Audited Consolidated Financial Statements
for the year ended 31 October 2009

Auditor's Report

The Board of Directors

MphasiS Limited

We have audited the attached consolidated balance sheet of MphasiS Limited (‘the Company’) and its subsidiaries (collectively referred to as ‘MphasiS Group’) as at 31 October 2009, and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

We report that the consolidated financial statements have been prepared by the Company’s management in accordance with the requirements of Accounting Standard 21, ‘Consolidated financial statements’, notified pursuant to the Companies (Accounting Standards) Rules, 2006, (as amended).

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

(a) in the case of the consolidated balance sheet, of the state of affairs of the MphasiS Group as at 31 October 2009;

(b) in the case of the consolidated profit and loss account, of the profit for the year ended on that date; and

(c) in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

For S.R. BATLIBOI & CO.
Chartered Accountants

per Sunil Bhumralkar
Partner
Membership No. 35141

Place: Bangalore, India
Date: 24 November 2009

MphasiS Group

Consolidated Balance Sheet

	Notes	31 October 2009	31 October 2008
			(Rs 000's)
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	**3**	2,095,779	2,089,303
Reserves and surplus	**4**	21,350,582	12,213,422
Employee stock options outstanding	**5**	6,994	60,718
		23,453,355	**14,363,443**
LOAN FUNDS			
Secured loans	**6**	33,207	53,792
DEFERRED TAX LIABILITY	**7**	1,432	-
		23,487,994	**14,417,235**
APPLICATION OF FUNDS			
FIXED ASSETS	**8**		
Cost		10,043,649	9,463,223
Accumulated depreciation and amortisation		(6,879,945)	(6,057,869)
Net book value		3,163,704	3,405,354
Capital work-in-progress including capital advances		127,346	730,719
		3,291,050	4,136,073
GOODWILL	**9**	2,945,512	2,959,287
INVESTMENTS	**10**	7,612,471	-
DEFERRED TAX ASSETS	**11**	695,378	344,539
CURRENT ASSETS, LOANS AND ADVANCES			
Debtors and unbilled revenues	**12**	9,063,810	8,809,671
Cash and bank balances	**13**	1,785,698	731,198
Interest receivable	**14**	1,295	2,247
Loans and advances	**15**	7,240,135	3,356,948
		18,090,938	**12,900,064**
CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	**16**	6,413,739	4,424,862
Provisions	**17**	2,733,616	1,497,866
		9,147,355	**5,922,728**
NET CURRENT ASSETS		**8,943,583**	**6,977,336**
		23,487,994	**14,417,235**

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 S.R. BATLIBOI & CO.
Chartered Accountants

Andreas W Mattes
Chairman

Balu Ganesh Ayyar
Chief Executive Officer

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

Ganesh Murthy
Chief Financial Officer

A. Sivaram Nair
Company Secretary

Bangalore
24 November 2009

Bangalore
24 November 2009

MphasiS Group

Consolidated Profit and Loss Account

(Rs 000's)

	Notes	For the year ended 31 October 2009	For the period from 1 April 2008 to 31 October 2008
Revenues		**42,638,827**	**19,065,192**
Cost of revenues	**18**	28,793,179	14,254,627
Gross profit		**13,845,648**	**4,810,565**
Selling expenses	**19**	1,804,010	727,721
General and administrative expenses	**20**	2,781,219	1,192,314
Provision for doubtful debts	**21**	8,036	11,256
Operating profit		**9,252,383**	**2,879,274**
Foreign exchange gain, net		292,202	163,926
Other income, net	**22**	155,008	8,495
Interest income	**23**	27,927	45,419
Profit before taxation		**9,727,520**	**3,097,114**
Income taxes			
-Current		1,435,685	408,432
-Deferred		(338,590)	(83,161)
-Minimum alternative tax credit entitlement		(487,060)	(217,965)
-Fringe benefit tax		30,706	35,443
Net profit		**9,086,779**	**2,954,365**
Earnings per share (Par value - Rs 10)	**30**		
Basic (Rs)		43.45	14.16
Diluted (Rs)		43.17	14.08
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

Ganesh Murthy
Chief Financial Officer

A. Sivaram Nair
Company Secretary

Bangalore
24 November 2009

Bangalore
24 November 2009

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 the related provisions of the Companies Act 1956.

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 year reported. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in the current and future years.

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 contracts with clients. Revenue from fixed-price contracts is recognised using the percentage of completion method, calculated as the proportion of the cost of effort incurred up to the reporting date to estimated cost of total effort.

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 clients.

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 clients.

Revenue from licensing arrangements is recognised on transfer of the title in user licenses except those contracts, which require significant implementation services, where revenue is recognized over the implementation period in accordance with the specific terms of the contracts with clients.

Maintenance revenue is recognised rateably over the period of underlying maintenance agreements.

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.

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 Group. 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 subsidiaries were acquired 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 acquisition.

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 year. Individual assets costing Rs 5,000 or less are depreciated in full in the year of purchase. The estimated useful lives of assets are as follows:

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 to 5

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 to 5

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.

Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognized as an expense in the profit and loss account on a straight-line basis over the lease term.

Profit or loss on sale and lease back arrangements resulting in operating leases are recognised immediately in case the transaction is established at fair value, else the excess over the fair value is deferred and amortized over the period for which the asset is expected to be used.

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.

Employee benefits

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

The cost of short term compensated absence is provided for based on estimates. Long term compensated absences costs are provided for based on actuarial valuation which is done based on project unit credit method.

