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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
Tata Consultancy Services Limited:

We have audited the accompanying consolidated balance sheets of Tata Consultancy Services Limited and its subsidiaries (collectively referred to as "TCS Limited" or the "Company") as of March 31, 2008 and 2009, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended March 31, 2009, all expressed in US dollars. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the auditing standards generally accepted in the United States of America. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the consolidated financial position of TCS Limited as of March 31, 2008 and 2009, and the consolidated results of its operations and its cash flows for each of the years in the three-year period ended March 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 (g), to the consolidated financial statements, the accompanying consolidated financial statements have been retrospectively adjusted for fiscals 2007 and 2008 for the change in reporting currency in fiscal 2009.

/s/ Deloitte Haskins & Sells
CHARTERED ACCOUNTANTS

Mumbai, India

April 28, 2009

Tata Consultancy Services Limited

Consolidated Balance Sheets As of March 31, 2008 and March 31, 2009

	As of March 31, 2008	As of March 31, 2009
	(In millions of USD, except shares and per share data)	
ASSETS:		
Current assets:		
Cash and cash equivalents	\$258.1	\$292.5
Accounts receivable (net of allowances of \$28.0 million and \$34.2 million, respectively)	1,343.9	1,191.0
Unbilled revenues	337.2	291.9
Inventories	10.6	7.1
Prepaid expenses and other current assets (net of allowances of \$4.9 million and \$5.9 million, respectively)	373.5	620.7
Total current assets	2,323.3	2,403.2
Investments	660.1	340.1
Equity method investment in affiliates	0.7	0.3
Property, plant and equipment, net	753.3	738.9
Intangible assets, net	90.6	163.2
Goodwill	276.9	510.6
Other non-current assets	258.9	331.2
Total assets	\$4,363.8	\$4,487.5
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Liabilities:		
Current liabilities:		
Accrued expenses and other current liabilities	\$846.4	\$935.1
Unearned and deferred revenues	177.0	174.1
Short-term debt	9.3	101.5
Total current liabilities	1,032.7	1,210.7
Long-term debt	142.8	34.7
Mandatorily redeemable preference shares with Tata Sons Limited	24.9	19.7
Other non-current liabilities	18.8	75.3
Total liabilities	1,219.2	1,340.4
Minority interests	57.3	61.5
Commitments and contingencies (see note 27)	-	-
Shareholders' equity:		
Equity shares: par value \$0.02 (Re.1) per share; authorised 1,200,000,000 equity shares; issued and fully paid-up 978,610,498 equity shares	21.5	21.5
Additional paid-in-capital	546.7	546.7
Accumulated other comprehensive (loss)/income	223.3	(556.5)
Retained earnings	2,295.8	3,073.9
Total shareholders' equity	3,087.3	3,085.6
Total liabilities and shareholders' equity	\$4,363.8	\$4,487.5

See accompanying notes to consolidated financial statements

Tata Consultancy Services Limited

Consolidated Statements of Income For the years ended March 31, 2007, 2008 and 2009

	Year ended March 31, 2007	Year ended March 31, 2008	Year ended March 31, 2009
	(In millions of USD, except shares and per share data)		
Revenues:			
Information technology and consultancy services	\$3,930.3	\$5,339.5	\$5,789.3
Sale of equipment and software licenses	194.5	294.9	226.4
Total revenues	4,124.8	5,634.4	6,015.7
Cost of revenues:			
Cost of information technology and consultancy services	2,156.7	2,901.0	3,146.7
Cost of equipment and software licenses	150.0	242.4	196.3
Total cost of revenues	2,306.7	3,143.4	3,343.0
Gross profit	1,818.1	2,491.0	2,672.7
Operating expenses:			
Selling, general and administrative expenses	782.9	1,200.9	1,237.5
Research and development expenses	9.6	14.1	10.3
Total operating expenses	792.5	1,215.0	1,247.8
Operating income	1,025.6	1,276.0	1,424.9
Other (expense) / income :			
Interest income	4.6	14.1	22.4
Interest expense	(5.2)	(11.3)	(11.5)
Other non-operating (expense) / income, net	48.1	168.4	(108.5)
Other income, net	47.5	171.2	(97.6)
Income before income taxes and minority interests	1,073.1	1,447.2	1,327.3
Income tax expense	149.2	187.5	190.4
Income before minority interests	923.9	1,259.7	1,136.9
Minority interests	(9.3)	(10.6)	(12.9)
Equity in net earnings of affiliates	1.0	0.2	(0.2)
Net income	\$915.6	\$1,249.3	\$1,123.8
Weighted average number of shares used in computing basic and diluted earnings per share :	978,610,498	978,610,498	978,610,498
Basic and diluted earnings per share:	\$0.94	\$1.28	\$1.15

