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Tata Consultancy Services Limited

**Unaudited Condensed Consolidated Balance Sheets
As of March 31, 2010 and June 30, 2010**

	<u>As of March 31,</u> <u>2010</u>	<u>As of June 30,</u> <u>2010</u>
	<u>(In millions of USD, except shares and per share data)</u>	
ASSETS:		
Current assets:		
Cash and cash equivalents	\$228.2	\$242.1
Bank deposits	813.1	554.7
Accounts receivable (net of allowances of \$74.9 million and \$68.3 million, respectively)	1,293.4	1,410.4
Unbilled revenues	267.4	303.7
Inventories	3.9	4.8
Prepaid expenses and other current assets (net of allowances of \$7.2 million and \$7.1 million, respectively)	469.4	528.2
Total current assets	3,075.4	3,043.9
Investment in debentures issued by Tata Sons Limited and its subsidiary	268.9	262.6
Other investments	573.1	948.8
Equity method investment in affiliates	0.4	0.3
Property, plant and equipment, net	928.4	934.7
Intangible assets, net	157.7	147.1
Goodwill	564.0	545.4
Other non-current assets	581.2	601.7
Total assets	\$6,149.1	\$6,484.5
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Liabilities:		
Current liabilities:		
Accrued expenses and other current liabilities	\$1,014.6	\$1,090.8
Unearned and deferred revenues	162.8	171.7
Short-term debt	51.4	49.9
Mandatorily redeemable preference shares	22.3	21.5
Total current liabilities	1,251.1	1,333.9
Long-term debt	2.4	2.4
Other non-current liabilities	149.9	150.2
Total liabilities	1,403.4	1,486.5
Commitments and contingencies (see note 19)	-	-
Shareholders' equity:		
Equity shares: par value \$0.02 (Re.1) per share; authorised 2,250,000,000 equity shares; issued and fully paid-up 1,957,220,996 equity shares	41.8	41.8
Additional paid-in-capital	526.6	526.6
Accumulated other comprehensive (loss) / income	(23.7)	(173.5)
Retained earnings	4,116.8	4,519.4
Total TCS Limited shareholders' equity	4,661.5	4,914.3
Non-controlling interests	84.2	83.7
Total shareholders' equity	4,745.7	4,998.0
Total liabilities and shareholders' equity	\$6,149.1	\$6,484.5

See accompanying notes to consolidated financial statements

Tata Consultancy Services Limited

**Unaudited Condensed Consolidated Statements of Income
For the three-month periods ended June 30, 2009 and 2010**

	Three-month period ended June 30, 2009	Three-month period ended June 30, 2010
	(In millions of USD, except shares and per share data)	
Revenues:		
Information technology and consultancy services	\$1,426.1	\$1,739.4
Sale of equipment and software licenses	54.4	54.6
Total revenues	1,480.5	1,794.0
Cost of revenues:		
Cost of information technology and consultancy services	752.4	944.0
Cost of equipment and software licenses	53.6	41.9
Total cost of revenues	806.0	985.9
Gross profit	674.5	808.1
Operating expenses:		
Selling, general and administrative expenses	304.6	316.2
Research and development expenses	2.2	5.0
Total operating expenses	306.8	321.2
Operating income	367.7	486.9
Other income / (expense) :		
Interest income	8.0	19.7
Interest expense	(1.7)	(3.0)
Equity in net earnings of affiliates	-	(0.1)
Other non-operating income / (expense), net	(2.4)	1.6
Other income, net	3.9	18.2
Income before income taxes	371.6	505.1
Income tax expense	55.9	96.6
Net income	315.7	408.5
Net income attributable to non-controlling interests	(4.7)	(5.9)
Net income attributable to TCS Limited	\$311.0	\$402.6
Weighted average number of shares used in computing basic and diluted earnings per share:	1,957,220,996	1,957,220,996
Basic and diluted earnings per share:	\$0.16	\$0.21

See accompanying notes to consolidated financial statements

**Unaudited Condensed Consolidated Statements of Changes in Shareholders' Equity
For the three-month periods ended June 30, 2009 and 2010**

