

TATA CONSULTANCY SERVICES LIMITED
CONDENSED BALANCE SHEET AS AT JUNE 30, 2010

	Schedule	As at June 30, 2010 Rs. in crores	As at March 31, 2010 Rs. in crores
SOURCES OF FUNDS:			
1	SHAREHOLDERS' FUND		
(a)	Share Capital	A 295.72	295.72
(b)	Reserves and Surplus	B 15905.97	14820.90
		16201.69	15116.62
2	LOAN FUNDS		
(a)	Secured Loans	C 38.15	29.25
(b)	Unsecured Loans	D 6.49	6.49
		44.64	35.74
3	DEFERRED TAX LIABILITIES (NET)	E 49.39	40.10
4	TOTAL FUNDS EMPLOYED	16295.72	15192.46
APPLICATION OF FUNDS:			
5	FIXED ASSETS		
(a)	Gross Block	F 5001.32	4871.21
(b)	Less :- Accumulated Depreciation	2216.83	2110.69
(c)	Net Block	2784.49	2760.52
(d)	Capital Work-in-Progress	1082.74	940.72
		3867.23	3701.24
6	INVESTMENTS	G 9577.65	7893.39
7	DEFERRED TAX ASSETS (NET)	E 60.03	53.13
8	CURRENT ASSETS, LOANS AND ADVANCES		
(a)	Interest Accrued on Investments	42.10	16.64
(b)	Inventories	H 11.23	6.78
(c)	Unbilled Revenues	742.26	646.96
(d)	Sundry Debtors	I 3840.61	3332.30
(e)	Cash and Bank Balances	J 2502.07	3396.16
(f)	Loans and Advances	K 3798.29	3385.11
		10936.56	10783.95
9	CURRENT LIABILITIES AND PROVISIONS		
(a)	Current Liabilities	L 3711.23	3312.64
(b)	Provisions	M 4434.52	3926.61
		8145.75	7239.25
10	NET CURRENT ASSETS [(8) less (9)]	2790.81	3544.70
11	TOTAL ASSETS (NET)	16295.72	15192.46
12	NOTES TO ACCOUNTS	Q	

As per our report attached

For Deloitte Haskins & Sells
Chartered Accountants

N. Venkatram
Partner
Mumbai, July 15, 2010

For and on behalf of the Board

N. Chandrasekaran
CEO and Managing Director

S. Mahalingam
Chief Financial Officer and
Executive Director

Suprakash Mukhopadhyay
Company Secretary

Mumbai, July 15, 2010

TATA CONSULTANCY SERVICES LIMITED

CONDENSED PROFIT AND LOSS ACCOUNT

	Schedule	For the quarter ended June 30, 2010	For the quarter ended June 30, 2009
		Rs. in crores	Rs. in crores
INCOME			
1		6215.04	5373.04
2		195.91	236.56
3	N	36.43	1.26
		6447.38	5610.86
EXPENDITURE			
4	O	2259.42	1958.57
5	P	2290.18	2096.80
6		1.94	1.44
7	F	114.60	113.20
		4666.14	4170.01
		1781.24	1440.85
PROFIT BEFORE TAXES			
8	PROVISION FOR TAXES		
	(a) Current tax (Refer note 6 to Schedule Q)	245.91	174.35
	(b) Deferred tax (benefit) / expense	2.40	(6.50)
	(c) Fringe benefit tax	-	6.00
	(d) MAT credit entitlement	(23.48)	(9.44)
		224.83	164.41
		1556.41	1276.44
NET PROFIT FOR THE PERIOD			
9	Balance brought forward from previous period	10458.13	9990.41
	AMOUNT AVAILABLE FOR APPROPRIATION	12014.54	11266.85
10 APPROPRIATIONS			
	(a) Interim dividends on equity shares	391.44	391.44
	(b) Tax on dividend	65.01	66.53
	(c) Balance carried to Balance Sheet	11558.09	10808.88
		12014.54	11266.85
11 Earnings per share - Basic and diluted (Rs.)			
	Weighted average number of shares	195,72,20,996	195,72,20,996
12	NOTES TO ACCOUNTS	Q	

As per our report attached

For Deloitte Haskins & Sells
Chartered AccountantsN. Venkatram
Partner
Mumbai, July 15, 2010

For and on behalf of the Board

N. Chandrasekaran
CEO and Managing DirectorS. Mahalingam
Chief Financial Officer
and Executive DirectorSuprakash Mukhopadhyay
Company Secretary