See accompanying notes to consolidated financial statements

Tata Consultancy Services Limited

Consolidated Statements of Changes in Shareholders' Equity For the years ended March 31, 2007, 2008 and 2009

	Share Capital			Comprehensive income	Accumulated other comprehensive income (loss)	Retained earnings	Total Shareholders' equity
	Number of shares	Equity share capital	Additional paid-in-capital				
(In millions of USD, except shares and per share data)							
Balance as of March 31, 2006	978,610,498	\$11.0	\$557.2		\$(3.2)	\$744.1	\$1,309.1
Net income				\$915.6		915.6	915.6
Unrealised gain on available-for-sale securities, net of realised earnings and taxes				1.1	1.1		1.1
Foreign currency translation adjustment				64.6	64.6		64.6
Effective portion of gain on derivative instruments				18.0	18.0		18.0
Cumulative effects of change in accounting principle in respect of employee defined benefit plans, net of taxes					(3.8)		(3.8)
Comprehensive income				\$999.3			
Dividends paid, including tax on dividend						(241.9)	(241.9)
Issue of stock dividend		10.5	(10.5)				-
Balance as of March 31, 2007	978,610,498	\$21.5	\$546.7		\$76.7	\$1,417.8	\$2,062.7
Cumulative effect of change in accounting principle in respect of uncertain tax positions						(1.3)	(1.3)
Net income				\$1,249.3		1,249.3	1,249.3
Unrealised gain on available-for-sale securities, net of realised earnings and taxes				4.7	4.7		4.7
Foreign currency translation adjustment				168.3	168.3		168.3
Effective portion of loss on derivative instruments				(22.2)	(22.2)		(22.2)
Employee benefit plans, net of tax				(4.2)	(4.2)		(4.2)
Comprehensive income				\$1,395.9			
Dividends paid, including tax on dividend						(370.0)	(370.0)
Balance as of March 31, 2008	978,610,498	\$21.5	\$546.7		\$223.3	\$2,295.8	\$3,087.3
Net income				\$1,123.8		1,123.8	1,123.8
Unrealised loss on available-for-sale securities, net of realised earnings and taxes				(2.4)	(2.4)		(2.4)
Foreign currency translation adjustment				(631.3)	(631.3)		(631.3)
Effective portion of loss on derivative instruments				(140.9)	(140.9)		(140.9)
Employee benefit plans, net of tax				(5.2)	(5.2)		(5.2)
Comprehensive income				\$344.0			
Dividends paid, including tax on dividend						(345.7)	(345.7)
Balance as of March 31, 2009	978,610,498	\$21.5	\$546.7		\$(556.5)	\$3,073.9	\$3,085.6

See accompanying notes to consolidated financial statements

Tata Consultancy Services Limited

Consolidated Statements of Cash Flows For the years ended March 31, 2007, 2008 and 2009

	Year ended March 31, 2007	Year ended March 31, 2008	Year ended March 31, 2009
	(In millions of USD)		
Cash flows from operating activities:			
Net income	\$915.6	\$1,249.3	\$1,123.8
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortisation	96.5	143.8	124.5
(Gain) / loss on sale of property, plant and equipment	0.3	0.4	(3.2)
Deferred income taxes	3.8	(83.3)	(70.5)
Equity in net earnings of affiliates	(1.0)	(0.2)	0.2
Minority interests	9.3	10.6	12.9
Gain on sale of available-for-sale investments	(2.2)	(3.9)	(11.7)
Gain on sale of equity accounted affiliates	(13.3)	(0.2)	-
Non-cash interest on put-call option liability	3.2	3.8	3.5
Gain on sale of subsidiaries	-	(1.0)	-
Allowances for doubtful debts and advances	-	4.6	16.1
Net change in:			
Accounts receivable	(203.0)	(266.0)	(83.2)
Unbilled revenues	(68.5)	(137.8)	(13.5)
Inventories	8.6	(0.3)	1.5
Prepaid expenses and other current assets	(25.7)	(52.1)	(78.9)
Other non-current assets	(14.6)	(14.9)	(45.1)
Accrued expenses and other current liabilities	45.3	137.9	159.7
Unearned and deferred revenues	33.7	1.6	40.6
Other non-current liabilities	(10.0)	(6.7)	8.2
Net cash provided by operating activities	778.0	985.6	1,184.9
Cash flows from investing activities:			
Purchase of available-for-sale investments	(3,452.3)	(7,112.0)	(6,507.4)
Purchase of property, plant and equipment	(265.4)	(302.9)	(252.6)
Government grant received	-	-	2.5
Purchase of subsidiaries and business, net of cash acquired (including additional consideration)	(40.1)	(38.6)	(497.9)
Acquisition of intangible assets	(14.4)	-	(0.4)
Proceeds from sale of subsidiary	-	0.5	0.5
Proceeds from sale of available-for-sale investments	3,335.2	6,779.7	6,719.2
Proceeds from sale of investments in affiliates	17.7	0.9	-
Proceeds from sale of property, plant and equipment	2.6	2.2	10.2
Long term bank deposits (net)	(28.1)	(1.1)	9.1
Short term bank deposits (net)	(4.0)	(4.3)	(210.6)
Inter-corporate deposits (net)	1.8	(5.0)	(15.8)
Net cash used in investing activities	(447.0)	(680.6)	(743.2)