Share Capital

	Number of shares	Equity share capital	Additional paid-in capital	Accumulated other comprehensive (loss) / income	Retained earnings	Total TCS Shareholders' equity	Non-controlling interest	Total	Comprehensive income
(In millions of USD, except shares and per share data)									
Balance as of March 31, 2009	978,610,498	\$21.5	\$546.7	\$(556.5)	\$3,073.9	\$3,085.6	\$61.5	\$3,147.1	
Sale of subsidiary shares to non-controlling interests			0.2	(0.1)		0.1	1.0	1.1	
Net income					1,453.6	1,453.6	15.5	1,469.1	\$1,469.1
Unrealised loss on available-for-sale securities, net of realised earnings and taxes				(3.5)		(3.5)		(3.5)	(3.5)
Foreign currency translation adjustment				382.3		382.3	8.5	390.8	390.8
Effective portion of gain on derivative instruments, net of tax				150.4		150.4	0.4	150.8	150.8
Employee benefit plans, net of tax				3.7		3.7		3.7	3.7
Comprehensive income									\$2,010.9
Issue of stock dividend	978,610,498	20.3	(20.3)						
Dividends paid, including tax on dividend					(410.7)	(410.7)	(2.7)	(413.4)	
Balance as of March 31, 2010	1,957,220,996	\$41.8	\$526.6	\$(23.7)	\$4,116.8	\$4,661.5	\$84.2	\$4,745.7	
Net income					402.6	402.6	5.9	408.5	\$408.5
Unrealised gain on available-for-sale securities, net of realised earnings and taxes				0.2		0.2		0.2	0.2
Foreign currency translation adjustment				(135.0)		(135.0)	(6.0)	(141.0)	(141.0)
Effective portion of loss on derivative instruments, net of tax				(13.8)		(13.8)	(0.4)	(14.2)	(14.2)
Employee benefit plans, net of tax				(1.2)		(1.2)		(1.2)	(1.2)
Comprehensive income									\$252.3
Balance as of June 30, 2010	1,957,220,996	\$41.8	\$526.6	\$(173.5)	\$4,519.4	\$4,914.3	\$83.7	\$4,998.0	

See accompanying notes to consolidated financial statements

Tata Consultancy Services Limited

**Unaudited Condensed Consolidated Statements of Cash Flows
For the three-month periods ended June 30, 2009 and 2010**

	Three-month period ended June 30, 2009	Three-month period ended June 30, 2010
Net cash provided by operating activities	\$271.1	\$256.9
Cash flows from investing activities:		
Bank deposits	(200.3)	(18.4)
Purchase of available-for-sale investments	(1,903.0)	(4,148.6)
Purchase of property, plant and equipment	(36.2)	(66.2)
Purchase of subsidiaries and business, net of cash acquired (including additional consideration and purchase price)	6.9	-
Acquisition of intangible assets	(0.1)	(0.7)
Proceeds from sale of subsidiary	-	0.5
Proceeds from sale of available-for-sale investments	1,685.9	3,760.4
Proceeds from sale of property, plant and equipment	0.2	1.1
Proceeds from bank deposits	187.7	228.4
Inter-corporate deposits	(17.7)	-
Proceeds from inter-corporate deposits	-	14.0
Purchase of long-term investments	-	(4.1)
Net cash used in investing activities	(276.6)	(233.6)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	0.2	-
Net change in bank overdrafts and cash credits	0.4	(2.7)
Dividends paid by subsidiaries	(2.7)	-
Proceeds from issue of shares to non-controlling interests by subsidiaries	1.1	-
Net cash used in financing activities	(1.0)	(2.7)
Net change in cash	(6.5)	20.6
Effect of foreign exchange on cash	14.8	(6.7)
Cash and cash equivalents, beginning of the period	288.2	228.2
Cash and cash equivalents, end of the period	\$296.5	\$242.1
Supplementary cash flow information:		
Interest paid	\$0.9	\$0.6
Income taxes paid	\$61.9	\$86.8
Supplementary disclosure of cash flow non-cash investing activities:		
Payable for purchase of property, plant and equipment	\$4.7	\$8.7

See accompanying notes to consolidated financial statements

Tata Consultancy Services Limited
Notes to Unaudited Condensed Consolidated Financial Statements

1. Summary of Significant Accounting Policies

a. Basis of presentation

These unaudited condensed consolidated financial statements of Tata Consultancy Services Limited and its subsidiaries (collectively “TCS Limited” or the “Company”) have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”) and reflect normal and recurring adjustments which are, in the opinion of the management, necessary for a fair presentation of the financial position and results of operations for the periods presented.

