			
	7	31,974	-
		<b>18,692,707</b>	<b>14,417,235</b>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Cost	8	10,314,344	9,463,223
Accumulated depreciation		(6,535,971)	(6,057,869)
Net book value		3,778,373	3,405,354
Capital work-in-progress including capital advances		104,432	730,719
		3,882,805	4,136,073
<b>GOODWILL</b>			
	9	2,911,435	2,959,287
<b>DEFERRED TAX ASSETS</b>			
	10	491,193	344,539
<b>INVESTMENTS</b>			
	11	2,191,234	-
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Debtors and unbilled revenues	12	9,334,167	8,809,671
Cash and bank balances	13	1,363,703	731,198
Interest receivable	14	1,166	2,247
Loans and advances	15	5,241,565	3,356,948
		15,940,601	12,900,064
<b>CURRENT LIABILITIES AND PROVISIONS</b>			
Current liabilities	16	5,272,619	4,424,862
Provisions	17	1,451,942	1,497,866
		6,724,561	5,922,728
<b>NET CURRENT ASSETS</b>			
		<b>9,216,040</b>	<b>6,977,336</b>
		<b>18,692,707</b>	<b>14,417,235</b>

Significant Accounting Policies

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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 S.R. BATLIBOI & CO.  
Chartered Accountants

**Andreas W Mattes**  
Chairman

**Balu Ganesh Ayyar**  
Chief Executive Officer

per **Sunil Bhumralkar**  
Partner  
Membership No. 35141

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

**A. Sivaram Nair**  
Company Secretary

Bangalore  
20 May 2009

Bangalore  
20 May 2009

# Mphasis Group

## Consolidated Profit and Loss Account

		(Rs 000's)			
	Notes	Quarter ended 30 April 2009	Quarter ended 30 April 2008	Six months ended 30 April 2009	Six months ended 30 April 2008
<b>Revenues</b>		<b>10,484,657</b>	<b>6,883,674</b>	<b>20,261,292</b>	<b>13,066,939</b>
Cost of revenues	18	7,073,674	5,489,699	13,652,584	10,434,127
<b>Gross profit</b>		<b>3,410,983</b>	<b>1,393,975</b>	<b>6,608,708</b>	<b>2,632,812</b>
Selling expenses	19	467,919	270,270	886,742	458,560
General and administrative expenses	20	669,254	444,170	1,342,258	877,994
Provision for doubtful debts		8,036	13,121	8,036	22,206
<b>Operating profit</b>		<b>2,265,774</b>	<b>666,414</b>	<b>4,371,672</b>	<b>1,274,052</b>
Foreign exchange gain/ (loss), net		123,584	40,469	154,515	5,058
Other income, net	21	20,316	113	36,162	357
Interest income	22	9,358	14,133	27,058	33,670
<b>Profit before taxation</b>		<b>2,419,032</b>	<b>721,129</b>	<b>4,589,407</b>	<b>1,313,137</b>
<b>Income taxes</b>					
-Current		279,510	88,645	550,344	188,496
-Deferred		(61,065)	(36,003)	(113,939)	(59,836)
-Minimum alternative tax credit entitlement		(61,462)	(51,472)	(223,090)	(119,666)
-Fringe benefit tax		17,491	16,588	31,376	33,687
<b>Net profit</b>		<b>2,244,558</b>	<b>703,371</b>	<b>4,344,716</b>	<b>1,270,456</b>
<b>Earnings per share (Par value - Rs 10)</b>	<b>28</b>				
Basic (Rs)		10.74	3.37	20.79	6.09
Diluted (Rs)		10.69	3.35	20.71	6.04

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 S.R. BATLIBOI & CO.  
Chartered Accountants

**Andreas W Mattes**  
Chairman

**Balu Ganesh Ayyar**  
Chief Executive Officer

per **Sunil Bhumralkar**  
Partner  
Membership No. 35141

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

**A. Sivaram Nair**  
Company Secretary

Bangalore  
20 May 2009

Bangalore  
20 May 2009

# MphasiS Group

## 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 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 the license for software applications is recognised on transfer of the title in the user license.

Maintenance revenue is recognised rateably 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.

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## 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 remaining 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.

## 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.

## Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis.

Long-term investments are carried at cost. Provision for diminution in value of investment is made if the impairment is not temporary in nature.

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## Employee benefits

Gratuity which is a defined benefit is accrued based on independent actuarial valuation as at the balance sheet date. Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

Short term compensated absences are provided based on estimates. Long term compensated absences are provided based on actuarial valuation.

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

## 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 average exchange rates.
- 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 until the disposal of the net investment.
- 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.

The Group has adopted the principles of 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 Group has met all the conditions of AS 30, are fair valued at balance sheet date and the resultant 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 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 as specified in the tax laws of the respective countries.

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

## **MphasiS Group**

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.