Mumbai, July 15, 2010

STATEMENT OF CONDENSED CASH FLOWS

	Schedule	For the quarter ended June 30, 2010	For the quarter ended June 30, 2009
		Rs. in crores	Rs. in crores
1 NET CASH PROVIDED BY OPERATING ACTIVITIES		880.50	951.32
2 CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(280.95)	(148.98)
Proceeds from sale of fixed assets		1.09	1.32
Adjustment of purchase consideration		-	45.67
Purchase of trade investments		(19.00)	-
Purchase of mutual fund and other investments		(18017.74)	(9082.69)
Sale of mutual funds and other investments		16386.09	8098.45
Loans given to subsidiaries		-	(4.48)
Inter-corporate deposits placed		-	(85.00)
Inter-corporate deposits refunded		60.00	-
Fixed deposit with banks having original maturity over three months placed		-	(750.00)
Fixed deposit with banks having original maturity over three months matured		985.87	810.09
Dividends received from subsidiaries		-	11.62
Dividends received from other investments		2.67	3.78
Interest received		86.66	25.67
Net cash used in investing activities		<u>(795.31)</u>	<u>(1074.55)</u>
3 CASH FLOWS FROM FINANCING ACTIVITIES			
Borrowings (net)		8.90	1.25
Interest paid		(1.89)	(1.38)
Net cash used in financing activities		<u>7.01</u>	<u>(0.13)</u>
Net (decrease) / increase in cash and cash equivalents		92.20	(123.36)
Cash and cash equivalents at beginning of the year		293.28	540.65
Exchange difference on translation of foreign currency cash and cash equivalents		(0.05)	28.22
Cash and cash equivalents at end of the period		<u>385.43</u>	<u>445.51</u>
Deposits with original maturity over three months		2112.10	1000.07
Restricted cash		4.54	493.00
Cash and Bank balance at the end of the period as per Schedule J		<u>2502.07</u>	<u>1938.58</u>

NOTES TO ACCOUNTS

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As per our report attached

For and on behalf of the Board

For Deloitte Haskins & Sells
Chartered AccountantsN. Venkatram
Partner
Mumbai, July 15, 2010N. Chandrasekaran
CEO and Managing DirectorS. Mahalingam
Chief Financial Officer and
Executive DirectorSuprakash Mukhopadhyay
Company Secretary

Mumbai, July 15, 2010

TATA CONSULTANCY SERVICES LIMITED
Schedules forming part of the Balance Sheet

	As at June 30, 2010 Rs. in crores	As at March 31, 2010 Rs. in crores
SCHEDULE 'A'		
SHARE CAPITAL		
(a) Authorised		
(i) 225,00,00,000 equity shares of Re.1 each <i>(March 31, 2010 : 225,00,00,000 equity shares of Re.1 each)</i>	225.00	225.00
(ii) 100,00,00,000 redeemable preference shares of Re.1 each <i>(March 31, 2010 : 100,00,00,000 redeemable preference shares of Re.1 each)</i>	100.00	100.00
	325.00	325.00
(b) Issued, Subscribed and Paid up		
(i) 195,72,20,996 equity shares of Re.1 each <i>(March 31, 2010 : 195,72,20,996 equity shares of Re.1 each)</i>	195.72	195.72
(ii) 100,00,00,000 redeemable preference shares of Re.1 each <i>(March 31, 2010 : 100,00,00,000 redeemable preference shares of Re.1 each)</i>	100.00	100.00
	295.72	295.72

144,34,04,398 equity shares *(March 31, 2010 : 144,34,04,398 equity shares)* and 100,00,00,000 redeemable preference shares *(March 31, 2010 : 100,00,00,000 redeemable preference shares)* are held by Tata Sons Limited, the holding company.

TATA CONSULTANCY SERVICES LIMITED
Schedules forming part of the Balance Sheet

	As at June 30, 2010 Rs. in crores	As at March 31, 2010 Rs. in crores
SCHEDULE 'B'		
RESERVES AND SURPLUS		
(a) Securities Premium Account		
(i) Opening balance	1918.47	2016.33
(ii) Transferred to Share Capital Account consequent to issue of bonus shares	-	(97.86)
	1918.47	1918.47
(b) General Reserve		
(i) Opening balance	2426.14	1864.29
(ii) Transferred from Profit and Loss Account	-	561.85
	2426.14	2426.14
(c) Balance in Profit and Loss Account	11558.09	10458.13
(d) Foreign currency translation reserve		
(i) Opening balance	94.98	99.22
(ii) Addition during the period (net)	0.93	(4.24)
	95.91	94.98
(e) Hedging reserve account (Refer note 9 to Schedule Q)		
(i) Opening balance	(76.82)	(721.86)
(ii) Additions during the period (net)	(15.82)	645.04
	(92.64)	(76.82)
	15905.97	14820.90

TATA CONSULTANCY SERVICES LIMITED
Schedules forming part of the Balance Sheet

	As at June 30, 2010 Rs. in crores	As at March 31, 2010 Rs. in crores
SCHEDULE 'C'		
SECURED LOANS		
<u>From Others (i.e entities other than banks and financial institutions)</u>		
Obligation under finance lease	38.15	29.25
	38.15	29.25

Obligations under finance lease are secured against fixed assets obtained under finance lease arrangements.

	As at June 30, 2010 Rs. in crores	As at March 31, 2010 Rs. in crores
SCHEDULE 'D'		
UNSECURED LOANS		
<u>Others</u>	6.49	6.49
From entities other than banks		
	6.49	6.49
Loans repayable within one year Rs. 1.25 crores (March 31, 2010 : Rs. 1.25 crores)		

TATA CONSULTANCY SERVICES LIMITED
Schedules forming part of the Balance Sheet

	As at June 30, 2010	As at March 31, 2010
	Rs. in crores	Rs. in crores
SCHEDULE 'E'		
DEFERRED TAX BALANCES		
(a) Deferred Tax Liabilities (net)		
(i) Foreign branch profit tax	56.00	43.97
(ii) Depreciation	2.03	2.24
(iii) Others	(8.64)	(6.11)
	<u>49.39</u>	<u>40.10</u>
(b) Deferred Tax Assets (net)		
(i) Depreciation	(60.39)	(64.82)
(ii) Employee benefits	36.07	36.00
(iii) Provision for doubtful debts	66.34	63.34
(iv) Others	18.01	18.61
	<u>60.03</u>	<u>53.13</u>