The results of the interim periods are not necessarily indicative of the results that may be expected for any other interim periods or the full fiscal year. These financial statements should be read in conjunction with the consolidated financial statements and related notes included in the consolidated financial statements for the fiscal year ended March 31, 2010.

Additionally, these unaudited condensed consolidated financial statements include certain inter-period allocations based on estimation of amounts applicable for the full fiscal year. Certain prior-period amounts have been reclassified to conform to current period presentation.

b. Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of these financial statements and the reported amounts of revenues and expenses for the periods presented. Actual results could differ from these estimates. Material estimates in these financial statements that are susceptible to change as more information becomes available include costs to complete for fixed price contracts, allowances for uncollectible accounts receivable, useful lives of intangible and tangible assets, impairment assessments of goodwill and long-lived assets, retirement benefits and income taxes.

c. Foreign currency

The functional currency of Tata Consultancy Services Limited and its Indian subsidiaries is the Indian Rupee, whereas the functional currency of foreign subsidiaries is the currency in their countries of incorporation.

Foreign currency transactions are translated into the functional currency at exchange rates prevailing on the date of the transaction. Foreign currency denominated monetary assets and liabilities are translated into the functional currency using exchange rates prevailing on the balance sheet dates. Gains and losses arising on conversion of foreign currency denominated monetary assets and liabilities are included in net income.

Assets and liabilities of entities with functional currency other than reporting currency have been translated to the reporting currency using exchange rates prevailing on the balance sheet date. Income statement items have been translated using the quarterly weighted average exchange rates. Translation adjustments have been reported as a component of other comprehensive income in the statement of changes in shareholders' equity.

d. Income taxes

Income tax expense comprises current tax expense and the net change in the deferred tax asset or liability during the year. The income tax expense for the interim periods within a fiscal year is allocated to those periods based on the management's best estimate of the effective income tax rate expected to be applicable for the full fiscal year.

Tata Consultancy Services Limited
Notes to Unaudited Condensed Consolidated Financial Statements

e. Newly issued accounting pronouncements

In October 2009, the FASB issued ASU 2009-13 on Multiple-deliverable Revenue Arrangements. The ASU amends the guidance in ASC 605-25 on multiple-element revenue arrangements. It addresses the unit of accounting for arrangements involving multiple deliverables. It also addresses how arrangement consideration should be allocated to the separate units of accounting, when applicable. Although the ASU retains the criteria from Issue 00-21 for when delivered items in a multiple-deliverable arrangement should be considered separate units of accounting, it removes the previous separation criterion under Issue 00-21 that objective and reliable evidence of the fair value of any undelivered items must exist for the delivered items to be considered a separate unit or separate units of accounting. The ASU is effective for fiscal years beginning on or after June 15, 2010. The requirements of this ASU and its impact on TCS Limited's financial statements are being evaluated.

In January 2010, the FASB issued additional disclosure requirements to ASU 820-10 on fair value measurements. According to the guidance, the fair value hierarchy disclosures are to be further disaggregated by class of assets and liabilities. A class is often a subset of assets or liabilities within a line item in the statement of financial position. In addition, significant transfers between Levels 1 and 2 of the fair value hierarchy will be required to be disclosed. These additional requirements are effective January 1, 2010 for quarterly and annual reporting. In addition, the guidance requires more detailed disclosures of the changes in Level 3 instruments. These changes will be effective January 1, 2011 and its impact on TCS Limited's financial statements are being evaluated.