Contributions payable to recognised provident funds and approved superannuation schemes, which are defined contribution schemes, are charged to the profit and loss account. The Group liability is limited to the contribution made to fund.

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 a year are recognised in the profit and loss account of that year.

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 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 year.

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 year, 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 year 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 excluding embedded derivatives 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 year.

Fringe Benefit Tax

The Group provides for and discloses the Fringe Benefit Tax (‘FBT’) as a part of taxes in accordance with the provisions of section 115WC of the Income tax Act, 1961 and the guidance note on FBT issued by the Institute of Chartered Accountants of India. The Finance Act, 2009 has withdrawn FBT with effect from 1 April 2009.

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 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. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates

Earnings per share

The basic earnings per share is computed by dividing the net profit attributable to equity shareholders for the year by the weighted average number of equity shares outstanding during the year. 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 year, unless they have been issued at a later date. The diluted potential equity shares have been adjusted for the proceeds receivable had the shares been actually issued at the average market value of the outstanding shares. In computing dilutive earnings per share, only potential equity shares that are dilutive and that either reduce 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.

2. DESCRIPTION OF THE GROUP

The MphasiS Group, a global, multicultural organisation headquartered in Bangalore, India, 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.

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') [Refer Note 2(f)]	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 FinSolutions Private Limited. ('MphasiS FinSolutions') [Refer note 2(e)]	a company organised under the laws of India	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

All the above subsidiaries are under the same management.

2(a) The Company acquired control of Kshema Technologies Limited ("Kshema") on 1 June 2004. Kshema has been amalgamated with MphasiS Limited with effect from 1 April 2005.

The balance consideration payable to the erstwhile shareholders amounting to Rs 17,060,055 (31 October 2008: 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. In terms of a merger agreement executed between Electronic Data Systems Corporation USA, Hewlett-Packard Company ('HP') and Hawk Merger Corporation, the last named company merged in to Electronic Data Systems Corporation USA on 26 August 2008. As a result of the merger, Electronic Data Corporation USA became 100% subsidiary of HP and was renamed as Electronic Data Systems LLC. Further HP became the ultimate holding company of MphasiS. Post merger, 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.

2(e) The Company acquired AIG Systems Solutions Private Limited, a subsidiary of AIG Inc effective 1 October 2009. The name of the acquired company stands changed to MphasiS FinSolutions Private Limited with effect from 13 October 2009.

2(f) During the year, the Company filed an application with Reserve Bank of India for closure of its subsidiary BFL Software Asia Pacific Pte Ltd.

(Rs 000's)

	31 October 2009	31 October 2008
3. SHARE CAPITAL		
Authorised capital		
245,000,000 (31 October 2008: 245,000,000) equity shares of Rs 10 each	2,450,000	2,450,000
Issued, subscribed and paid-up capital		
209,585,021 (31 October 2008: 208,937,364) equity shares of Rs 10 each	2,095,850	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
	2,095,779	**2,089,303**

	31 October 2009	31 October 2008
4. RESERVES AND SURPLUS		
Securities premium account		
Balance brought forward	1,564,203	1,543,318
Add: Premium on allotment of shares	73,352	20,885
Add: Transferred from employee stock options outstanding	31,803	-
[Securities premium amounting to Rs 1,147,812,167 (31 October 2008: Rs 1,116,010,000) is for consideration other than cash]		
	1,669,358	1,564,203
Foreign currency translation reserve		
Balance brought forward	246,143	(373,156)
Add / (Less): During the year/period	(179,040)	619,299
	67,103	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	836,872	264,514
	1,793,847	956,975
Hedging reserve		
Balance brought forward	(312,289)	-
Add / (Less): During the year/period	788,204	(312,289)
Add / (Less): Transfer to revenue	194,326	-
	670,241	(312,289)
Profit and loss account		
Balance brought forward	9,662,156	7,461,882
Add: Net profit for the year/period	9,086,779	2,954,365
Profit available for appropriation	18,748,935	10,416,247
Appropriations		
Transfer to General reserve	836,872	264,514
Final dividend for earlier years	80	596
Proposed dividend	733,498	417,846
Tax on dividend	124,672	71,114
Issue of bonus shares	14	21
	17,053,799	9,662,156
	21,350,582	**12,213,422**

		(Rs 000's)
	31 October 2009	**31 October 2008**
5. EMPLOYEE STOCK OPTIONS OUTSTANDING		
Balance brought forward	60,718	60,718
Less: Transferred to Securities premium account on exercise of options	31,803	-
Less: Reversal on forfeiture/ lapse of options granted	21,921	-
	6,994	**60,718**

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 year ended 31 October 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 year ended 31 October 2009 and for the period from 1 April 2008 to 31 October 2008 are set out below:

	Year ended 31 October 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	2,972	34.38	-	-
Options outstanding at the end	74,224	34.38	77,196	34.38
Exercisable at the end	74,224	34.38	77,196	34.38

The weighted average share price of options exercised as at the date of exercise was Rs 412.69 (31 October 2008: Nil). The options outstanding as at 31 October 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.