TATA CONSULTANCY SERVICES LIMITED

Schedules forming part of the Balance Sheet

SCHEDULE 'F'

FIXED ASSETS

Rs. in crores

Description	Gross Block as at April 1, 2010	Additions	Deletions/ Adjustments	Gross Block as at June 30, 2010	Accumulated Depreciation as at April 1, 2010	Depreciation for the period	Deletions/ Adjustments	Accumulated Depreciation as at June 30, 2010	Net book value as at June 30, 2010	Net book value as at March 31, 2010
(a) TANGIBLE FIXED ASSETS										
FREEHOLD LAND	315.95	-	-	315.95	-	-	-	-	315.95	315.95
LEASEHOLD LAND	64.46	28.03	-	92.49	(9.40)	(0.38)	-	(9.78)	82.71	55.06
FREEHOLD BUILDING	1358.22	3.76	-	1361.98	(218.34)	(14.74)	-	(233.08)	1128.90	1139.88
FACTORY BUILDING	1.21	-	-	1.21	(0.77)	(0.01)	-	(0.78)	0.43	0.44
LEASEHOLD BUILDING	9.81	-	-	9.81	(5.88)	(0.24)	-	(6.12)	3.69	3.93
LEASEHOLD IMPROVEMENTS	393.74	25.45	(2.47)	416.72	(202.35)	(12.99)	0.82	(214.52)	202.20	191.39
PLANT AND MACHINERY	10.88	-	-	10.88	(10.71)	(0.07)	-	(10.78)	0.10	0.17
COMPUTER EQUIPMENT	1526.45	56.54	(7.79)	1575.20	(1062.14)	(56.80)	6.96	(1111.98)	463.22	464.31
MOTOR CARS	18.66	0.67	(0.78)	18.55	(10.61)	(0.56)	0.62	(10.55)	8.00	8.05
OFFICE EQUIPMENT	532.64	15.66	-	548.30	(193.52)	(12.97)	-	(206.49)	341.81	339.12
ELECTRICAL INSTALLATIONS	371.48	3.57	-	375.05	(136.07)	(9.06)	-	(145.13)	229.92	235.41
FURNITURE AND FIXTURES	255.00	5.63	(0.06)	260.57	(248.19)	(6.74)	0.06	(254.87)	5.70	6.81
(b) INTANGIBLE ASSETS										
INTELLECTUAL PROPERTY / DISTRIBUTION RIGHTS	12.71	1.90	-	14.61	(12.71)	(0.04)	-	(12.75)	1.86	-
Total	4871.21	141.21	(11.10)	5001.32	(2110.69)	(114.60)	8.46	(2216.83)	2784.49	2760.52
Previous year	4359.24	571.42	(59.45)	4871.21	(1690.16)	(469.35)	48.82	(2110.69)	2760.52	2669.08
Capital Work-in-Progress (including Capital Advances Rs.177.29 crores (March 31, 2010 : Rs. 219.73 crores))									1082.74	940.72
Grand Total									3867.23	3701.24

Notes:

- Freehold buildings include Rs. 2.67 crores (March 31, 2010 : Rs. 2.67 crores) being value of investment in shares of Co-operative Housing Societies and Limited Companies.
- Legal formalities relating to conveyance of freehold building having net book value Rs. 0.24 crore (March 31, 2010 : Rs.0.25 crore) are pending completion.

TATA CONSULTANCY SERVICES LIMITED
Schedules forming part of the Balance Sheet

SCHEDULE 'G'	As at June 30, 2010 Rs. in crores	As at March 31, 2010 Rs. in crores
INVESTMENTS		
(A) TRADE INVESTMENTS (at cost)		
(i) Subsidiary Companies		
(a) Fully Paid Equity Shares (Quoted)		
CMC Limited	379.89	379.89
(b) Fully Paid Equity Shares (Unquoted)		
TCS Iberoamerica SA	165.23	165.23
APOnline Limited	-	-
Tata Consultancy Services Belgium SA	1.06	1.06
Tata Consultancy Services Netherlands BV	402.87	402.87
Tata Consultancy Services Sverige AB	18.89	18.89
Tata Consultancy Services Deutschland GmbH	1.72	1.72
Tata America International Corporation	452.92	452.92
Tata Consultancy Services Asia Pacific Pte Ltd.	18.69	18.69
WTI Advanced Technology Limited	38.52	38.52
* TCS FNS Pty Limited	3.38	3.38
Diligenta Limited	199.89	199.89
Tata Consultancy Services Canada Inc.	31.25	31.25
C-Edge Technologies Limited	5.10	5.10
MP Online Limited	0.89	0.89
Tata Consultancy Services Morocco SARL AU	8.17	8.17
Tata Consultancy Services (Africa) (PTY) Ltd.	4.92	4.92
TCS e-Serve Limited	2453.53	2453.53
(c) Fully Paid Preference Shares (Unquoted)		
Diligenta Limited	363.04	363.04
10% Cumulative redeemable preference shares Tata Consultancy Services Canada Inc.	6.02	6.02
16% Cumulative redeemable preference shares APOnline Limited	2.80	2.80
6% Redeemable preference shares		
(ii) Others		
(a) Fully Paid Equity Shares (Unquoted)		
Yodlee, Inc.	-	-
National Power Exchange Limited	2.50	2.50
Taj Air Limited (1,90,00,000 shares subscribed during the period)	19.00	-
(b) Fully Paid Preference Shares (Unquoted)		
Tata AutoComp Systems Limited 8% Cumulative redeemable preference shares	5.00	5.00
(B) OTHERS		
(i) Bonds (Quoted)		
10% Housing Urban Development Corporation Limited Bonds (2014)	1.50	1.50
8% IDBI Bonds (2013)	1.80	1.80
8% IDBI Bonds (2018)	0.10	0.10
10% Housing Urban Development Corporation Limited Bonds (2012)	0.25	0.25
(ii) Debentures (Unquoted)		
** Tata Sons Limited 4.50% Non-convertible debentures (2014)	1000.00	1000.00
** Panatone Finvest Limited 4.75% Non-convertible debentures (2013)	200.00	200.00
(iii) Investment in Mutual and other Funds (Unquoted)		
	3788.72	2123.46
	9577.65	7893.39
Notes:		
1. Market value of quoted investments	1116.74	1041.76
Book value of quoted investments	383.54	383.54
Book value of unquoted investments (net of provision)	9194.11	7509.85
2. Investments, other than in mutual funds are long-term.		
* 3. Equity investment in this company is subject to certain restrictions on transfer, as per the terms of individual contractual agreements (Refer note 3 to Schedule Q).		
** 4. Yield to maturity :		
Tata Sons Limited	8.50%	8.50%
Panatone Finvest Limited	8.75%	8.75%