On March 5, 2010, the FASB issued ASU 2010-11, Derivatives and Hedging (Topic 815) – Scope Exception related to Embedded Credit Derivatives to clarify the type of embedded credit derivative that is exempt from embedded derivative bifurcation requirements. Specifically, only one form of embedded credit derivative qualifies for the exemption – one that is related only to the subordination of one financial instrument to another. As a result, entities that have contracts containing an embedded credit derivative feature in a form other than such subordination may need to separately account for the embedded credit derivative feature. This guidance also has transition provisions, which permit entities to make a special one-time election to apply the fair value option to any investment in a beneficial interest in securitised financial assets, regardless of whether such investments contain embedded derivative features. This guidance is effective on the first fiscal quarter beginning after June 15, 2010. Early adoption is permitted at the beginning of any fiscal quarter beginning after March 5, 2010. The requirements of this ASU and its impact on TCS Limited's financial statements are being evaluated.

In April 2010, the Emerging Issues Task Force (EITF) reached a final consensus on milestone method of revenue recognition and published ASU 2010-17, Revenue Recognition – Milestone Method (Topic 605). The scope of this ASU is limited to arrangements that include milestones relating to research or development deliverables. The consensus specifies guidance that must be met for a vendor to recognize consideration that is contingent upon achievement of a substantive milestone in its entirety in the period in which the milestone is achieved. The guidance applies to milestones in arrangements within the scope of this consensus regardless of whether the arrangement is determined to have single or multiple deliverables or units of accounting. The final consensus will be effective for fiscal years, and interim periods within those years, beginning on or after June 15, 2010. Early application is permitted. Companies can apply this guidance prospectively to milestones achieved after adoption. However, retrospective application to all prior periods is also permitted. The requirements of this ASU and its impact on TCS Limited's financial statements are being evaluated.

2. Cash and cash equivalents

Cash and cash equivalents consist of the following:

	As of March 31, 2010	As of June 30, 2010
	(In millions of USD)	
Held within India	\$36.8	\$47.1
Held outside India	191.4	195.0
Total	\$228.2	\$242.1

Tata Consultancy Services Limited
Notes to Unaudited Condensed Consolidated Financial Statements

3. Inventories

Inventories consist of the following:

	<u>As of March 31,</u> <u>2010</u>	<u>As of June 30,</u> <u>2010</u>
	(In millions of USD)	
Stores and spares	\$0.3	\$0.3
Raw materials	1.1	1.7
Goods in transit	0.2	0.3
Computer and equipment held for resale	2.2	2.4
Work in progress	0.1	0.1
Total	<u>\$3.9</u>	<u>\$4.8</u>

4. Prepaid expenses and other current assets

Prepaid expenses and other current assets consist of the following:

	<u>As of March 31,</u> <u>2010</u>	<u>As of June 30,</u> <u>2010</u>
	(In millions of USD)	
Prepaid expenses	\$128.3	\$163.4
Advance to suppliers	8.9	75.9
Employee loans and advances (net of allowances of \$4.9 million and \$4.9 million, respectively)	33.9	35.3
Income taxes paid in advance	22.9	19.9
Deferred income taxes	79.2	65.7
Foreign currency derivative assets	20.1	19.4
Inter-corporate deposits	64.6	48.4
Other current assets (net of allowances of \$2.3 million and \$2.2 million, respectively)	111.5	100.2
Total	<u>\$469.4</u>	<u>\$528.2</u>

5. Investment in Non-Convertible Debentures of Tata Sons Limited and its subsidiary

During the fiscal 2010, Tata Consultancy Services Limited subscribed to the privately placed unsecured, unlisted redeemable non-convertible debentures issued by Tata Sons Limited and its subsidiary Panatone Finvest Limited for a consideration of \$217.8 million and \$44.5 million respectively. The debentures issued by Tata Sons Limited would be redeemable at par in three equal installments at the end of second, third and fourth year respectively from the date of allotment while the debentures issued by Panatone Finvest Limited would be redeemed at the end of the third year. The non-convertible debentures issued by Tata Sons Limited and its subsidiary Panatone Finvest Limited carry an effective interest of 8.50% and 8.75%, respectively.