The movements in the options granted under the 1998 Plan - (Version II) for the year ended 31 October 2009 and for the period from 1 April 2008 to 31 October 2008 are set out below:

	Year ended 31 October 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	97,604	108.40	39,980	99.65
Options outstanding at the end	745,124	92.01	843,128	93.93
Exercisable at the end	745,124	92.01	839,928	93.79

The weighted average share price of options exercised as at the date of exercise was Rs 482.95 (31 October 2008: Rs 233.65). The options outstanding as at 31 October 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 3.71 years (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 year ended 31 October 2009 and for the period from 1 April 2008 to 31 October 2008 are set out below:

	Year ended 31 October 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	23,203	124.76	18,350	127.67
Lapsed	113,486	147.34	46,593	132.50
Exercised	235,208	128.05	53,631	125.07
Options outstanding at the end	377,254	143.02	749,151	138.41
Exercisable at the end	334,972	139.50	480,273	136.25

The weighted average share price of options exercised as at the date of exercise was Rs 401.66 (31 October 2008: Rs 219.66). The options outstanding as at 31 October 2009 had an exercise price ranging from Rs 113.38 to Rs 208.45 (31 October 2008: Rs 71.88 to Rs 208.45) and weighted average remaining contractual life of 1.15 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.

The movements in the options under the 2003 Plan for the year ended 31 October 2009 and for the period from 1 April 2008 to 31 October 2008 are set out below:

	Year ended 31 October 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	17,850	97.85	15,827	102.19
Exercised	118,300	114.78	34,350	117.51
Options outstanding at the end	39,200	130.60	175,950	116.64
Exercisable at the end	39,200	130.60	128,600	111.50

The weighted average share price of options exercised as at the date of exercise was Rs 450.22 (31 October 2008: Rs 219.53). The options outstanding as at 31 October 2009 had an exercise price of Rs 130.60 (31 October 2008: Rs 85.63 to Rs 130.60) and weighted average remaining contractual life of 1.16 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 year ended 31 October 2009 and for the period from 1 April 2008 to 31 October 2008 are set out below:

	Year ended 31 October 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	15,664	133.50	13,402	132.90
Lapsed	84,989	102.09	26,889	132.48
Exercised	192,173	132.35	69,331	117.24
Options outstanding at the end	167,901	129.44	460,727	125.75
Exercisable at the end	159,809	126.66	342,005	121.41

The weighted average share price of options exercised as at the date of exercise was Rs 394.04 (31 October 2008: Rs 222.63).The options outstanding as at 31 October 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 2.67 years (31 October 2008: 3.20 years).

Fringe benefit tax on ESOPs

The Finance Act, 2009 has withdrawn Fringe Benefit Tax ('FBT') on ESOP's exercised after 1 April 2009. As per the ESOP schemes of the Group, all the taxes, including FBT on ESOP's exercised till 31 March 2009 is borne by the concerned 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 RSUs to certain employees of the Group. Total cost incurred towards RSUs for the year ended 31 October 2009 and for the period 1 April 2008 to 31 October 2008 amounted to Rs 100,370,084 and Rs 67,763,390 respectively. However, the cost has been borne by HP and accordingly this has not been accounted as an expense by the Group.

		(Rs 000's)
	31 October 2009	**31 October 2008**
6. SECURED LOANS		
Vehicle loans	33,207	53,792
(Secured by the hypothecation of vehicles)		
	33,207	**53,792**
7. DEFFERRED TAX LIABILITY		
On depreciation	1,432	-
	1,432	**-**

8. FIXED ASSETS (Rs 000's)

	Cost				Accumulated depreciation and amortisation				Net book value	
Assets	**1 November 2008**	**Additions**	**Deductions/ Adjustments***	**31 October 2009**	**1 November 2008**	**Charge for the year**	**Deductions/ Adjustments***	**31 October 2009**	**31 October 2009**	**31 October 2008**
Tangible assets										
Freehold land	27,375	-	-	27,375	-	-	-	-	27,375	27,375
Buildings	1,230	-	-	1,230	933	123	-	1,056	174	297
Leasehold improvements	1,353,106	444,573	212,555	1,585,124	901,547	343,850	202,828	1,042,569	542,555	451,559
Plant and machinery	2,092,506	459,299	80,405	2,471,400	1,248,243	374,914	56,313	1,566,844	904,556	844,263
Computer equipment	2,608,532	419,681	647,341	2,380,872	1,913,878	559,085	599,956	1,873,007	507,865	694,654
Office equipment	880,729	133,581	55,341	958,969	594,136	197,860	50,236	741,760	217,209	286,593
Furniture and fixtures	1,057,519	193,356	64,400	1,186,475	657,481	213,103	58,715	811,869	374,606	400,038
Vehicles	106,332	25,677	33,334	98,675	54,319	27,670	26,731	55,258	43,417	52,013
Intangible assets										
Software	1,335,894	251,185	253,550	1,333,529	687,332	305,550	205,300	787,582	545,947	648,562
Total	**9,463,223**	**1,927,352**	**1,346,926**	**10,043,649**	**6,057,869**	**2,022,155**	**1,200,079**	**6,879,945**	**3,163,704**	**3,405,354**
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