TATA CONSULTANCY SERVICES LIMITED
Schedules forming part of the Balance Sheet

	As at June 30, 2010 Rs. in crores	As at March 31, 2010 Rs. in crores
SCHEDULE 'H'		
INVENTORIES (at lower of cost and net realisable value)		
(a) Raw materials, sub-assemblies and components	8.89	4.81
(b) Goods-in-transit	1.20	0.30
(c) Finished goods and Work-in-progress	1.14	1.67
	<u>11.23</u>	<u>6.78</u>

	As at June 30, 2010 Rs. in crores	As at March 31, 2010 Rs. in crores
SCHEDULE 'I'		
SUNDRY DEBTORS (Unsecured)		
(a) Over six months		
(i) Considered good	689.21	693.66
(ii) Considered doubtful	242.10	254.78
(b) Others		
(i) Considered good	3151.40	2638.64
(ii) Considered doubtful	-	3.26
	<u>4082.71</u>	<u>3590.34</u>
Less: Provision for doubtful debts	(242.10)	(258.04)
	<u>3840.61</u>	<u>3332.30</u>

	As at June 30, 2010 Rs. in crores	As at March 31, 2010 Rs. in crores
SCHEDULE 'J'		
CASH AND BANK BALANCES		
(a) Cash on hand	0.66	0.72
(b) Cheques on hand	48.82	81.30
(c) Remittances in transit	20.69	2.47
(d) Bank Balances		
(i) with Scheduled Banks		
(1) In current accounts (including Equity share application monies of Rs. 0.03 crore (March 31, 2010 : Rs. 0.03 crore))	80.83	32.18
(2) In deposit accounts	2112.23	3098.10
(ii) with Foreign Banks		
(1) In current accounts	177.86	95.64
(2) In deposit accounts	60.98	85.75
	<u>2502.07</u>	<u>3396.16</u>

TATA CONSULTANCY SERVICES LIMITED
Schedules forming part of the Balance Sheet

	As at June 30, 2010 Rs. in crores	As at March 31, 2010 Rs. in crores
SCHEDULE 'K'		
LOANS AND ADVANCES (Unsecured)		
(a) Considered good		
(i) Loans and advances to employees	153.10	133.08
(ii) Loans and advances to subsidiary companies	491.80	490.88
(iii) Advances recoverable in cash or kind or for value to be received	1843.60	1538.62
(iv) Advance tax (including refunds receivable) (net)	247.28	183.50
(v) MAT credit entitlement	1062.51	1039.03
	3798.29	3385.11
(b) Considered doubtful		
(i) Loans and advances to employees	22.31	21.80
(ii) Advances recoverable in cash or kind or for value to be received	5.64	5.32
	27.95	27.12
Less: Provision for doubtful loans and advances	(27.95)	(27.12)
	3798.29	3385.11

Notes:

1. Loans and advances to subsidiary companies:		
TCS FNS Pty Limited	211.69	219.99
TCS Iberoamerica S.A.	274.71	265.66
Tata Consultancy Services Morocco SARL AU	5.40	5.23
2. Advances recoverable in cash or kind or for value to be received include fair values of foreign exchange forward and currency option contracts.	10.29	10.89
3. Advances recoverable in cash or kind or for value to be received include Inter-corporate deposits.	225.00	285.00

	As at June 30, 2010 Rs. in crores	As at March 31, 2010 Rs. in crores
SCHEDULE 'L'		
CURRENT LIABILITIES		
(a) Sundry Creditors	2297.22	2028.27
(b) Subsidiary companies	357.64	398.05
(c) Advances from customers	158.28	110.31
(d) Advance billings and deferred revenues	543.12	492.15
(e) Equity share application monies refundable	0.03	0.03
(f) Investor Education and Protection Fund - Unpaid dividends (not due)	4.51	4.88
(g) Other liabilities	350.18	278.75
(h) Interest accrued but not due	0.25	0.20
	3711.23	3312.64
Other liabilities include fair values of foreign exchange forward and currency option contracts.	144.36	121.90