Tata Consultancy Services Limited
Notes to Unaudited Condensed Consolidated Financial Statements

Information on unrecognised gains and losses for debentures with Tata Sons Limited and its subsidiary as at March 31, 2010 and June 30, 2010 is as follows:

	Fair value	Gross unrecognised gains	Gross unrecognised losses	Amortised Cost
	(In millions of USD)			
Debentures with Tata Sons Limited and its subsidiary:				
As of March 31, 2010:				
Investments in debt securities	\$267.9	\$-	\$(1.0)	\$268.9
Total	\$267.9	\$-	\$(1.0)	\$268.9
As of June 30, 2010:				
Investments in debt securities	\$257.2	\$-	\$(5.4)	\$262.6
Total	\$257.2	\$-	\$(5.4)	\$262.6

6. Other investments

Investments consist of the following:

	As of March 31, 2010	As of June 30, 2010
	(In millions of USD)	
Investments available-for-sale, at fair value	\$570.1	\$941.8
Investments held-to-maturity, at amortised cost	1.9	1.9
Investments available-for-sale at cost, net	1.1	5.1
Total	\$573.1	\$948.8

Information on unrealised gains and losses on available-for-sale investments as at March 31, 2010 and June 30, 2010 is as follows:

	Cost	Gross unrealised gains	Gross unrealised losses	Fair value
	(In millions of USD)			
Available-for-sale securities:				
As of March 31, 2010:				
Investments in mutual funds	\$567.3	\$1.1	\$-	\$568.4
Investments in debt securities	1.7	-	-	1.7
Total available-for-sale securities	\$569.0	\$1.1	\$-	\$570.1
As of June 30, 2010:				
Investments in mutual funds	\$933.8	\$0.9	\$-	\$934.7
Investments in debt securities	7.0	0.1	-	7.1
Total available-for-sale securities	\$940.8	\$1.0	\$-	\$941.8

Tata Consultancy Services Limited
Notes to Unaudited Condensed Consolidated Financial Statements

Information on unrecognised gains and losses for held-to-maturity investments is as follows:

	Fair value	Gross unrecognised gains	Gross unrecognised losses	Amortised Cost
	(In millions of USD)			
Held-to-maturity securities:				
As of March 31, 2010:				
Investments in debt securities	\$0.8	\$-	\$-	\$0.8
Investments in preference securities	1.0	-	(0.1)	1.1
Total held-to-maturity securities:	\$1.8	\$-	\$(0.1)	\$1.9
As of June 30, 2010:				
Investments in debt securities	\$0.8	\$-	\$-	\$0.8
Investments in preference securities	1.1	-	-	1.1
Total held-to-maturity securities:	\$1.9	\$-	\$-	\$1.9

7. Property, plant and equipment

Property, plant and equipment by asset category are as follows:

	As of March 31, 2010	As of June 30, 2010
	(In millions of USD)	
Land	\$68.1	\$65.5
Buildings	463.1	458.1
Computer equipment	356.4	361.1
Automobiles	6.8	6.4
Plant and machinery	33.2	25.8
Furniture, fixtures and office equipment	337.0	338.8
Property, plant and equipment, at cost	1,264.6	1,255.7
Less: Accumulated depreciation	(546.3)	(554.4)
	718.3	701.3
Capital work-in-progress	210.1	233.4
Property, plant and equipment, net	\$928.4	\$934.7

Depreciation expense was \$29.2 million and \$33.0 million for the three-month periods ended June 30, 2009 and 2010, respectively.

Tata Consultancy Services Limited
Notes to Unaudited Condensed Consolidated Financial Statements