		(Rs 000's)
	31 October 2009	31 October 2008
9. GOODWILL		
Goodwill arising on consolidation		
Balance brought forward	2,959,287	2,448,977
Add : On acquisition of AIG Systems Solutions Private Limited	173,227	-
Add/(Less): Movement on account of exchange rate fluctuation	(165,081)	510,310
Add/(Less): Adjustment on forfeiture/ lapse of options granted on earlier acquisitions	(21,921)	-
	2,945,512	**2,959,287**
10. INVESTMENTS		
Short Term (At lower of cost and market value)		
ICICI Prudential Flexible Income 348,725,344.16 units at Rs 10.5735 (31 October 2008: Nil units)	3,687,246	-
Birla Sun Life Savings Fund 382,245,085.51 units at Rs 10.0068 (31 October 2008: Nil units)	3,825,050	-
ICICI Prudential Institutional Liquid 8,453,484.13 units at Rs 11.8502 (31 October 2008: Nil units)	100,175	-
	7,612,471	**-**
11. DEFERRED TAX ASSETS		
On depreciation	630,103	268,852
On provision for doubtful debts	29,001	25,299
On provision for employee benefits	36,274	50,388
	695,378	**344,539**
12. DEBTORS AND UNBILLED REVENUES		
Debts outstanding for a period exceeding six months, unsecured		
- considered good	69,507	39,981
- considered doubtful	89,353	172,202
Other debts, unsecured		
- considered good	3,750,006	3,515,306
	3,908,866	3,727,489
Less: Provision for doubtful debts (net of write-offs)	(89,353)	(172,202)
	3,819,513	3,555,287
Unbilled revenues	5,244,297	5,254,384
	9,063,810	**8,809,671**

	31 October 2009	31 October 2008
		(Rs 000's)
13. CASH AND BANK BALANCES		
Cash in hand	290	962
Remittance in transit	-	11,854
Balances with scheduled banks		
- Current accounts *	296,172	256,503
- Deposit accounts **	950,665	86,214
- Margin money deposit account	913	913
Balances with non-scheduled banks		
- Current accounts	537,658	374,752
	1,785,698	**731,198**

* Includes Rs 4,014,928 and Rs 1,251,941 representing the balances in unclaimed dividends account as at 31 October 2009 and 31 October 2008 respectively.

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

14. INTEREST RECEIVABLE

Unsecured - considered good	1,295	2,247
	1,295	**2,247**

15. LOANS AND ADVANCES

Unsecured - considered good		
Employee loans	1,594	3,737
Advances recoverable in cash or in kind or for value to be received *	3,151,835	757,578
Loan to a ESOP trust	8,575	3,575
Deposits		
- premises	988,520	1,028,758
- with government authorities	14,233	10,907
- others	24,172	11,745
Advance tax and tax deducted at source	2,121,685	1,130,887
MAT credit entitlement	929,521	409,761
Unsecured - considered doubtful		
Advances recoverable in cash or in kind or for value to be received	-	43,345
	7,240,135	3,400,293
Less: Provisions (net of write-offs)	-	(43,345)
	7,240,135	**3,356,948**

* includes service tax input credit receivable Rs 1,931,711,218 (31 October 2008: Rs 354,475,627)

16. CURRENT LIABILITIES

Sundry creditors	631,904	1,022,918
Book overdraft	93,490	185,257
Advances from clients	61,228	21,821
Unearned receivables	331,492	44,632
Salary related costs	2,446,704	765,302
Other liabilities*	2,844,906	2,383,680
Unclaimed dividends	4,015	1,252
	6,413,739	**4,424,862**

* 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)].

	31 October 2009	31 October 2008
		(Rs 000's)
17. PROVISIONS		
Compensated absences	307,510	178,704
Gratuity [refer note 31 (a)]	59,475	135,270
Proposed dividend	733,498	417,846
Tax on dividend	124,658	71,013
Taxation	1,508,475	695,033
	2,733,616	**1,497,866**

	For the year ended 31 October 2009	For the period from 1 April 2008 to 31 October 2008
18. COST OF REVENUES		
Salary and allowances	17,222,619	8,355,632
Contribution to provident and other funds	942,051	421,283
Staff welfare	684,207	437,831
Travel*	970,109	729,038
Recruitment charges	104,481	45,816
Communication expenses	834,723	482,217
Rent	1,508,238	805,049
Professional charges	91,726	44,317
Depreciation and amortisation	1,892,025	938,804
Software development charges	1,648,736	582,686
Staff training expenses	19,663	33,022
Electricity	437,370	239,997
Software support and annual maintenance charges	1,870,679	916,484
Miscellaneous expenses	566,552	222,451
	28,793,179	**14,254,627**

* Previous period amount 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 travel expenses of the previous period is higher by the same amount.

19. SELLING EXPENSES		
Salary and allowances	1,352,172	523,677
Contribution to provident and other funds	86,374	33,022
Staff welfare	15,656	7,684
Travel	114,870	70,577
Communication expenses	61,806	25,051
Rent	33,725	16,513
Professional charges	40,524	9,731
Depreciation and amortisation	12,717	6,865
Recruitment expenses	17,007	11,279
Business meeting expenses	19,168	3,301
Miscellaneous expenses	49,991	20,021
	1,804,010	**727,721**

	For the year ended 31 October 2009	For the period from 1 April 2008 to 31 October 2008
		(Rs 000's)
20. GENERAL AND ADMINISTRATIVE EXPENSES		
Salary and allowances	1,250,407	517,846
Contribution to provident and other funds	41,759	33,960
Staff welfare	81,449	53,685
Travel	54,269	39,643
Communication expenses	110,041	39,537
Rent	267,291	86,946
Professional charges	227,660	86,732
Depreciation and amortisation	117,413	59,182
Auditor's remuneration	7,876	5,138
Bank charges	8,067	6,019
Insurance	13,726	16,947
Rates and taxes	150,855	15,928
Repairs and maintenance		
- Plant and machinery	48,473	23,993
- Building	11,979	8,504
- Others	148,084	80,993
Membership and subscriptions	8,931	5,685
Printing and stationery	42,389	24,475
Postage and courier charges	8,019	4,906
Miscellaneous expenses	182,531	82,195
	2,781,219	**1,192,314**
21. PROVISION FOR DOUBTFUL DEBTS		
Provision for doubtful debts	(81,169)	11,256
Bad Debts written off	89,205	-
	8,036	**11,256**
22. OTHER INCOME, NET		
Profit /(loss) on sale of fixed assets	7,661	1,463
Mutual Fund dividend income	153,128	6,958
Miscellaneous income /(expense), net	(5,781)	74
	155,008	**8,495**
23. INTEREST INCOME		
Interest on deposits	27,927	45,419
	27,927	**45,419**

24. 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 123,042,815 as at 31 October 2009 (31 October 2008: Rs 148,893,415) have been furnished to the Customs authorities in this regard.