TATA CONSULTANCY SERVICES LIMITED
Schedules forming part of the Balance Sheet

	As at June 30, 2010 Rs. in crores	As at March 31, 2010 Rs. in crores
SCHEDULE 'M'		
PROVISIONS		
(a) Current income taxes (net)	278.25	262.39
(b) Fringe benefit tax (net)	1.06	1.06
(c) Employee benefits	483.62	448.00
(d) Proposed final dividend on equity shares	2740.11	2740.11
(e) Proposed dividend on redeemable preference shares	17.00	17.00
(f) Interim dividend	391.44	-
(g) Tax on dividend	522.93	457.92
(h) Provision for warranties	0.11	0.13
	4434.52	3926.61

TATA CONSULTANCY SERVICES LIMITED
Schedules forming part of the Profit and Loss Account

	For the quarter ended June 30, 2010	For the quarter ended June 30, 2009
	Rs. in crores	Rs. in crores
SCHEDULE 'N'		
OTHER INCOME (NET)		
(a) Interest	84.98	32.40
(b) Dividend income	2.67	15.40
(c) Profit on redemption / sale of mutual funds and other current investments (net)	33.61	45.69
(d) Rent	0.49	0.46
(e) (Loss) / profit on sale of fixed assets (net)	(1.55)	0.22
(f) Exchange (loss) (net)	(84.70)	(95.95)
(g) Miscellaneous income	0.93	3.04
	36.43	1.26

Notes:

1. Dividend Income includes:

Dividend from subsidiaries (trade investments)	-	11.62
Dividends from other long-term investments (trade investments)	0.77	0.26
Dividends from mutual funds (other investments)	1.90	3.52

2. Exchange (loss) (net) includes:

Loss on foreign exchange forward contracts and currency option contracts which have been designated as Cash Flow Hedges.(Refer note 9 to Schedule Q)	26.47	100.57
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TATA CONSULTANCY SERVICES LIMITED
Schedules forming part of the Profit and Loss Account

	For the quarter ended June 30, 2010	For the quarter ended June 30, 2009
	Rs. in crores	Rs. in crores
SCHEDULE 'O'		
EMPLOYEE COSTS		
(a) Salaries and incentives	1963.51	1705.16
(b) Contributions to -		
(i) Provident fund	66.39	57.40
(ii) Superannuation scheme	16.07	11.55
(c) Gratuity fund contributions	24.80	21.93
(d) Social security and other plans for overseas employees	30.87	34.62
(e) Staff welfare expenses	157.78	127.91
	<u>2259.42</u>	<u>1958.57</u>

TATA CONSULTANCY SERVICES LIMITED
Schedules forming part of the Profit and Loss Account

	For the quarter ended June 30, 2010	For the quarter ended June 30, 2009
	Rs. in crores	Rs. in crores
SCHEDULE 'P'		
OPERATION AND OTHER EXPENSES		
(a) Overseas business expenses	1135.43	1024.80
(b) Services rendered by business associates and others	370.90	237.40
(c) Software, hardware and material costs	194.11	224.28
(d) Cost of software licences	73.90	105.07
(e) Communication expenses	70.50	72.88
(f) Travelling and conveyance expenses	57.98	40.75
(g) Rent	136.70	145.97
(h) Legal and professional fees	27.48	19.96
(i) Repairs and maintenance	41.71	33.35
(j) Electricity expenses	49.09	46.51
(k) Bad debts	7.14	0.75
(l) (Write back of provision) / Provision for doubtful debts	(15.94)	42.24
(m) Provision for doubtful advances	0.83	1.31
(n) Advances written-off	0.04	0.07
(o) Recruitment and training expenses	32.79	12.24
(p) Commission and brokerage	3.27	2.60
(q) Printing and stationery	13.93	11.35
(r) Insurance	3.75	3.74
(s) Rates and taxes	7.43	9.91
(t) Entertainment	2.83	1.70
(u) Other expenses	76.31	59.92
	<u>2290.18</u>	<u>2096.80</u>

Notes:

1. Overseas business expenses includes:		
Travel expenses	66.44	42.66
Employee allowances	1045.60	952.30
2. Repairs and maintenance pertains to:		
Buildings	15.05	14.19
Office and computer equipment	26.66	19.16

SCHEDULE 'Q' - NOTES TO ACCOUNTS

1) Significant Accounting Policies

a) Basis of Preparation

These condensed financial statements have been prepared in accordance with Accounting Standard 25 "Interim Financial Reporting" (AS - 25) issued pursuant to the Companies (Accounting Standards) Rules, 2006. These condensed financial statements should be read in conjunction with the annual financial statements of the Company for the year ended and as at March 31, 2010. In the opinion of the management, all adjustments which are necessary for a fair presentation have been included. The accounting policies followed in preparation of the condensed financial statements are consistent with those followed in the preparation of the annual financial statements. The results of interim periods are not necessarily indicative of the results that may be expected for any interim period or for the full year.

b) Use of estimates

The preparation of financial statements requires the management of the Company to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to the contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the year. Example of such estimates include provisions for doubtful debts, employee benefits, provision for income taxes, accounting for contract costs expected to be incurred to complete software development, the useful lives of depreciable fixed assets and provisions for impairment.

c) Fixed Assets

Fixed assets are stated at cost, less accumulated depreciation. Costs include all expenses incurred to bring the assets to its present location and condition.