### **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.

### **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 Finsource Limited ('MphasiS Finsource')	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
Msource Mauritius Inc. ('Msource Mauritius')	a subsidiary of MphasiS Europe, organised under the laws of Mauritius	100
Msource (India) Private Limited ('Msource India')	a subsidiary of Msource 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 is carried as a liability which will be paid after necessary regulatory approvals are obtained (refer note 16).
- 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 resultantly 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)	
	30 April 2009	31 October 2008
<b>3. SHARE CAPITAL</b>		
<b>Authorised capital</b>		
245,000,000 (31 October 2008: 245,000,000) equity shares of Rs 10 each	2,450,000	2,450,000
<b>Issued, subscribed and paid-up capital</b>		
208,973,704 (31 October 2008: 208,937,364) equity shares of Rs 10 each	2,089,737	2,089,374
[Of the above 53,590,838 (31 October 2008: 53,590,838) equity shares are allotted for consideration other than cash and 134,186,274 (31 October 2008: 134,184,874) equity shares are allotted as fully paid-up by way of bonus shares.]		
Less: 14,200 (31 October 2008: 14,200) equity shares of Rs 10 each forfeited	(142)	(142)
Add: Amount originally paid-up on forfeited shares	71	71
	<b>2,089,666</b>	<b>2,089,303</b>
<b>4. RESERVES AND SURPLUS #</b>		
Securities premium account		
Balance brought forward	1,564,203	1,543,318
Add: Premium on allotment of shares	3,528	20,885
Add: Transferred from employee stock options outstanding [Securities premium amounting to Rs 1,146,626,000 (31 October 2008: Rs 1,116,010,000) is for consideration other than cash]	30,616	-
	1,598,347	1,564,203
Foreign currency translation reserve		
Balance brought forward	246,143	(373,156)
Add / (Less): During the period	(47,135)	619,299
	199,008	246,143
Capital reserve		
Balance brought forward from previous period	96,234	96,234
	96,234	96,234
General reserve		
Balance brought forward	956,975	692,461
Add: Transfer from Profit and loss account	-	264,514
	956,975	956,975
Hedging reserve		
Balance brought forward	(312,289)	-
Add / (Less): During the period	(341,950)	(312,289)
Add / (Less): Transfer to revenue	315,889	-
	(338,350)	(312,289)
Profit and loss account		
Balance brought forward	9,662,156	7,461,882
Add: Net profit for the period	4,344,716	2,954,365
Profit available for appropriation	14,006,872	10,416,247
Appropriations		
Transfer to General reserve	-	264,514
Final dividend	80	596
Proposed dividend	-	417,846
Tax on dividend	14	71,114
Issue of bonus shares	14	21
	14,006,764	9,662,156
	<b>16,518,978</b>	<b>12,213,422</b>

# The previous period movement is for seven months ended 31 October 2008.

## Mphasis Group

	(Rs 000's)	
	30 April 2009	31 October 2008
<b>5. EMPLOYEE STOCK OPTIONS OUTSTANDING #</b>		
Balance brought forward	60,718	60,718
Less: Transferred to Securities premium account on exercise of options	30,616	-
Less: Reversal on forfeiture/ lapse of options granted	21,873	-
	<b>8,229</b>	<b>60,718</b>

# The previous period movement is for seven months ended 31 October 2008.

### 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 ended 30 April 2009 and for the period ended 31 October 2008 for grants outstanding on and made on or after that date for each of the plans described below (Also refer note 29).

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 six months ended 30 April 2009 and period ended 31 October 2008 are set out below:

	Six months ended 30 April 2009		For the period from 1 April 2008 to 31 October 2008	
	No of Options	Weighted Average Exercise Price	No of Options	Weighted Average Exercise Price
Options outstanding at the beginning	77,196	34.38	77,196	34.38
Granted	-	-	-	-
Forfeited	-	-	-	-
Exercised	1,240	34.38	-	-
Options outstanding at the end	75,956	34.38	77,196	34.38
Exercisable at the end of the period	75,956	34.38	77,196	34.38

The weighted average share price of options exercised as at the date of exercise was Rs 166.41 (31 October 2008: Nil). The options outstanding as at 30 April 2009 had an exercise price of Rs 34.38 (31 October 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 six months ended 30 April 2009 and period ended 31 October 2008 are set out below:

	Six months ended 30 April 2009		For the period from 1 April 2008 to 31 October 2008	
	No of Options	Weighted Average Exercise Price	No of Options	Weighted Average Exercise Price
Options outstanding at the beginning	843,128	93.93	895,108	94.68
Granted	-	-	-	-
Forfeited	400	130.43	12,000	130.60
Lapsed	-	-	-	-
Exercised	13,044	95.37	39,980	99.65
Options outstanding at the end	829,684	93.89	843,128	93.93
Exercisable at the end of the period	826,884	93.76	839,928	93.79

The weighted average share price of options exercised as at the date of exercise was Rs 179.69 (31 October 2008: Rs 233.65). The options outstanding as at 30 April 2009 had an exercise price ranging from Rs 23.21 to Rs 275.00 (31 October 2008: Rs 23.21 to Rs 275.00) and weighted average remaining contractual life of 4.48years (31 October 2008: 4.98 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 six months ended 30 April 2009 and period ended 31 October 2008 are set out below:

	Six months ended 30 April 2009		For the period from 1 April 2008 to 31 October 2008	
	No of Options	Weighted Average Exercise Price	No of Options	Weighted Average Exercise Price
Options outstanding at the beginning	749,151	138.41	867,725	137.06
Granted	-	-	-	-
Forfeited	22,952	124.23	18,350	127.67
Lapsed	66,965	157.42	46,593	132.50
Exercised	10,150	125.66	53,631	125.07
Options outstanding at the end	649,084	137.15	749,151	138.41
Exercisable at the end of the period	457,305	136.26	480,273	136.25

The weighted average share price of options exercised as at the date of exercise was Rs 198.36 (31 October 2008: Rs 219.66). The options outstanding as at 30 April 2009 had an exercise price ranging from Rs 85.63 to Rs 208.45 (31 October 2008: Rs 71.88 to Rs 208.45) and weighted average remaining contractual life of 1.23 years (31 October 2008: 1.63 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 six months ended 30 April 2009 and period ended 31 October 2008 are set out below:

	Six months ended 30 April 2009		For the period from 1 April 2008 to 31 October 2008	
	No of Options	Weighted Average Exercise Price	No of Options	Weighted Average Exercise Price
Options outstanding at the beginning	175,950	116.64	229,877	116.00
Granted	-	-	-	-
Forfeited	600	130.60	3,750	130.60
Lapsed	10,000	85.63	15,827	102.19
Exercised	3,600	130.60	34,350	117.51
Options outstanding at the end	161,750	118.19	175,950	116.64
Exercisable at the end of the period	115,000	113.15	128,600	111.50

The weighted average share price of options exercised as at the date of exercise was Rs 192.87 (31 October 2008: Rs 219.53). The options outstanding as at 30 April 2009 had an exercise price ranging from Rs 85.63 to Rs 130.60 (31 October 2008: Rs 85.63 to Rs 130.60) and weighted average remaining contractual life of 0.97 years (31 October 2008: 1.42 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 six months ended 30 April 2009 and period ended 31 October 2008 are set out below:

	Six months ended 30 April 2009		For the period from 1 April 2008 to 31 October 2008	
	No of Options	Weighted Average Exercise Price	No of Options	Weighted Average Exercise Price
Options outstanding at the beginning	460,727	125.75	570,349	125.20
Granted	-	-	-	-
Forfeited	15,376	132.55	13,402	132.90
Lapsed	54,146	82.11	26,889	132.48
Exercised	6,906	122.36	69,331	117.24
Options outstanding at the end	384,299	131.69	460,727	125.75
Exercisable at the end of the period	283,953	128.92	342,005	121.41

The weighted average share price of options exercised as at the date of exercise was Rs 206.41 (31 October 2008: Rs 222.63). The options outstanding as at 30 April 2009 had an exercise price ranging from Rs 50.34 to Rs 184.50 (31 October 2008: Rs 50.34 to Rs 184.50) and weighted average remaining contractual life of 2.14 years (31 October 2008: 3.20 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

EDS the holding company, had issued Restricted Stock Units ('RSU') to certain employees of the Group. These have been replaced by RSUs of HP, pursuant to the merger. Subsequent to the merger, HP had also issued RSU to certain employees of the Group. Total cost incurred towards RSUs for the quarter and six months ended 30 April 2009 amounted to Rs 18,413,748 and Rs 54,452,619 respectively (quarter and six months ended 30 April 2008: Rs 23,052,847 and Rs 32,070,440 respectively). However, the cost has been borne by HP and accordingly this has not been accounted as an expense by the Group.

	<b>(Rs 000's)</b>	
	<b>30 April 2009</b>	<b>31 October 2008</b>
<b>6. SECURED LOANS</b>		
Other loans	43,860	53,792
(Secured by the hypothecation of vehicles)		
	<b>43,860</b>	<b>53,792</b>
<b>7. DEFERRED TAX LIABILITY</b>		
On depreciation	31,974	-
	<b>31,974</b>	<b>-</b>

8. FIXED ASSETS

(Rs 000's)

Assets	Cost				Accumulated depreciation				Net book value	
	1 November 2008	Additions	Deductions/ Adjustments*	30 April 2009	1 November 2008	Depreciation/ Amortisation	Deductions/ Adjustments*	30 April 2009	30 April 2009	31 October 2008
<b>Tangible assets</b>										
Freehold land	27,375	-	-	27,375	-	-	-	-	27,375	27,375
Buildings	1,230	-	-	1,230	933	61	-	994	236	297
Leasehold improvements	1,353,106	351,209	(197,313)	1,507,002	901,548	173,962	(192,947)	882,563	624,439	451,559
Plant and machinery	2,092,506	321,030	(29,331)	2,384,205	1,248,244	184,230	(28,209)	1,404,265	979,940	844,263
Computer equipment	2,608,532	300,033	(100,365)	2,808,200	1,913,876	274,143	(99,773)	2,088,246	719,954	694,654
Office equipment	880,729	80,577	(17,508)	943,798	594,136	99,365	(17,100)	676,401	267,397	286,593
Furniture and fixtures	1,057,519	146,043	(33,977)	1,169,585	657,481	111,810	(32,313)	736,978	432,607	400,038
Vehicles	106,332	9,572	(13,834)	102,070	54,319	13,883	(10,561)	57,641	44,429	52,013
<b>Intangible assets</b>										
Software	1,335,894	220,833	(185,848)	1,370,879	687,332	180,659	(179,108)	688,883	681,996	648,562
<b>Total</b>	<b>9,463,223</b>	<b>1,429,297</b>	<b>(578,176)</b>	<b>10,314,344</b>	<b>6,057,869</b>	<b>1,038,113</b>	<b>(560,011)</b>	<b>6,535,971</b>	<b>3,778,373</b>	<b>3,405,354</b>
Seven months ended 31 October 2008	7,819,704	1,451,023	192,496	9,463,223	4,941,753	1,004,851	111,265	6,057,869	3,405,354	

\* 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)	
	30 April 2009	31 October 2008
<b>9. GOODWILL #</b>		
Goodwill arising on consolidation	2,959,287	2,448,977
Add/ (Less): Movement on account of exchange rate fluctuation	(25,979)	510,310
Less: Adjustment on forfeiture/ lapse of options granted on earlier acquisitions	21,873	-
	<b>2,911,435</b>	<b>2,959,287</b>
# The previous period movement is for seven months ended 31 October 2008.		
<b>10. DEFERRED TAX ASSETS</b>		
On depreciation	370,374	268,852
On provision for doubtful debts	30,660	25,299
On provision for employee benefits	90,159	50,388
	<b>491,193</b>	<b>344,539</b>
<b>11. INVESTMENTS</b>		
<b>Current Investments (At lower of cost and market value)</b>		
ICICI Prudential Flexible Income Plan (Liquid Plus) 94,836,366.51 units at Rs 10.5739047 market value Rs 1,002,790,703 (31 October 2008: Nil units, Nil market value)	1,002,791	-
ICICI Prudential Institutional Liquid Plan 18,785,898.62 units at Rs 11.8502 market value Rs 222,616,656 (31 October 2008: Nil units, Nil market value)	222,617	-
Birla Sunlife Short Term Fund Institutional Daily Dividend (Liquid Plus) 93,992,982.91 units at Rs 10.0055 market value Rs 940,446,791 (31 October 2008: Nil units, Nil market value)	940,447	-
Birla Sunlife Sweep Mutual Funds (Liquid) 2,512,143.47 units at Rs 10.1024 current value Rs 25,378,678 (31 October 2008: Nil units, Nil market value)	25,379	-
	<b>2,191,234</b>	-
<b>12. DEBTORS AND UNBILLED REVENUES</b>		
Debts outstanding for a period exceeding six months, unsecured		
- considered good	77,749	39,981
- considered doubtful	91,202	172,202
Other debts, unsecured		
- considered good	3,996,822	3,515,306
	4,165,773	3,727,489
Less: Provision for doubtful debts (net of write-offs)	(91,202)	(172,202)
	4,074,571	3,555,287
Unbilled revenues	5,259,596	5,254,384
	<b>9,334,167</b>	<b>8,809,671</b>

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	(Rs 000's)	
	30 April 2009	31 October 2008
<b>13. CASH AND BANK BALANCES</b>		
Cash in hand	462	962
Remittance in transit	337	11,854
Balances with scheduled banks		
- Current accounts *	747,081	256,503
- Deposit accounts **	375,351	86,214
- Margin money deposit account	913	913
Balances with non-scheduled banks		
- Current accounts	239,559	374,752
	<b>1,363,703</b>	<b>731,198</b>

\* Includes Rs 1,140,144 and Rs 1,251,941 representing the balances in unclaimed dividends account as at 30 April 2009 and 31 October 2008 respectively.