25. Contingent liabilities and commitments

(a) Claims against the Group not acknowledged as debts amount to Rs 855,926,880 (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 31 October 2009: 330,389,414 (31 October 2008: Rs 842,880,473);

(c) Guarantees outstanding including those furnished to the Customs authorities as at 31 October 2009: Rs 412,787,640 (31 October 2008: Rs 343,527,315); and

(d) Forward contracts outstanding as at 31 October 2009 are as below:

Currency	Amount	Amount in INR
USD	652,900,000	32,088,557,750
GBP	54,654,683	4,405,112,949
SGD	6.889,857	234,842,330
CAD	850,000	37,601,875

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

The foreign exchange exposure of the Group has been hedged by forward contracts disclosed above.

Unamortised premium as at 31 October 2009 on forward exchange contracts to hedge the foreign currency risk of the underlying outstanding at the balance sheet date is Rs 32,906,777 (31 October 2008: Rs 6,058,796). Net foreign currency exposure of the Group that is not hedged by a derivative instrument or otherwise as at 31 October 2009: Rs 1,771,303,487.

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

26. 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 1,067,537,705 for the year ended 31 October 2009 and Rs 395,483,502 for the period from 1 April 2008 to 31 October 2008.

Future minimum lease payments under non-cancellable operating leases as at 31 October 2009 are as follows:

(Rs 000's)

Period	31 October 2009	31 October 2008
Not later than 1 year	829,196	815,313
Later than 1 year and not later than 5 years	870,346	1,039,963
More than 5 years	72,814	-
	1,772,356	**1,855,276**

The Group 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 741,716,650 for the year ended 31 October 2009 and Rs 513,023,849 for the period from 1 April 2008 to 31 October 2008.
Office Premises are obtained on operating lease for terms ranging from 1 to 7 years and renewable at the option of the Company/lessor. Further, there are no sub-leases.

27. 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 60.65% 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.
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
Michael Coomer	Non-executive Chairman - Resigned w.e.f. 6 February 2009
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
Joseph Eazor	Director - Resigned w.e.f. 6 February 2009
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 (Operations) Pty Limited
- EDS Itellium Gmbh
- Electronic Data Systems (EDS) International B.V.
- EDS Information Services LLC
- EDS Canada Inc.
- EDS (Australia) PTY Limited
- EDS Gulf States, WLL
- EDS Sweden AB
- EDS (Thailand) Co. Ltd
- EDS International (Greece) SA
- EDS Application Services Gmbh
- Electronic Data Systems do Brasil Ltda
- RelQ Software Private Limited
- Electronic Data Systems Limited, UK
- Electronic Data Systems Italia SPA
- Electronic Data Systems (Egypt) SAE
- EDS World Corporation (Far East)
- EDS Austria Gmbh
- EDS Operations Services Gmbh
- Electronic Data Systems Limited
- EDS (New Zealand) Limited
- Electronic Data System Belgium N.V
- EDS Information Business Gmbh
- EDS Business Services PTY Limited
- EDS (China) Co. Limited
- EDS International (Singapore) Pte Limited
- Electronic Data Systems Taiwan Corporation
- EDS (Schweiz) AG
- Electronic Data Systems (Hong Kong) Limited
- EDS (Ireland) Ltd
- EDS Malaysia (Shell EPO AP)
- Electronic Data Systems Hungary Limited
- Electronic Data Systems France SAS
- EDS Columbia
- EDS Answare SA

- 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.
- Shanghai Hewlett Packard Co. Ltd.
- Hewlett Packard New Zealand
- Hewlett Packard GmbH
- EDS Omega S.L
- Hewlett Packard Company
- 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.
- Hewlett Packard Singapore (Sales) Pte Ltd.
- Saber Software, Inc.
- Hewlett Packard Inter-Americas United States (California)
- Hewlett Packard Limited (UK)
- Hewlett Packard Financial Services (India) Pvt. Ltd.