Fixed assets exclude computers and other assets individually costing Rs. 50,000 or less which are not capitalised except when they are part of a larger capital investment programme.

d) Depreciation

Depreciation other than on freehold land and capital work-in-progress is charged so as to write-off the cost of assets, on the following basis:

Leasehold Land and Building	Straight line	Lease period
Freehold Building	Written down value	5%
Factory Building	Straight line	10%
Leasehold Improvements	Straight line	Lease period
Plant and Machinery	Straight line	33.33%
Computer Equipment	Straight line	25%
Motor Cars	Written down value	25.89%
Office Equipment	Written down value	13.91%
Electrical Installations	Written down value	13.91%
Furniture and Fixtures	Straight line	100%
Intellectual Property / Distribution Rights	Straight line	24 – 60 months

Fixed assets purchased for specific projects are depreciated over the period of the project.

e) Leases

Assets leased by the Company in its capacity as lessee, where the Company has substantially all the risks and rewards of ownership are classified as finance lease. Such lease are capitalised at the inception of the lease at lower of the fair value or the present value of the minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost so as to obtain a constant periodic rate of interest on the outstanding liability for each year.

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor, are recognised as operating leases. Lease rentals under operating leases are recognised in the profit and loss account on a straight-line basis.

f) Impairment

At each balance sheet date, the management reviews the carrying amounts of its assets included in each cash generating unit to determine whether there is any indication that those assets were impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. Recoverable amount is the higher of an asset's net selling price and value in use. In assessing value in use, the estimated future cash flows expected from the continuing use of the asset and from its disposal are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of time value of money and the risks specific to the asset.

Reversal of impairment loss is recognised immediately as income in the profit and loss account.

g) Investments

Long-term investments are stated at cost, less provision for other than temporary diminution in value. Current investments comprising investments in mutual funds are stated at the lower of cost and fair value, determined on a portfolio basis.

h) Employee benefits

i) Post-employment benefit plans

Contributions to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered services entitling them to contributions.

For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the profit and loss account for the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the scheme.

ii) Short-term employee benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognised during the period when the employee renders the service. These benefits include compensated absences such as paid annual leave, overseas social security contributions and performance incentives.

iii) Long-term employee benefits

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognised as an actuarially determined liability at the present value of the defined benefit obligation at the balance sheet date.

i) Revenue recognition

Revenues from contracts priced on a time and material basis are recognised when services are rendered and related costs are incurred.

Revenues from turnkey contracts, which are generally time bound fixed price contracts, are recognised over the life of the contract using the proportionate completion method, with contract costs determining the degree of completion. Foreseeable losses on such contracts are recognised when probable.

Revenues from the sale of equipment are recognised upon delivery, which is when title passes to the customer.

Revenues from sale of software licences are recognised upon delivery where there is no customisation required. In case of customisation the same is recognised over the life of the contract using the proportionate completion method.

Revenues from maintenance contracts are recognised pro-rata over the period of the contract.

Revenues from Business Process Outsourcing (BPO) services are recognised on time and material, fixed price and unit priced contracts. Revenue on time and material and unit priced contracts is recognised as the related services are rendered. Revenue from fixed price contracts is recognised as per the proportionate completion method with contract cost determining the degree of completion.

Dividends are recorded when the right to receive payment is established. Interest income is recognised on time proportion basis taking into account the amount outstanding and the rate applicable.

j) Research and Development

Expenditure on research and development activities is recognised as an expense in the period in which it is incurred. Development costs of marketable computer software are capitalised when a product's technological feasibility has been established until the time the product is available for general release to customers. In most instances, the Company's products are released soon after technological feasibility has been established. Therefore, costs incurred subsequent to achievement of technological feasibility are usually not significant, and generally most software development costs have been expensed.

Fixed assets utilised for research and development are capitalised and depreciated in accordance with depreciation rates set out in note 1(d).

k) Taxation

Current income tax expense comprises taxes on income from operations in India and in foreign jurisdictions. Income tax payable in India is determined in accordance with the provisions of the Income Tax Act, 1961. Tax expense relating to foreign operations is determined in accordance with tax laws applicable in countries where such operations are domiciled.

Minimum alternative tax (MAT) paid in accordance to the tax laws, which gives rise to future economic benefits in the form of adjustment of future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax after the tax holiday period. Accordingly, MAT is recognised as an asset in the balance sheet when it is probable that the future economic benefit associated with it will flow to the Company and the asset can be measured reliably.

Deferred tax expense or benefit is recognised on timing differences being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. 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.

In the event of unabsorbed depreciation and carry forward of losses, deferred tax assets are recognised only to the extent that there is virtual certainty that sufficient future taxable income will be available to realise such assets. In other situations, deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available to realise these assets.

Advance taxes and provisions for current income taxes are presented in the balance sheet after off-setting advance taxes paid and income tax provisions arising in the same tax jurisdiction and the Company intends to settle the asset and liability on a net basis.

The Company offsets deferred tax assets and deferred tax liabilities if it has a legally enforceable right and these relate to taxes on income levied by the same governing taxation laws.

l) Foreign currency transactions

Income and expenses in foreign currencies are converted at exchange rates prevailing on the date of the transaction. Foreign currency monetary assets and liabilities other than net investments in non-integral foreign operations are translated at the exchange rate prevailing on the balance sheet date. Exchange difference arising on a monetary item that, in substance, forms part of an enterprise's net investments in a non-integral foreign operation are accumulated in a foreign currency translation reserve.