\*\* Includes restricted deposits of Rs 70,732,170 as at 30 April 2009 (31 October 2008: Rs 10,732,170)

### 14. INTEREST RECEIVABLE

Unsecured - considered good	1,166	2,247
	<b>1,166</b>	<b>2,247</b>

### 15. LOANS AND ADVANCES

Unsecured - considered good		
Employee loans	2,841	3,737
Advances recoverable in cash or in kind or for value to be received	2,039,745	757,578
Loan to a ESOP trust	3,575	3,575
Deposits		
- premises	981,820	1,028,758
- with government authorities	10,485	10,907
- others	12,209	11,745
Advance tax and tax deducted at source	1,558,039	1,130,887
MAT credit entitlement	632,851	409,761
Unsecured - considered doubtful		
Advances recoverable in cash or in kind or for value to be received	43,345	43,345
	5,284,910	3,400,293
Less: Provisions (net of write-offs)	(43,345)	(43,345)
	<b>5,241,565</b>	<b>3,356,948</b>

### 16. CURRENT LIABILITIES

Sundry creditors	734,230	1,168,666
Book overdraft	3,323	185,257
Advances from clients	20,708	21,821
Unearned receivables	267,304	44,632
Salary related costs	1,664,894	765,302
Other liabilities*	2,581,020	2,237,932
Unclaimed dividends	1,140	1,252
	<b>5,272,619</b>	<b>4,424,862</b>

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

	(Rs 000's)	
	30 April 2009	31 October 2008
<b>17. PROVISIONS</b>		
Compensated absences	174,174	178,704
Gratuity [refer note 30]	208,202	135,270
Final dividend	-	417,846
Tax on dividend	-	71,013
Taxation	1,069,566	695,033
	<b>1,451,942</b>	<b>1,497,866</b>

	Quarter ended 30 April 2009	Quarter ended 30 April 2008	Six months ended 30 April 2009	Six months ended 30 April 2008
<b>18. COST OF REVENUES</b>				
Salary and allowances	4,243,864	3,140,259	8,209,325	6,085,343
Contribution to provident and other funds	236,856	181,585	453,018	304,412
Staff welfare	153,662	167,332	326,698	366,095
Travel*	261,684	336,022	464,718	530,465
Recruitment charges	35,170	36,417	60,478	91,576
Communication expenses	190,888	155,514	384,618	298,478
Rent	369,002	260,763	724,392	488,096
Professional charges	16,919	30,588	30,418	35,782
Depreciation and amortisation	518,280	362,778	979,570	709,780
Software development charges	354,677	244,194	681,193	438,061
Staff training expenses	201	16,572	11,075	21,544
Electricity	100,414	93,737	206,858	183,454
Software support and annual maintenance charges	463,329	337,828	862,161	664,005
Miscellaneous expenses	128,728	126,110	258,062	217,036
	<b>7,073,674</b>	<b>5,489,699</b>	<b>13,652,584</b>	<b>10,434,127</b>

\* Quarter and Six months ended 30 April 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 these periods is lower by the same amount.

<b>19. SELLING EXPENSES</b>				
Salary and allowances	355,663	193,868	671,162	319,329
Contribution to provident and other funds	21,277	12,319	41,473	22,239
Staff welfare	3,299	5,310	6,854	7,768
Travel	28,965	24,004	55,680	42,021
Communication expenses	18,461	10,349	30,533	18,311
Rent	7,598	7,765	15,256	14,460
Professional charges	10,060	2,372	21,434	5,459
Depreciation and amortisation	3,067	3,405	5,976	6,762
Recruitment expenses	4,855	4,054	11,050	8,351
Business meeting expenses	5,067	2,134	8,850	3,937
Miscellaneous expenses	9,607	4,690	18,474	9,923
	<b>467,919</b>	<b>270,270</b>	<b>886,742</b>	<b>458,560</b>

	(Rs 000's)			
	Quarter ended 30 April 2009	Quarter ended 30 April 2008	Six months ended 30 April 2009	Six months ended 30 April 2008
<b>20. GENERAL AND ADMINISTRATIVE EXPENSES</b>				
Salary and allowances	289,014	195,999	547,926	372,304
Contribution to provident and other funds	9,836	15,557	23,162	25,210
Staff welfare	16,753	21,908	42,506	30,070
Travel	19,658	16,459	38,991	34,582
Communication expenses	27,519	19,144	50,200	37,922
Rent	25,736	35,858	141,896	59,418
Professional charges	66,293	31,249	105,354	60,694
Depreciation and amortisation	30,931	23,082	52,567	58,913
Auditor's remuneration	2,991	1,994	6,762	3,981
Bank charges	1,927	1,810	3,730	3,470
Insurance	2,896	4,600	9,047	9,915
Rates and taxes	42,405	1,646	68,069	5,376
Repairs and maintenance				
- Plant and machinery	17,536	6,161	29,077	12,608
- Building	2,580	4,840	5,306	11,396
- Others	57,903	21,619	95,145	52,611
Membership and subscriptions	1,605	2,471	3,305	5,731
Printing and stationery	13,622	11,564	24,316	23,414
Postage and courier charges	2,285	1,770	5,277	4,616
Miscellaneous expenses	37,764	26,439	89,622	65,763
	<b>669,254</b>	<b>444,170</b>	<b>1,342,258</b>	<b>877,994</b>
<b>21. OTHER INCOME, NET</b>				
Profit /(loss) on sale of fixed assets	1,292	91	529	218
Dividend income	25,529	-	42,060	-
Miscellaneous income /(expense), net	(6,505)	22	(6,427)	139
	<b>20,316</b>	<b>113</b>	<b>36,162</b>	<b>357</b>
<b>22. INTEREST INCOME</b>				
Interest on deposits and loans	9,358	14,133	27,058	33,670
	<b>9,358</b>	<b>14,133</b>	<b>27,058</b>	<b>33,670</b>

23. The Group's software development centres and call centres in India are 100% Export Oriented Units ('EOU') / Special Economic Zone ('SEZ') under Special Economic Zone Ordinance / 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 125,477,215 as at 30 April 2009 (31 October 2008: Rs 148,893,415) have been furnished to the Customs authorities in this regard.