Tata Consultancy Services Limited

Consolidated Statements of Cash Flows (continued) For the years ended March 31, 2007, 2008 and 2009

	Year ended March 31, 2007	Year ended March 31, 2008	Year ended March 31, 2009
	(In millions of USD)		
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	99.7	-	1.0
Repayment of long-term debt	-	-	(0.2)
Net change in bank overdrafts and cash credits	(8.8)	(6.6)	(11.5)
Proceeds from issuance of mandatorily redeemable preference shares with Tata Sons Limited, net of expenses	-	24.5	-
Dividends paid to minority shareholders of a subsidiary	(0.9)	(1.7)	(2.3)
Dividends paid	(241.9)	(370.0)	(345.7)
Proceeds from issue of shares to minority shareholders by subsidiaries	4.7	0.8	0.9
Net cash used in financing activities	(147.2)	(353.0)	(357.8)
Net change in cash	183.8	(48.0)	83.9
Effect of foreign exchange on cash flows	10.1	23.3	(49.5)
Cash and cash equivalents, beginning of the year	88.9	282.8	258.1
Cash and cash equivalents, end of the year	\$282.8	\$258.1	\$292.5
Supplementary cash flow information:			
Interest paid	\$1.9	\$6.5	\$6.9
Income taxes paid	\$137.3	\$265.8	\$246.1
Supplementary disclosure of cash flow non-cash investing activities:			
Property, plant and equipment accrued	\$6.4	\$13.8	\$4.0

See accompanying notes to consolidated financial statements

Tata Consultancy Services Limited

Notes to Consolidated Financial Statements

1. Background and Operations

Tata Consultancy Services Limited and its subsidiaries (collectively TCS Limited) provide a wide range of information technology and consultancy services including systems hardware and software, communications and networking, hardware sizing and capacity planning, software project management solutions, technology education services and business process outsourcing.

As of March 31, 2009, Tata Sons Limited owned 73.75% of Tata Consultancy Services Limited's equity share capital and has the ability to control its operating and financial policies.

2. Summary of Significant Accounting Policies

a. Basis of presentation

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

Foreign exchange gains / losses on derivative instruments designated as cash flow hedges was classified under revenues till fiscal 2008. Consequent to the change in the reporting currency to US dollars from Indian Rupees effective from April 1, 2008 all foreign exchange gains / losses on derivative instruments have been retrospectively reclassified under 'Other non-operating income / expense'.

b. Basis of consolidation

TCS Limited consolidates all entities in which it has a controlling financial interest. TCS Limited did not have variable interests in any variable interest entities during the periods presented.

Inter-company transactions, balances and unrealised profits and losses are eliminated on consolidation.

The results of entities with controlling interests acquired have been consolidated from the date of acquisition, except for those entities that have been accounted for as business combinations under common control. Purchase consideration paid in excess of the fair value of net assets acquired has been recognised as goodwill. The excess of fair value over purchase consideration has been first allocated to reduce the amounts otherwise assigned to the eligible acquired long-term assets and any excess remaining has been recognised as an extraordinary gain in the income statement in the period in which the business combination was consummated.

c. Equity method investment in affiliates

Entities where TCS Limited has the ability to exert significant influence, generally where TCS Limited owns between 20% and 50% of the voting stock of the investee company are accounted for using the equity method. Inter-company unrealised profits and losses on transactions with these entities are eliminated.

TCS Limited's equity method affiliates are as follows:

Name of Affiliates	Country of Incorporation	Year ended	Year ended
		March 31, 2008	March 31, 2009
		Voting Power	
		%	%
Exegenix Research Inc.	Canada	49.9	49.9
Firstech Solution Co. Limited (affiliate till January 12, 2009)	Thailand	20.0	15.4
National Power Exchange Limited (from December 11, 2008)	India	-	50.0

Tata Consultancy Services Limited

Notes to Consolidated Financial Statements

d. 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 years 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.

e. Revenue recognition

TCS Limited earns revenues primarily from providing information technology and consultancy services, including services under contracts for software development, implementation and other related services, re-licensing of third party software products and sales, licensing and sale of its own software, business process outsourcing and maintenance of equipment.

TCS Limited recognises revenue as follows:

Revenues from bundled contracts that involve supplying computer equipment, licensing software and providing services are recognised separately for each of the elements based on the nature of each element and their proportional fair values. The fair value of each element is determined by reference to the price charged when the same element is sold separately.