Premium or discount on forward exchange contracts and currency option contracts are amortised and recognised in the profit and loss account over the period of the contract. Forward exchange contracts and currency option contracts outstanding at the balance sheet date, other than designated cash flow hedges, are stated at fair values and any gains or losses are recognised in the profit and loss account.

m) Derivative instruments and hedge accounting

The Company uses foreign currency forward contracts and currency options to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The Company designates these hedging instruments as cash flow hedges applying the recognition and measurement principles set out in the Accounting Standard 30 "Financial Instruments: Recognition and Measurement" (AS-30).

The use of hedging instruments is governed by the Company's policies approved by the Board of Directors, which provide written principles on the use of such financial derivatives consistent with the Company's risk management strategy.

Hedging instruments are initially measured at fair value, and are remeasured at subsequent reporting dates. Changes in the fair value of these derivatives that are designated and effective as hedges of future cash flows are recognised directly in shareholders' funds and the ineffective portion is recognised immediately in the profit and loss account.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the profit and loss account as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time for forecasted transactions, any cumulative gain or loss on the hedging instrument recognised in shareholders' funds is retained there until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in shareholders' funds is transferred to the profit and loss account for the period.

n) Inventories

Raw materials, sub-assemblies and components are carried at the lower of cost and net realisable value. Cost is determined on a weighted average basis. Purchased goods in transit are carried at cost. Work-in-progress is carried at the lower of cost and net realisable value. Stores and spare parts are carried at cost, less provision for obsolescence. Finished goods produced or purchased by the Company are carried at lower of cost and net realisable value. Cost includes direct material and labour cost and a proportion of manufacturing overheads.

o) Provisions, Contingent Liabilities and Contingent Assets

A provision is recognised when the Company has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which reliable estimate can be made. Provisions (excluding retirement benefits) 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. Contingent liabilities are not recognised in the financial statements. A contingent asset is neither recognised nor disclosed in the financial statements.

p) Cash and cash equivalents

The Company considers all highly liquid financial instruments, which are readily convertible into cash and have original maturities of three months or less from the date of purchase, to be cash equivalents.

2) **Acquisitions / Divestments**

- a) On June 30, 2010, Syscrom S.A. Chile has merged with Tata Consultancy Services BPO Chile SA. The merged entity is a wholly owned subsidiary of TCS Inversiones Chile Limitada.
- b) On June 30, 2010, Custodia De Documentos Interes Limitada has merged with Tata Consultancy Services BPO Chile SA. The merged entity is a wholly owned subsidiary of TCS Inversiones Chile Limitada.

3) The Company has given undertakings to Bank of China Co. Limited, not to transfer its controlling interest in TCS Financial Solutions Australia Pty Limited, a wholly owned subsidiary of TCS FNS Pty Limited.

4) Unbilled revenue as at June 30, 2010 amounting to Rs. 742.26 crores (*March 31, 2010 : Rs. 646.96 crores*) primarily comprises of the revenue recognised in relation to efforts incurred on turnkey contracts priced on a fixed time, fixed price basis of Rs. 712.16 crores (*March 31, 2010 : Rs. 609.30 crores*).

5) Sale of Equipment is net of excise duty of Rs. 0.07 crore (*June 30, 2009 : Rs. 0.13 crore*).

6) Current tax is net of the write-back of provisions (net) and refunds received of Rs. 22.79 crores for the quarter ended June 30, 2010 (*June 30, 2009 : Rs. 4.14 crores*) in domestic and certain overseas jurisdictions relating to earlier years.

7) **Segment Reporting**

The Company has identified business segments (industry practice) as its primary segment and geographic segments as its secondary segment.

Business segments are primarily financial services comprising customers providing banking, finance and insurance services, manufacturing companies, companies in retail industries, companies in telecommunication, media and entertainment and others such as utilities, travel, transportation and hospitality and third party products, etc.

Revenues and expenses directly attributable to segments are reported under each reportable segment. Expenses which are not directly identifiable to each reporting segment have been allocated on the basis of associated revenues of the segment and manpower efforts. All other expenses which are not attributable or allocable to segments have been disclosed as unallocable expenses.

Assets and liabilities that are directly attributable or allocable to segments are disclosed under each reportable segment. All other assets and liabilities are disclosed as unallocable. Fixed assets that are used interchangeably among segments are not allocated to primary and secondary segments.

Geographical revenues are allocated based on the location of the customer. Geographic segments of the Company are Americas (including Canada and South American countries), Europe, India and Others.