8. Intangible assets

	Gross cost	Additions / (Deductions)	Foreign currency exchange gain/(loss)	Accumulated amortisation	Net carrying value
Intangible assets					
	(In millions of USD)				
As of March 31, 2010:					
Customer-related intangibles	\$23.0	\$-	\$2.2	\$(16.6)	\$8.6
Technology-related intangibles	24.4	-	4.1	(13.8)	14.7
Acquired contract rights	162.0	-	5.7	(34.9)	132.8
Software licenses	12.3	1.6	0.6	(13.2)	1.3
Others	4.7	-	(0.2)	(4.2)	0.3
Total	\$226.4	\$1.6	\$12.4	\$(82.7)	\$157.7
As of June 30, 2010:					
Customer-related intangibles	\$23.0	\$-	\$1.5	\$(17.0)	\$7.5
Technology-related intangibles	24.4	0.4	3.1	(14.5)	13.4
Acquired contract rights	162.0	-	2.0	(39.1)	124.9
Software licenses	13.9	0.3	0.6	(13.6)	1.2
Others	4.7	-	(0.2)	(4.4)	0.1
Total	\$228.0	\$0.7	\$7.0	\$(88.6)	\$147.1

Amortisation expense was \$6.6 million and \$5.9 million for the three-month periods ended June 30, 2009 and 2010, respectively.

9. Other non-current assets

Other non-current assets consist of the following:

	As of March 31, 2010	As of June 30, 2010
	(In millions of USD)	
Non-current portion of employee loans	\$4.0	\$3.5
Prepaid rent	28.5	27.1
Rent deposits	79.0	74.5
Income taxes paid in advance	185.1	195.4
Deferred income taxes	248.6	248.1
Restricted cash	9.3	9.1
Long-term bank deposits	1.0	22.5
Others	25.7	21.5
Total	\$581.2	\$601.7

Tata Consultancy Services Limited
Notes to Unaudited Condensed Consolidated Financial Statements

10. Accrued expenses and other current liabilities

Accrued expenses and other current liabilities consist of the following:

	<u>As of March 31,</u> <u>2010</u>	<u>As of June 30,</u> <u>2010</u>
	(In millions of USD)	
Accounts payable, including retentions	\$279.6	\$302.8
Accrued expenses	278.4	291.1
Accrued compensation expenses	170.2	162.6
Income taxes payable	123.4	137.3
Indirect taxes payable	63.7	76.2
Deferred income taxes	25.0	22.3
Foreign currency derivative liabilities	26.5	44.0
Other current liabilities	47.8	54.5
Total	\$1,014.6	\$1,090.8

11. Short-term debt

Short-term debt consists of the following:

	<u>As of March 31,</u> <u>2010</u>	<u>As of June 30,</u> <u>2010</u>
	(In millions of USD)	
Foreign currency bank loans	\$0.3	\$0.4
Cash credits and overdrafts	0.2	0.3
Current portion of long-term debt	0.3	0.3
Other short-term debt	12.8	9.5
Put-call option liability	37.8	39.4
Total	\$51.4	\$49.9

Cash credits and overdrafts are secured against accounts receivable and inventories. All other debts are unsecured.

In March 2006, Tata Consultancy Services Limited, through its subsidiary Diligenta Limited (“Diligenta”), acquired, on a going concern basis, certain businesses of Pearl Group Services Limited (“Pearl”). Pearl has a minority interest of 24% in Diligenta Limited. Tata Consultancy Services Limited has a call option to buy this minority interest of 24% at a fixed price at the end of the fourth year and Pearl has a put option to sell the shares to Tata Consultancy Services Limited at the same price at the end of fifth year. An additional consideration of \$45.8 million (£30.2 million) has been recorded and TCS Limited has consolidated 100% of Diligenta at the inception of this arrangement. As at June 30, 2010, Tata Consultancy Services Limited has not exercised the call option.

12. Long-term debt

Long-term debt consists of the following:

	<u>As of March 31,</u> <u>2010</u>	<u>As of June 30,</u> <u>2010</u>
	(In millions of USD)	
Foreign currency debt	\$1.2	\$1.3
Unsecured debt	1.5	1.4
Less: Current portion	(0.3)	(0.3)
Total	\$2.4	\$2.4

Tata Consultancy Services Limited
Notes to Unaudited Condensed Consolidated Financial Statements

13. Mandatorily redeemable preference shares with Tata Sons Limited

During the fiscal 2008, Tata Consultancy Services Limited arranged an unsecured long-term debt of \$24.9 million (Rs.1,000.0 million) by issuance and allotment of 1,000,000,000 Redeemable Preference Shares of face value of \$0.02 (Re.1) each to Tata Sons Limited. This debt would be redeemable at par at the end of six years from the date of allotment but may be repayable at any time after 3 years from the date of allotment at the option of the debt holder. This debt carries a fixed cumulative dividend of 1% per annum and a variable non-cumulative dividend of 1% of the difference between the rate of dividend declared during the year on the par value of equity shares of Tata Consultancy Services Limited and the average rate of dividend declared on the par value of equity shares of Tata Consultancy Services Limited for three years preceding the year of issue of the above debt.