(d) **The following is a summary of significant transactions with related parties by the Group*:** **(Rs 000's)**

	For the year ended 31 October 2009	For the period from 1 April 2008 to 31 October 2008
Rendering of services to other related parties	**29,572,068**	**11,003,640**
-EDS Information Services, LLC	19,016,810	8,573,248
-Electronic Data Systems Ltd, UK	3,689,604	864,626
-Others	6,865,654	1,565,766
Purchase of fixed assets from other related parties	**94,889**	**-**
-EDS International (Singapore) Pte Limited	44,045	-
-Hewlett Packard Singapore (Sales) Pte. Ltd.	27,279	-
-Hewlett Packard India Sales Private Limited	21,780	-
-Others	1,785	-
Sale of fixed assets to other related parties	**46,003**	**-**
-Hewlett Packard Financial Services (India) Pvt. Ltd.	46,003	-
Lease Rentals paid to other related parties	**5,376**	**-**
- Hewlett Packard Financial Services (India) Pvt. Ltd.	5,376	-
Communication charges paid to other related parties	**117,206**	**54,349**
-EDS International (Singapore) Pte Limited	117,206	54,349
Software development charges paid to entities where control exists	**22,610**	**21,472**
-Electronic Data Systems LLC, USA	22,610	21,472
Software development charges paid to others	**44,848**	**33,657**
-RelQ Software Private Limited	44,848	33,657
Software support and annual maintenance charges paid to other related parties **	**1,759,182**	**868,102**
-EDS International (Singapore) Pte Limited	1,759,182	868,102
Other expenses paid to other related parties	**63,455**	**-**
-EDS International (Singapore) Pte Limited	63,455	-
Remuneration to executive key management personnel	**66,583**	**46,220**
-Deepak Patel	-	17,129
-Jeya Kumar	32,814	29,091
-Balu Ganesh Ayyar	33,769	**-**
Commission to non-executive directors	**9,909**	**4,667**
-Davinder Singh Brar	2,400	1,400
-Jose de la Torre	2,433	1,167
-Vinita Bali	2,000	700
-Nawshir H Mirza	2,400	1,400
-Friedrich Froeschl***	676	-
Loan given to BFL Employee Equity Reward Trust	**5,000**	**5,000**
Loan refunded by BFL Employee Equity Reward Trust	**-**	**5,000**

*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 2009, the provisioning for such services has been made on best estimate basis.

***Subject to Shareholders approval.

(e) **The balances receivable from and payable to related parties are as follows:** **(Rs 000's)**

	31 October 2009	**31 October 2008**
Interest free loans to BFL Employee Equity Reward Trust, included in Loans and advances	**8,575**	**3,575**
Sundry debtors and unbilled revenue - other related parties	**6,457,991**	**6,051,517**
-EDS Information Services, LLC	3,753,443	4,539,459
-Electronic Data Systems Ltd, UK	792,393	280,734
-EDS Australia Pty Ltd	792,469	103,140
-Others	1,119,686	1,128,184
Current liabilities – other related parties	**1,100,265**	**683,431**
-EDS International (Singapore) Pte Limited	1,073,511	654,446
-Others	26,754	28,985

(f) Balu Ganesh Ayyar, a non resident director was appointed as Chief Executive Officer w.e.f. 29 January 2009. The Company has made an application to the Central Government for approval in accordance with the requirements of the Companies Act 1956, which is pending for approval.

28. Segment reporting

The Group'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)**

	For the year ended 31 October 2009	**For the period from 1 April 2008 to 31 October 2008**
Segment revenue		
Application Services	27,325,778	12,207,837
BPO Services	7,425,736	4,001,158
ITO Services	7,887,313	2,856,197
	42,638,827	**19,065,192**
Segment profit		
Application Services	8,998,205	2,977,820
BPO Services	1,644,401	1,080,966
ITO Services	3,203,042	751,779
	13,845,648	**4,810,565**
Interest income, net	27,927	45,419
Other unallocable expenditure, net of unallocable income	4,146,055	1,758,870
Profit before taxation	**9,727,520**	**3,097,114**
Income taxes (including Fringe benefit tax)	640,741	142,749
Profit after taxation	**9,086,779**	**2,954,365**

(Rs 000's)

	31 October 2009	31 October 2008
Segment assets		
Application Services	8,453,031	8,550,910
BPO Services	6,131,431	6,330,792
ITO Services	2,920,603	2,473,969
Unallocated assets	15,130,284	2,984,292
	32,635,349	**20,339,963**
Segment liabilities		
Application Services	3,449,877	2,265,005
BPO Services	1,611,095	1,031,376
ITO Services	1,513,894	749,687
Unallocated liabilities	2,607,128	1,930,452
	9,181,994	**5,976,520**

	For the year ended 31 October 2009	For the period from 1 April 2008 to 31 October 2008
Capital expenditure		
Application Services	605,868	674,245
BPO Services	549,313	615,326
ITO Services	168,798	137,306
	1,323,979	**1,426,877**
Depreciation and amortisation		
Application Services	948,455	485,973
BPO Services	814,320	423,049
ITO Services	259,380	95,829
	2,022,155	**1,004,851**

Secondary segment information (revenues)

	For the year ended 31 October 2009	For the period from 1 April 2008 to 31 October 2008
Region		
USA	28,633,186	12,928,148
The Middle East and India	3,089,995	1,625,054
Rest of the world	10,915,646	4,511,990
	42,638,827	**19,065,192**

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

Secondary segment information (segment assets)

	31 October 2009	31 October 2008
Region		
USA	9,285,490	9,768,127
The Middle East and India	20,224,060	8,126,159
Rest of the world	3,125,799	2,445,677
	32,635,349	**20,339,963**

Secondary segment information (capital expenditure)

	For the year ended 31 October 2009	For the period from 1 April 2008 to 31 October 2008
Region		
USA	114,016	135,032
The Middle East and India	1,203,285	1,289,650
Rest of the world	6,678	2,195
	1,323,979	**1,426,877**

29. Earnings Per Share ('EPS')

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

	For the year ended 31 October 2009	For the period from 1 April 2008 to 31 October 2008
Number of weighted average shares considered for calculation of basic earnings per share	209,131,904	208,852,739
Add: Dilutive effect of stock options	1,336,310	1,127,377
Number of weighted average shares considered for calculation of diluted earnings per share	**210,468,214**	**209,980,116**

206,053 weighted average number of shares (31 October 2008: 205,426 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.