(Rs. in crores)

Quarter ended June 30, 2010

Particulars	Business Segment					
	Banking, Financial Services and Insurance	Manufacturing	Retail & CPG	Telecom	Others	Total
Revenue	2604.71	500.83	777.82	1042.64	1484.95	6410.95
	2206.54	517.15	652.11	940.77	1293.03	5609.60
Segment result	802.05	128.85	184.66	346.15	399.64	1861.35
	632.90	145.49	165.19	277.47	333.18	1554.23
Unallocable expenses (net)						116.54
						114.64
Operating income						1744.81
						1439.59
Other income, (net)						36.43
						1.26
Profit before taxes						1781.24
						1440.85
Tax expense						224.83
						164.41
Net profit for the period						1556.41
						1276.44

As at June 30, 2010

(Rs. in crores)

Particulars	Business Segment					
	Banking, Financial Services and Insurance	Manufacturing	Retail & CPG	Telecom	Others	Total
Segment assets	1498.94	276.47	474.01	1231.27	1687.51	5168.20
Unallocable assets						19273.26
Total assets						24441.46
Segment liabilities	364.66	28.84	66.03	207.09	352.93	1019.56
Unallocable liabilities						7220.22
Total liabilities						8239.78

8) **Contingent Liabilities**

	As at June 30, 2010 (Rs. in crores)	As at March 31, 2010 (Rs. in crores)
Claims against the Company not acknowledged as debt (See note (i) below)	19.64	18.98
Income Tax demands	259.02	259.02
Indirect Tax demands	46.91	47.55
Guarantees given by the Company on behalf of subsidiaries (See note (iii) below)	1901.72	1851.93

Notes:

- i) The Company is contesting claims made by lessors for properties leased under tenancy agreements in the courts. In respect of these claims, a provision has been held for Rs. 108.37 crores (*March 31, 2010 : Rs. 106.59 crores*) and Rs. 0.99 crore (*March 31, 2010 : Rs. 0.99 crore*) has been included above under the head "Claims against the Company not acknowledged as debt".
- ii) TCS e-Serve Limited has a contingent liability of Rs. 105.66 crores (*March 31, 2010 : Rs. 212.59 crores*) in respect of Income Tax matters in dispute. TCS e-Serve Limited has also paid advance taxes aggregating to Rs. 162.13 crores (*March 31, 2010 : Rs. 162.13 crores*) against the disputed amounts for the relevant assessment years. The Company is entitled to an indemnification of the above referred contingent claims on TCS e-Serve Limited from the seller and would be required to pay amounts equal to amounts refunded to TCS e-Serve Limited on those claims as an adjustment to the purchase price consideration.
- iii) The Company has provided guarantees aggregating to Rs. 1761.99 crores (GBP 252.50 million) (*March 31, 2010 : Rs. 1719.32 crores*) (GBP 252.50 million) to third parties on behalf of its subsidiary Diligenta Limited. The Company does not expect any outflow of resources in respect of the above.

9) **Derivative Financial Instruments**

The Company, in accordance with its risk management policies and procedures, enters into foreign currency forward contracts and currency option contracts to manage its exposure in foreign exchange rates. The counter party is generally a bank. These contracts are for a period between one day and eight years.

The Company has following outstanding derivative instruments as on June 30, 2010:

- (i) The following are outstanding foreign exchange forward contracts, which have been designated as Cash Flow Hedges, as on:

Foreign Currency	No. of Contracts	June 30, 2010		No. of Contracts	March 31, 2010	
		Notional amount of Forward contracts (million)	Fair Value (Rs. in crores)		Notional amount of Forward contracts (million)	Fair Value (Rs. in crores)
			(Loss) / Gain			(Loss)
U.S. Dollar	2	22.5	(0.96)	-	-	-
Euro	6	33.75	3.73	-	-	-

- (ii) The following are outstanding currency option contracts, which have been designated as Cash Flow Hedges, as on:

Foreign Currency	No. of Contracts	June 30, 2010		No. of Contracts	March 31, 2010	
		Notional amount of Currency Options contracts (million)	Fair Value (Rs. in crores)		Notional amount of Currency Options contracts (million)	Fair Value (Rs. in crores)
			(Loss)			(Loss)
U.S. Dollar	18	588.00	(134.27)	10	357.00	(115.68)

Net loss on derivative instruments of Rs. 90.71 crores recognised in Hedging Reserve as of June 30, 2010, is expected to be reclassified to the profit and loss account by June 30, 2011.

The movement in Hedging Reserve during the period ended June 30, 2010, for derivatives designated as Cash Flow Hedges is as follows:

	Period ended June 30, 2010 (Rs. in crores)	Year ended March 31, 2010 (Rs. in crores)
Balance at the beginning of the year	(76.82)	<i>(721.86)</i>
(Loss) / gain transferred to profit and loss account on occurrence of forecasted hedge transaction	(0.01)	74.10
Net changes in the fair value of effective portion of outstanding cash flow derivatives	(15.81)	569.79
Net derivative gain related to discontinued Cash Flow Hedges	-	1.15
Balance at the end of the period	(92.64)	<i>(76.82)</i>

In addition to the above Cash Flow Hedges, the Company has outstanding foreign exchange forward contracts and currency option contracts with notional amount aggregating Rs. 2744.59 crores (*March 31, 2010 : Rs. 3316.41 crores*) whose fair value showed a loss of 2.57 crores as on June 30, 2010 (*March 31, 2010 : gain of Rs. 4.67 crores*) Although these contracts are effective as hedges from an economic perspective, they do not qualify for hedge accounting and accordingly these are accounted as derivatives instruments at fair value with changes in fair value recorded in the profit and loss account. Exchange gain of Rs. 62.05 crores (*June 30, 2009 : exchange loss Rs. 65.32 crores*) on foreign exchange forward contracts and currency option contracts have been recognised in the quarter ended June 30, 2010.

- 10) The Board of Directors declared an interim dividend of Rs. 2.00 per equity share in the meeting held on July 15, 2010.
- 11) Previous period's figures have been recast / restated wherever necessary.
- 12) *Previous period's figures are in italics.*