14. Other non-current liabilities

Other non-current liabilities consist of the following:

	As of March 31, 2010	As of June 30, 2010
	(In millions of USD)	
Deferred income taxes	\$109.7	\$109.2
Employee benefits liabilities	20.7	25.0
Others	19.5	16.0
Total	\$149.9	\$150.2

15. Shareholders' equity

Authorised and issued share capital

Stock-split

On June 12, 2009, the shareholders of Tata Consultancy Services Limited approved a bonus issue of 978,610,498 equity shares. The bonus issue is in the nature of a stock split effected in the form of a stock dividend with one additional share issued for every share held. In accordance with Indian law, \$20.3 million has been capitalised from additional paid-in capital as share capital on allotment of bonus shares.

16. Other non-operating income / (expense), net

	Three-month period ended June 30, 2009	Three-month period ended June 30, 2010
Foreign exchange loss on derivative instruments designated as cash flow hedges	\$(20.7)	\$(2.9)
Foreign exchange loss on other derivative instruments	(11.9)	(14.2)
Foreign exchange gain, others	15.3	6.7
Dividend income	1.3	1.2
Others, net	13.6	10.8
Total	\$(2.4)	\$1.6

Tata Consultancy Services Limited
Notes to Unaudited Condensed Consolidated Financial Statements

17. Derivative financial instruments

Tata Consultancy Services Limited and its subsidiaries use various derivative financial instruments governed by policies approved by the board of directors such as foreign currency option contracts as well as forward contracts to manage and mitigate 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 following are outstanding Foreign Exchange Forward contracts, which have been designated as cash flow hedges:

Foreign Currency	As of March 31, 2010			As of June 30, 2010		
	Number of Contracts	Notional amount of Forward contracts	Fair Value Gain / (Loss)	Number of Contracts	Notional amount of Forward contracts	Fair Value Gain / (Loss)
		(In millions)	(In millions of USD)		(In millions)	(In millions of USD)
US Dollar	20	51.2	\$2.7	25	100.5	\$0.7
Euro	-	-	-	6	33.8	0.8
Sterling Pound	-	-	-	9	6.0	(0.3)

The following are outstanding Currency Option contracts, which have been designated as cash flow hedges:

Foreign Currency	As of March 31, 2010			As of June 30, 2010		
	Number of Contracts	Notional amount of Option contracts	Fair Value Gain / (Loss)	Number of Contracts	Notional amount of Option contracts	Fair Value Gain / (Loss)
		(In millions)	(In millions of USD)		(In millions)	(In millions of USD)
US Dollar	56	639.8	\$(12.1)	97	1,018.4	\$(26.5)
Australian Dollar	-	-	-	9	4.5	0.1

Net loss on derivative instruments of \$15.4 million recognised in accumulated other comprehensive income as of June 30, 2010, is expected to be reclassified into earnings by June 30, 2011.

The movement in accumulated other comprehensive income during the period ended March 31, 2010 and June 30, 2010 for derivatives designated as cash flow hedges is as follows:

	Period ended March 31, 2010	Period ended June 30, 2010
	(In million of USD)	
Balance at the beginning of the period	\$(143.9)	\$(5.9)
(Losses)/ gains transferred to income statement on occurrence of forecasted hedge transaction	15.6	(3.7)
Net change in the fair value of effective portion of cash flow hedges (net of deferred taxes of \$4.5 million and \$0.9 million, respectively)	135.2	(13.3)
Net derivative gain related to discontinued cash flow hedges	0.2	-
Foreign currency translation adjustment	(12.6)	3.2
Amount transferred to non-controlling interests during the period	(0.4)	-
Balance at the end of the period	\$(5.9)	\$(19.7)