**24. Contingent liabilities and commitments**

- (a) Claims against the Group not acknowledged as debts amounting to Rs 622,083,526 (31 October 2008: Rs 222,790,578);
- (b) Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for as at 30 April 2009: Rs 281,489,064 (31 October 2008: Rs 842,880,473);
- (c) Guarantees outstanding including those furnished to the Customs authorities as at 30 April 2009: Rs 333,670,941 (31 October 2008: Rs 343,527,315); and

(d) Forward contracts outstanding as at 30 April 2009 are as below:

Currency	Amount	Amount in INR
USD	364,660,000	18,190,621,275
GBP	807,801	60,144,320
EUR	300,000	19,725,371
SGD	6,500,000	218,745,900
CAD	776,433	31,714,780

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

Unamortised premium on forward exchange contracts as at 30 April 2009 is Rs 12,481,920 (31 October 2008: 6,058,796). Net foreign currency exposure of the Group that is not hedged by a derivative instrument or otherwise as at 30 April 2009: Rs. 7,991,776,050.

(e) The Group has issued performance guarantees to certain clients for executed contracts.

## 25. 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 213,067,104 and Rs 480,267,132 for the quarter and six months ended 30 April 2009 and Rs 137,668,449 and Rs 270,727,434 for the quarter and six months ended 30 April 2008.

Future minimum lease payments under non-cancellable operating leases as at 30 April 2009 are as follows:

Period	(Rs 000's)	
	30 April 2009	31 October 2008
Not later than 1 year	839,398	815,313
Later than 1 year and not later than 5 years	785,311	1,039,963
More than 5 years	-	-
	<b>1,624,709</b>	<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 189,269,457 and Rs 401,276,731 for the quarter and six months ended 30 April 2009 and Rs 166,717,095 and Rs 291,246,556 for the quarter and six months ended 30 April 2008.

## 26. 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), EDS World Corporation (Far East) and EDS World Corporation (Netherlands), the subsidiaries of Electronic Data Systems LLC, USA (formerly Electronic Data Systems Corporation, USA) hold 60.83% of the equity capital of the Company.

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

- Balu Ganesh Ayyar Chief Executive Officer - Appointed w.e.f. 29 January 2009
- Jeya Kumar Chief Executive Officer - Resigned w.e.f. 28 January 2009
- Deepak Patel Managing Director – Resigned w.e.f. 10 June 2008

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

■ Andreas W Mattes	Director – Appointed as non-executive Chairman w.e.f. 6 February 2009.
■ Michael Coomer	Non-executive Chairman - Resigned on 6 February 2009
■ Jose de la Torre	Director
■ Nawshir H Mirza	Director
■ Davinder Singh Brar	Director
■ Vinita Bali	Director
■ Jim Bridges	Director
■ Craig Wilson	Director - Appointed w.e.f. 6 February 2009
■ Prakash Jothee	Director - Appointed w.e.f. 6 February 2009
■ Friedrich Froeschl	Director - Appointed w.e.f. 30 March 2009
■ Joseph Eazor	Director - Resigned w.e.f. 6 February 2009
■ Jaithirth Rao	Non-executive Chairman - Resigned w.e.f. 05 January 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
■ Mark Bilger	Director - Resigned w.e.f. 7 February 2008
■ Stephen Heidt	Director - Resigned w.e.f. 3 January 2008
■ Anthony Glasby	Director - Resigned w.e.f. 30 March 2009

## (c) Direct or indirect subsidiaries of ultimate holding company with which transactions have taken place:

■ TH Consulting India Private Limited	■ EDS Austria Gmbh
■ EDS (Operations) Pty Limited	■ EDS Operations Services Gmbh
■ EDS Itellium Gmbh	■ Electronic Data Systems Limited
■ Electronic Data Systems (EDS) International B.V.	■ EDS (New Zealand) Limited
■ EDS Information Services LLC	■ Electronic Data System 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 (Schweiz) AG
■ EDS Application Services Gmbh	■ Electronic Data Systems (Hong Kong) Limited
■ EDS Brazil	■ EDS Ireland Ltd
■ RelQ Software Private Limited	■ EDS Malaysia (Shell EPO AP)
■ Electronic Data Systems Limited, UK	■ Electronic Data Systems Hungary Limited

## MphasiS Group

- Electronic Data Systems Italia SPA
- Electronic Data Systems (Egypt) SAE
- EDS World Corporation (Far East)
- EDS Poland Sp.Z.O.O
- EDS MSC (M) Sdn Bhd
- EDS Japan LLC
- Neoware Inc
- Hewlett-Packard Asia Pacific Pte Ltd.
- GEMS Techno Solutions India Private Ltd.
- Electronic Data Systems France SAS
- EDS Columbia
- EDS Answare SA
- EDS Denmark A/S
- Mercury Interactive (Singapore) Pte Ltd.
- Hewlett Packard India Sales Private Limited
- HP India Software Operation Private Limited
- Hewlett Packard International Sarl
- Hewlett Packard AP (Hong Kong) Ltd.