30. 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:

(Rs 000's)

	For the year ended 31 October 2009	For the period from 1 April 2008 to 31 October 2008
Net profit as reported	9,086,779	2,954,365
Add: Stock based employee compensation expense determined under the intrinsic value method	-	-
Add/(Less): Stock based employee compensation expense determined under the fair value method	2,291	(17,275)
Pro-forma net profit	9,089,070	2,937,090
Earning per share: Basic		
As reported	43.45	14.16
Pro-forma	43.46	14.06
Earning per share: Diluted		
As reported	43.17	14.08
Pro-forma	43.18	13.99

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.

31. Employee Benefits

a. 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 2009	31 October 2008
Change in projected benefit obligation		
Obligations at year/period beginning	235,903	204,098
Obligations acquired on acquisition	12,767	-
Service cost	139,266	46,209
Interest cost	15,877	9,457
Benefits paid	(13,486)	(17,079)
Actuarial loss/ (gain)	(11,761)	(6,782)
Obligations at year/period end	**378,566**	**235,903**
Change in plan assets		
Plan assets at year/period beginning, at fair value	100,633	114,707
Plan assets acquired on acquisition	7,712	-
Expected return on plan assets (estimated)	13,205	4,980
Actuarial gain/ (loss)	590	(2,655)
Contributions	210,437	680
Benefits paid	(13,486)	(17,079)
Plan assets at year/period end, at fair value	**319,091**	**100,633**
Reconciliation of present value of obligation and fair value of plan assets		
Fair value of plan assets at the end of the year/period	319,091	100,633
Present value of defined benefit obligation at the end of the year/period	378,566	235,903
Liability recognised in the balance sheet	**(59,475)**	**(135,270)**
Assumptions		
Interest rate	7.00%	8.62%
Discount 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	100,000	25,000

	For the year ended 31 October 2009	For the period from 1 April 2008 to 31 October 2008
Gratuity cost for the year/period		
Service cost	139,266	46,209
Interest cost	15,877	9,457
Expected return on plan assets	(13,205)	(4,980)
Actuarial loss/(gain)	(12,351)	(4,127)
Net gratuity cost	**129,587**	**46,559**

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.

Experience Adjustment

	For the year ended 31 October 2009	For the period from 1 April 2008 to 31 October 2008
On obligations, gain/ (loss)	11,761	6,782
On plan assets, gain/ (loss)	590	(2,655)

b. Provident Fund
The Company contributed Rs. 429,921,822 during the year ended 31 October 2009 (31 October 2008: Rs.218,436,406)

32. Revenue disclosure

	For the year ended 31 October 2009	For the period from 1 April 2008 to 31 October 2008
		(Rs 000's)
Revenue recognised on customised software development contracts	11,903,488	5,289,299
	11,903,488	**5,289,299**

Disclosure for contracts in progress at the reporting date		**(Rs 000's)**
	31 October 2009	**31 October 2008**
Fixed Price projects:		
Revenue recognised until the reporting date	746,435	570,970
Unbilled revenue	298,588	345,534
Unearned receivable	-	17,269
Time and material projects:		
Revenue recognised during the year/period	8,203,021	4,716,265
Unbilled revenue	1,195,203	1,181,321
Unearned receivable	152	-

33. 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 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.

34. The Group has made a provision of Rs 123,231,404 (31 October 2008: Rs Nil) towards claims during the year and the closing balance of such provisions as at the end of the year is Rs 169,101,026 (31 October 2008: Rs 45,869,622).

35. Prior period figures are for the period 1 April 2008 to 31 October 2008 and hence not comparable with the figures of the current year ended 31 October 2009. The figures of previous period have been regrouped/ reclassified, wherever necessary, to conform with the current year classification**.**

For S.R. BATLIBOI & CO.
Chartered Accountants

For and on behalf of the Board of Directors

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

Andreas W Mattes
Chairman

Balu Ganesh Ayyar
Chief Executive Officer

Ganesh Murthy
Chief Financial Officer

A. Sivaram Nair
Company Secretary

Bangalore
24 November 2009

Bangalore
24 November 2009

Consolidated Cash Flow Statement

(Rs 000's)

	For the year ended 31 October 2009	For the period from 1 April 2008 to 31 October 2008
Cash flows from operating activities:		
Profit before taxation	9,727,520	3,097,114
Adjustments for:		
Interest income	(27,927)	(45,419)
Mutual Fund dividend income	(153,128)	(6,958)
Profit on sale of fixed assets	(7,661)	(1,463)
Depreciation and amortisation	2,022,155	1,004,851
Effect of exchange rate changes	(18,239)	(43,002)
Operating profit before working capital changes	11,542,720	4,005,123
Debtors and unbilled revenues	(52,452)	(2,849,123)
Loans and advances	(2,300,098)	18,898
Current liabilities and provisions	2,973,416	844,902
Cash generated from operations	12,163,586	2,019,800
Income taxes (paid)/ refund	(1,646,270)	(236,215)
Net cash provided by operating activities	**10,517,316**	**1,783,585**
Cash flows from investing activities:		
Interest received	28,969	45,714
Proceeds from sale of fixed assets	124,502	3,546
Purchase of fixed assets	(1,499,751)	(1,259,820)
Mutual Fund dividend income	153,128	6,958
Purchase of units of Mutual Funds	(51,666,305)	(2,667,090)
Payment for subsidiary acquisition, net of cash acquired	(253,462)	-
Sale of units of Mutual Funds	44,053,834	2,667,090
Net cash used in investing activities	**(9,059,085)**	**(1,203,602)**