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In addition to the above cash flow hedges, TCS Limited has outstanding foreign exchange forward contracts and currency option contracts aggregating \$779.9 million and \$632.3 million, whose fair value showed gain of \$1.6 million and loss of \$0.7 million as on March 31, 2010 and June 30, 2010, respectively. Although these contracts are effective as hedges from an economic perspective, they do not qualify for hedge accounting and accordingly these are accounted as trading instruments. Exchange loss of \$11.9 million and \$14.2 million on foreign currency forward exchange contracts and currency option contracts have been recognised in earnings during the three-month periods ended June 30, 2009 and 2010, respectively.

18. Segment information

Operating segments are defined as components of an enterprise for which discrete financial information is available that is evaluated regularly by the chief operating decision maker, in deciding how to allocate resources and assessing performance. TCS Limited's chief operating decision maker is the Chief Executive Officer and Managing Director.

The Company has identified business segments (industry practice) as reportable segments. 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 directly attributable or allocable to segments are disclosed under each reportable segment. All other assets are disclosed as unallocable. Fixed assets that are used interchangeably among segments are not allocated to reportable segments.

Summarised segment information for the three-month periods ended June 30, 2009 and 2010 is as follows:

Segment Income Statement:	Three-month period June 30, 2009					Total
	Banking, Financial Services and Insurance	Manufacturing	Retail and CPG	Telecom	Others	
Revenues	\$648.0	\$128.6	\$156.9	\$224.5	\$322.5	\$1,480.5
Segment result	\$177.4	\$35.2	\$40.8	\$67.4	\$72.8	\$393.6
Unallocable expenses						25.9
Operating income						367.7
Other income / (expense), net						3.9
Income before income taxes						371.6
Income tax expense						55.9
Net income						\$315.7

Tata Consultancy Services Limited
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Three-month period ended June 30, 2010

(In millions of USD)

Segment Income Statement:	Banking, Financial Services and Insurance	Manufacturing	Retail and CPG	Telecom	Others	Total
Revenues	\$801.6	\$133.6	\$196.4	\$261.6	\$400.8	\$1,794.0
Segment result	\$243.9	\$37.0	\$48.1	\$86.0	\$100.1	\$515.1
Unallocable expenses						28.2
Operating income						486.9
Other income / (expense), net						18.2
Income before income taxes						505.1
Income tax expense						96.6
Net income						\$408.5
Segment assets:						
Segment total assets	\$1,474.5	\$141.8	\$202.3	\$339.5	\$631.8	\$2,789.9
Unallocable assets						3,694.6
Total assets						\$6,484.5

19. Commitments and contingencies

Commitments and contingent liabilities are as follows:

Capital commitments

As of June 30, 2010, \$222.1 million was contractually committed for purchase of property, plant and equipment.

Contingencies

Property matters

Lessors of certain properties leased under tenancy agreements have claimed additional rent and other expenses of \$41.1 million. These claims are being contested in the courts by TCS Limited. Pending resolution of the matter, an amount of \$30.3 million has been accrued based on management's estimate. Interest and penalty, if any, has not been determined. Tata Consultancy Services Limited is entitled to an indemnification up to \$11.2 million against one of the above referred claim.

Letters of credit

TCS Limited has unexpired letters of credit of \$0.4 million as at June 30, 2010.

Income tax matters

As of June 30, 2010, TCS Limited has demands from direct tax authorities in Indian jurisdiction, which are being contested by TCS Limited on appeal amounting to \$78.5 million. Demands from direct tax authorities include \$22.7 million in respect of TCS e-Serve Limited. TCS e-Serve Limited has also paid advance taxes aggregating \$34.9 million against the disputed amounts for the relevant assessment years. TCS Limited is entitled to an indemnification of the above referred contingent claims on TCS e-Serve Limited from Citigroup Inc. and would be required to pay amounts equal to amounts refunded to TCS e-Serve Limited on those claims.

20. Subsequent event

On July 15, 2010, the Board of Directors has declared an interim dividend of \$0.04 (Rs.2/-) per equity share.