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

(Rs 000's)

	Quarter ended 30 April 2009	Quarter ended 30 April 2008	Six months ended 30 April 2009	Six months ended 30 April 2008
<b>Rendering of services to other related parties</b>	<b>7,563,805</b>	<b>3,706,816</b>	<b>14,104,979</b>	<b>6,865,326</b>
-EDS Information Services, LLC	5,159,063	2,910,709	9,464,100	5,419,928
-Electronic Data Systems Ltd, UK	672,781	341,589	1,520,425	661,572
-Others	1,731,961	454,518	3,120,454	783,826
<b>Software development charges paid to entities where control exists</b>	<b>7,520</b>	<b>4,874</b>	<b>21,246</b>	<b>13,394</b>
-Electronic Data Systems LLC, USA	7,520	4,874	21,246	13,394
<b>Software development charges paid to others</b>	<b>24,680</b>	<b>10,115</b>	<b>39,884</b>	<b>30,100</b>
-RelQ Software Private Limited	24,680	10,115	39,884	30,100
<b>Software support and annual maintenance charges paid to other related parties **</b>	<b>437,222</b>	<b>311,970</b>	<b>812,165</b>	<b>619,968</b>
-EDS International (Singapore) Pte Limited	437,222	311,970	812,165	619,968
<b>Other expenses paid to other related parties</b>	<b>10,330</b>	<b>-</b>	<b>26,823</b>	<b>-</b>
-EDS International (Singapore) Pte Limited	10,330	-	26,823	-
<b>Remuneration to executive key management personnel</b>	<b>13,284</b>	<b>23,360</b>	<b>46,370</b>	<b>30,528</b>
-Deepak Patel	-	14,968	-	22,136
-Jeya Kumar	-	8,392	32,814	8,392
-Balu Ganesh Ayyar	13,284	-	13,556	-
<b>Commission to non-executive directors</b>	<b>2,433</b>	<b>2,063</b>	<b>4,633</b>	<b>4,126</b>
-Davinder Singh Brar	600	600	1,200	1,200
-Jose de la Torre	633	563	1,133	1,126
-Vinita Bali	500	300	1,000	600
-Nawshir H Mirza	600	600	1,200	1,200
-Friedrich Froeschl***	100	-	100	-
<b>Loan refunded by BFL Employee Equity Reward Trust</b>	<b>-</b>	<b>6,500</b>	<b>-</b>	<b>6,500</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 30 April 2009, the provisioning for such services has been made on best estimate basis.

\*\*\*Subject to Shareholders approval.

## MphasiS Group

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

(Rs 000's)

	30 April 2009	31 October 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>6,722,430</b>	<b>6,051,517</b>
-EDS Information Services, LLC	4,426,938	4,539,459
-Electronic Data Systems Ltd, UK	713,509	280,734
-Others	1,581,983	1,231,324
<b>Current liabilities – other related parties</b>	<b>788,469</b>	<b>683,431</b>
-EDS International (Singapore) Pte Limited	751,502	654,446
-Others	36,967	28,985

### 27. 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 cover 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), the Middle East and India and Others.

#### Primary segment information

(Rs 000's)

	Quarter ended 30 April 2009	Quarter ended 30 April 2008	Six months ended 30 April 2009	Six months ended 30 April 2008
<b>Segment revenue</b>				
Application Services	6,691,075	4,381,899	13,052,081	8,360,865
BPO Services	1,832,103	1,547,192	3,597,325	2,967,658
ITO Services	1,961,479	954,583	3,611,886	1,738,416
	<b>10,484,657</b>	<b>6,883,674</b>	<b>20,261,292</b>	<b>13,066,939</b>
<b>Segment profit</b>				
Application Services	2,225,056	781,553	4,388,525	1,517,638
BPO Services	383,239	421,469	782,033	785,678
ITO Services	802,688	190,953	1,438,150	329,496
	<b>3,410,983</b>	<b>1,393,975</b>	<b>6,608,708</b>	<b>2,632,812</b>
Interest income, net	9,358	14,133	27,058	33,670
Other unallocable expenditure, net of unallocable income	1,001,309	686,979	2,046,359	1,353,345
<b>Profit before taxation</b>	<b>2,419,032</b>	<b>721,129</b>	<b>4,589,407</b>	<b>1,313,137</b>
Income taxes (including Fringe benefit tax)	174,474	17,758	244,691	42,681
<b>Profit after taxation</b>	<b>2,244,558</b>	<b>703,371</b>	<b>4,344,716</b>	<b>1,270,456</b>

# MphasiS Group

(Rs 000's)

	30 April 2009	31 October 2008
<b>Segment assets</b>		
Application Services	8,890,325	8,550,910
BPO Services	6,111,444	6,330,792
ITO Services	2,586,487	2,473,969
Unallocated	7,829,012	2,984,292
	<b>25,417,268</b>	<b>20,339,963</b>
<b>Segment liabilities</b>		
Application Services	3,291,256	2,265,005
BPO Services	1,280,314	1,031,376
ITO Services	961,740	749,687
Unallocated	1,267,085	1,930,452
	<b>6,800,395</b>	<b>5,976,520</b>

	Quarter ended 30 April 2009	Quarter ended 30 April 2008	Six months ended 30 April 2009	Six months ended 30 April 2008
<b>Capital expenditure</b>				
Application Services	144,225	336,377	286,855	614,344
BPO Services	168,462	292,109	389,024	586,635
ITO Services	70,836	111,967	127,131	203,789
	<b>383,523</b>	<b>740,453</b>	<b>803,010</b>	<b>1,404,768</b>

<b>Depreciation and amortisation</b>				
Application Services	240,482	174,244	441,135	337,184
BPO Services	217,705	162,767	424,941	338,161
ITO Services	94,088	52,254	172,037	100,110
	<b>552,275</b>	<b>389,265</b>	<b>1,038,113</b>	<b>775,455</b>

## Secondary segment information (revenues)

Region	30 April 2009	30 April 2008	30 April 2009	30 April 2008
USA	7,161,656	4,600,920	13,723,166	8,982,740
The Middle East and India	621,368	684,006	1,330,421	1,028,428
Others	2,701,633	1,598,748	5,207,705	3,055,771
<b>Total</b>	<b>10,484,657</b>	<b>6,883,674</b>	<b>20,261,292</b>	<b>13,066,939</b>

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

## Secondary segment information (segment assets)

	30 April 2009	31 October 2008
<b>Region</b>		
USA	10,010,204	9,854,205
The Middle East and India	14,756,310	9,682,039
Others	650,754	623,719
<b>Total</b>	<b>25,417,268</b>	<b>20,339,963</b>

Segment assets by geographic area are based on the geographical location of assets.