Consolidated Cash Flow Statement (continued)

(Rs 000's)

	For the year ended 31 October 2009	For the period from 1 April 2008 to 31 October 2008
Cash flows from financing activities:		
Proceeds from issue of share capital	6,462	1,973
Proceeds of premium from issue of share capital	73,352	20,885
Availment of secured loans	14,618	16,096
Repayment of secured loans	(35,203)	(19,084)
Dividend paid including dividend tax	(486,189)	(806,569)
Net cash provided by/ (used in) financing activities	**(426,960)**	**(786,699)**
Changes in cash and cash equivalents	1,031,271	(206,716)
Effect of exchange rate changes	23,229	(14,592)
Cash and cash equivalents at beginning of the year/period*	**731,198**	**952,506**
Cash and cash equivalents at end of the year/period*	**1,785,698**	**731,198**

* 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 (31 October 2008: Rs 10,732,170).

This is the Consolidated Cash Flow Statement

For S.R. BATLIBOI & CO.
Chartered Accountants

For and on behalf of the Board of Directors

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

Andreas W Mattes
Chairman

Balu Ganesh Ayyar
Chief Executive Officer

Ganesh Murthy
Chief Financial Officer

A. Sivaram Nair
Company Secretary

Bangalore
24 November 2009

Bangalore
24 November 2009

Consolidated Cash Flow Statement

Reconciliation of consolidated financial statement items with consolidated cash flow items

		(Rs 000's)
	For the year ended 31 October 2009	**For the period from 1 April 2008 to 31 October 2008**
Purchase of fixed assets		
As per the Consolidated Balance Sheet	1,927,352	1,451,023
Add: Closing capital work-in-progress	127,346	730,719
Add: Opening creditors for capital goods	302,372	139,280
Less: Opening Fixed Assets of MphasiS Finsolutions	(35,941)	-
Less: Opening capital work-in-progress	(730,719)	(754,865)
Less: Closing creditors for capital goods	(90,659)	(302,372)
Less: Effect of foreign exchange translation	-	(3,965)
Purchase of fixed assets	**1,499,751**	**1,259,820**
Loans and advances		
As per the Consolidated Balance Sheet	7,240,135	3,356,948
Less: Opening Loans and advances of MphasiS Finsolutions	(59,825)	-
Less: Advance income tax & tax deducted at source considered separately	(2,121,685)	(1,130,887)
Less: MAT credit entitlement considered separately	(929,521)	(409,761)
Add: Effect of foreign exchange translation	(12,706)	(81,057)
	4,116,398	**1,735,243**
Less: Opening balance considered	1,816,300	1,754,141
Changes in loans and advances	**2,300,098**	**(18,898)**
Current Liabilities and Provisions		
As per the Consolidated Balance Sheet	9,147,355	5,922,728
Less: Opening current liabilities and provisions of MphasiS Finsolutions	(220,810)	-
Less: Creditors for capital goods, liability for unclaimed dividend, provision for taxation and proposed dividend & tax thereon considered separately	(2,461,305)	(1,487,516)
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	670,242	(312,289)
Add: Effect of foreign exchange translation	(39,143)	(161,300)
	7,012,591	**3,877,875**
Less: Opening balance considered	4,039,175	3,032,973
Changes in current liabilities and provisions	**2,973,416**	**844,902**

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

(Rs 000's)

	For the year ended 31 October 2009	For the period from 1 April 2008 to 31 October 2008
Income taxes paid/(refund)		
As per the Consolidated Profit and Loss Account	640,741	142,749
Add: Increase in deferred taxes	350,839	84,410
Less: Opening Deferred taxes of MphasiS Finsolutions	(8,294)	-
Less: Opening MAT Credit Entitlement of MphasiS Finsolutions	(32,700)	-
Add: Increase in deferred tax liability	(1,432)	-
Add: Increase/ (decrease) net of provision for taxation	177,356	(329,224)
Add: Increase in balance in advance income tax and tax deducted at source	-	121,213
Add: Increase in balance in MAT credit entitlement	519,760	217,965
Less: Effect of foreign exchange translation	-	(898)
Income taxes paid	**1,646,270**	**236,215**
Interest received		
Interest income, Net	27,927	45,419
Add: Opening interest receivable of MphasiS Finsolutions	90	-
Add: Opening interest receivable	2,247	2,542
Less: Closing interest receivable	(1,295)	(2,247)
Interest received	**28,969**	**45,714**
Sundry debtors and unbilled revenue		
As per the Consolidated Balance Sheet	9,063,810	8,809,671
Less: Opening Debtors and Unbilled revenues of MphasiS Finsolutions	(164,195)	-
Add: Effect of foreign exchange translation	(37,492)	(158,649)
	8,862,123	**8,651,022**
Less: Opening Balance considered	8,809,671	5,801,899
Changes in sundry debtors and unbilled revenue	**52,452**	**2,849,123**

For and on behalf of the Board of Directors

Andreas W Mattes
Chairman

Balu Ganesh Ayyar
Chief Executive Officer

Ganesh Murthy
Chief Financial Officer

A. Sivaram Nair
Company Secretary

Bangalore
24 November 2009