## Secondary segment information (capital expenditure)

	Quarter ended 30 April 2009	Quarter ended 30 April 2008	Six months ended 30 April 2009	Six months ended 30 April 2008
<b>Region</b>				
USA	63,101	53,237	107,302	102,419
The Middle East and India	317,325	686,237	691,815	1,301,040
Others	3,097	979	3,893	1,309
	<b>383,523</b>	<b>740,453</b>	<b>803,010</b>	<b>1,404,768</b>

## MphasiS Group

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

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

	Quarter ended 30 April 2009	Quarter ended 30 April 2008	Six months ended 30 April 2009	Six months ended 30 April 2008
Number of weighted average shares considered for calculation of basic earnings per share	208,942,205	208,731,174	208,936,830	208,690,367
Add: Dilutive effect of stock options	943,569	1,147,584	861,060	1,804,030
Number of weighted average shares considered for calculation of diluted earnings per share	<b>209,885,774</b>	<b>209,878,758</b>	<b>209,797,890</b>	<b>210,494,397</b>

156,750 weighted average number of shares (30 April 2008: 205,409 weighted average number of shares) held by the BFL Employees Equity Reward Trust and Kshema Employee Welfare Trust have been considered for computing basic and diluted earnings per share. The above does not include 25,600 bonus shares held in abeyance by the Company.

### 29. 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:

	Quarter ended 30 April 2009	Quarter ended 30 April 2008	Six months ended 30 April 2009	Six months ended 30 April 2008
Net profit as reported	2,244,558	703,371	4,344,716	1,270,456
Add: Stock based employee compensation expense determined under the intrinsic value method	-	-	-	-
Less: Stock based employee compensation expense determined under the fair value method	(1,123)	4,321	684	11,264
Pro-forma net profit	2,245,681	699,050	4,344,032	1,259,192
Earning per share: Basic				
As reported	10.74	3.37	20.79	6.09
Pro-forma	10.75	3.35	20.79	6.04
Earning per share: Diluted				
As reported	10.69	3.35	20.71	6.04
Pro-forma	10.70	3.33	20.71	5.99

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.

## MphasiS Group

### 30. 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)	
	Six months ended 30 April 2009	Period ended 31 October 2008
<b>Change in projected benefit obligation</b>		
Obligations at period beginning	235,903	204,098
Service cost	71,050	46,209
Interest cost	7,794	9,457
Benefits paid	(6,857)	(17,079)
Actuarial loss/ (gain)	2,945	(6,782)
<b>Obligations at period end</b>	<b>310,833</b>	<b>235,903</b>
<b>Change in plan assets</b>		
Plan assets at period beginning, at fair value	100,633	114,707
Expected return on plan assets (estimated)	6,628	4,980
Actuarial gain/ (loss)	2,228	(2,655)
Contributions	-	680
Benefits paid	(6,857)	(17,079)
<b>Plan assets at period end, at fair value</b>	<b>102,632</b>	<b>100,633</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	102,632	100,633
Present value of defined benefit obligation at the end of the period	310,833	235,903
<b>Liability recognised in the balance sheet</b>	<b>(208,202)</b>	<b>(135,270)</b>
<b>Assumptions</b>		
Interest rate	7.00%	8.62%
Expected rate of return on plan assets	7.00%	8.62%
Attrition rate	5% - 30%	5% - 30%
Expected contribution over next one year	25,000	25,000

	Quarter ended 30 April 2009	Quarter ended 30 April 2008	Six months ended 30 April 2009	Six months ended 30 April 2008
<b>Gratuity cost for the period</b>				
Service cost	39,140	5,632	71,050	16,229
Interest cost	4,500	3,491	7,794	6,914
Expected return on plan assets	(125)	(1,262)	(6,628)	(2,530)
Actuarial loss/(gain)	(2,014)	(3,980)	717	(12,946)
<b>Net gratuity cost</b>	<b>41,501</b>	<b>3,881</b>	<b>72,933</b>	<b>7,667</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

<b>31. Revenue disclosure</b>	<b>(000's)</b>			
	<b>Quarter ended 30 April 2009</b>	<b>Quarter ended 30 April 2008</b>	<b>Six months ended 30 April 2009</b>	<b>Six months ended 30 April 2008</b>
Revenue recognised on customised software development contracts in progress	3,082,364	1,925,969	5,960,474	3,447,901

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

	<b>30 April 2009</b>	<b>31 October 2008</b>
<b>Fixed Price projects:</b>		
Revenue recognised until the reporting date	1,394,105	570,970
Unbilled revenue	422,367	345,534
Unearned receivable	-	17,269
<b>Time and material projects:</b>		
Revenue recognised during the period	2,531,676	4,716,265
Unbilled revenue	1,083,093	1,181,321
Unearned receivable	2,915	-

32. 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.

33. The figures of previous period have been regrouped/reclassified, where necessary, to confirm with the current period's classification.

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

For S.R. BATLIBOI & CO.  
Chartered Accountants

**Andreas W Mattes**  
*Chairman*

**Balu Ganesh Ayyar**  
*Chief Executive Officer*

**per Sunil Bhumralkar**  
*Partner*  
Membership No. 35141

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

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

Bangalore  
20 May 2009

Bangalore  
20 May 2009

# Mphasis Group

## Consolidated Cash Flow Statement

(Rs 000's)

	Six months ended 30 April 2009	Six months ended 30 April 2008
<b>Cash flows from operating activities:</b>		
Profit before taxation	4,589,407	1,313,137
Adjustments for:		
Interest income	(27,058)	(33,670)
Dividend income	(42,060)	-
Loss / (Profit) on sale of fixed assets	(529)	(218)
Depreciation and amortisation	1,038,113	775,455
Interest on vehicle loans considered separately	3,059	1,702
Effect of exchange rate changes	(1,816)	(6,469)
Operating profit before working capital changes	5,559,116	2,049,937
Debtors and unbilled revenues	(510,599)	(162,456)
Loans and advances	(1,225,785)	(467,854)
Current liabilities and provisions	983,536	251,621
Cash generated from operations	4,806,268	1,671,248
Income taxes (paid)/ refund	(635,080)	(299,108)
<b>Net cash provided by operating activities</b>	<b>4,171,188</b>	<b>1,372,140</b>
<b>Cash flows from investing activities:</b>		
Interest received	28,139	33,299
Proceeds from sale of fixed assets	21,591	1,171
Purchase of fixed assets	(909,846)	(1,276,642)
Dividend income	42,060	-
Purchase of units of Mutual Funds	(15,296,841)	-
Sale of units of Mutual Funds	13,105,607	-
<b>Net cash used in investing activities</b>	<b>(3,009,290)</b>	<b>(1,242,172)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from issue of share capital	349	1,455
Proceeds of premium from issue of share capital	3,528	15,515
Availment of secured loans	7,178	23,778
Repayment of secured loans	(17,110)	(13,667)
Interest expense on vehicle loans considered separately	(3,059)	(1,702)
Dividend paid including dividend tax	(489,065)	(888)
<b>Net cash provided by/ (used in) financing activities</b>	<b>(498,179)</b>	<b>24,491</b>
Changes in cash and cash equivalents	663,719	154,459
Effect of exchange rate changes	(31,214)	(21,829)
<b>Cash and cash equivalents at beginning of the period*</b>	<b>731,198</b>	<b>1,016,432</b>
<b>Cash and cash equivalents at end of the period*</b>	<b>1,363,703</b>	<b>1,149,062</b>

\* Cash and cash equivalents consists of cash and bank balances and short-term funds that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. It also includes restricted deposits amounting Rs 70,732,170 (30 April 2008: Rs 10,732,170)

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

For and on behalf of the Board of Directors

For S.R. BATLIBOI & CO.  
Chartered Accountants

**Andreas W Mattes**  
Chairman

**Balu Ganesh Ayyar**  
Chief Executive Officer

per **Sunil Bhumralkar**  
Partner  
Membership No. 35141

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

**A. Sivaram Nair**  
Company Secretary

Bangalore  
20 May 2009

Bangalore  
20 May 2009

# Mphasis Group

## Consolidated Cash Flow Statement

<b>Reconciliation of consolidated financial statement items with consolidated cash flow items</b>	<b>(Rs 000's)</b>	
	<b>Six months ended 30 April 2009</b>	<b>Six months ended 30 April 2008</b>
<b>Purchase of fixed assets</b>		
As per the Consolidated Balance Sheet	1,429,297	991,571
Add: Closing capital work-in-progress	104,432	807,153
Add: Opening creditors for capital goods	302,372	35,996
Less: Opening capital work-in-progress	(730,719)	(420,677)
Less: Closing creditors for capital goods	(195,536)	(137,401)
<b>Purchase of fixed assets</b>	<b>909,846</b>	<b>1,276,642</b>
<b>Loans and advances</b>		
As per the Consolidated Balance Sheet	5,241,565	2,994,156
Less: Advance income tax & tax deducted at source considered separately	(1,558,039)	(1,029,870)
Less: MAT credit entitlement considered separately	(632,851)	(119,666)
Add: Effect of foreign exchange translation	(8,590)	(7,551)
	<b>3,042,085</b>	<b>1,837,069</b>
Less: Opening balance considered	1,816,300	1,369,215
<b>Changes in loans and advances</b>	<b>1,225,785</b>	<b>467,854</b>
<b>Current Liabilities and Provisions</b>		
As per the Consolidated Balance Sheet	6,724,561	4,714,905
Less: Creditors for capital goods, liability for unclaimed dividend, provision for taxation and proposed dividend & tax thereon considered separately	(1,266,242)	(1,262,037)
Less: Liability for Kshema acquisition considered separately	(17,060)	(17,060)
Less: Liability for EDS India merger expenses considered separately	(66,688)	(66,688)
Less: Hedge Reserve	(338,350)	-
Add: Effect of foreign exchange translation	(13,510)	(11,408)
	<b>5,022,711</b>	<b>3,357,712</b>
Less: Opening balance considered	4,039,175	3,106,091
<b>Changes in current liabilities and provisions</b>	<b>983,536</b>	<b>251,621</b>

## Mphasis Group

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

	(Rs 000's)	
	Six months ended 30 April 2009	Six months ended 30 April 2008
<b>Income taxes paid/(refund)</b>		
As per the Consolidated Profit and Loss Account	244,691	42,681
Add: Increase in deferred taxes	146,654	55,619
Add: Increase in deferred tax liability	(31,974)	-
Add: Increase/ (decrease) net of provision for taxation	52,619	81,142
Add: Increase in balance in MAT credit entitlement	223,090	119,666
<b>Income taxes paid</b>	<b>635,080</b>	<b>299,108</b>
<b>Interest received</b>		
Interest income, Net	27,058	33,670
Add: Opening interest receivable	2,247	2,328
Less: Closing interest receivable	(1,166)	(2,699)
<b>Interest received</b>	<b>28,139</b>	<b>33,299</b>
<b>Sundry debtors and unbilled revenue</b>		
As per the Consolidated Balance Sheet	9,334,167	5,959,411
Add: Effect of foreign exchange translation	(13,897)	(10,394)
	<b>9,320,270</b>	<b>5,949,017</b>
Less: Opening Balance considered	8,809,671	5,786,561
<b>Changes in sundry debtors and unbilled revenue</b>	<b>510,599</b>	<b>162,456</b>

For and on behalf of the Board of Directors

**Andreas W Mattes**  
*Chairman*

**Balu Ganesh Ayyar**  
*Chief Executive Officer*

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

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

Bangalore  
20 May 2009