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

Revenues from software development contracts, which are generally time bound fixed price contracts, are recognised over the life of the contract using the percentage-of-completion method, with contract costs determining the degree of completion. Revenue recognition using the percentage-of-completion method in conformity with American Institute of Certified Public Accountants' Statement of Position No. 81-1, is based on the guidance in Statement of Position 97-2, *Software Revenue Recognition*, to account for revenues under fixed price arrangements for software development and related services. Losses on such contracts are recognised when probable. Revenues in excess of billings are recognised as unbilled revenues in the balance sheet; to the extent billings are in excess of revenues recognised, the excess is reported as unearned and deferred revenue in the balance sheet.

Revenues from business process outsourcing contracts priced on the basis of time and material or unit of delivery are recognised as services are rendered or the related obligation is performed.

Revenues from the sale of computer equipment are recognised upon delivery, which is when title passes to the customer. TCS Limited acts as a reseller of third party computer equipment products; such revenues are reported gross as TCS Limited acts as a principal, as it has pricing authority and bears inventory and credit risk.

Revenues from the sale of internally developed and manufactured systems and third party software products which do not require significant modification are recognised upon delivery of a license, which is when the absolute right to use passes to the customer and TCS Limited does not have any material remaining service obligations. TCS Limited acts as a relicensor of third party software licenses. Revenues from such products are reported gross as TCS Limited acts as a principal, has pricing authority and bears inventory and credit risk.

Revenues from maintenance contracts and from finite period software licenses granted are recognised on a pro-rata basis over the period of the contract.

TCS Limited recognises volume discount obligations as a reduction of revenue in proportion to the revenue recognised from the customer to the total expected revenue.

Tata Consultancy Services Limited

Notes to Consolidated Financial Statements

TCS Limited reports billed out-of-pocket expenses as revenue.

All revenues are recognised only when collectability of the resulting receivable is reasonably assured, and are reported net of discounts and indirect and service taxes.

f. Cost recognition

Costs and expenses are recognised when incurred and have been classified according to their primary functions in the following categories:

Cost of information technology and consultancy services

These costs primarily include employee compensation of personnel when engaged in providing consultancy services, travel expenses, employee allowances, payroll related taxes, client specific training expenses, depreciation and amortisation of production related equipment and software, rental expenses, losses incurred on fixed price contracts and communication costs.

Cost of equipment and software licenses

These costs consist of the cost of resold computer equipment and re-licensed software, and include inward shipping and insurance costs.

Selling, general and administrative expenses

Selling costs primarily include employee compensation for sales and marketing personnel, travel costs, advertising, business promotion expenses, allowances for delinquent receivables, outward shipping expenses, rental expenses for sales and marketing offices and market research costs.

General and administrative costs primarily include employee compensation for administrative, supervisory, managerial and practice management personnel, depreciation and amortisation of non-production equipment and software, rental expenses for administrative offices, insurance, electricity, telecommunication costs, legal and professional fees, impairment of goodwill, long-lived assets and intangibles, valuation allowances and other general expenses.

Research and development expenses

Research and development (R&D) expenses include all costs relating to TCS Limited's research and development center and costs incurred for the development of software to be sold.

The R&D center's expenses primarily consist of employee compensation for research personnel, facilities expenses for the R&D center and the cost of software and equipment for which there is no future use within the enterprise. Property, plant and equipment that have an alternative future use within the enterprise are capitalised and depreciated over their estimated useful lives.

g. 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

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Notes to Consolidated Financial Statements

statement items have been translated using the weighted average exchange rates for the year. Translation adjustments have been reported as a component of other comprehensive income in the statement of changes in shareholders' equity.

The consolidated financial statements have been presented in US Dollars as the reporting currency. Effective April 1, 2008 TCS Limited changed its reporting currency to US Dollars from Indian Rupees. The consolidated financial statements for fiscals 2007 and 2008 have been retrospectively revised to reflect US dollar as the reporting currency. Change in reporting currency was to facilitate the investor's ability to evaluate TCS Limited's performance and financial position in comparison to similar companies domiciled in different foreign jurisdictions.

h. Income taxes

Income tax expense comprises current tax expense and the net change in the deferred tax asset or liability during the year.

Current income taxes:

The current income tax expense includes Indian income taxes payable for Tata Consultancy Services Limited's worldwide operations after taking credit for benefits available for operations in Software Technology Parks (or STPs) and Special Economic Zones (or SEZs) and export earnings, and after offsetting benefits under tax avoidance treaties for foreign taxes payable in overseas jurisdictions.

The domestic operations are carried out through 36 "undertakings" established in STPs and 10 "undertakings" established in SEZs, which are separate entities under Indian income tax laws entitled to tax holidays and other undertakings.

Current income tax is payable in each of TCS Limited's overseas branches and is computed in accordance with the tax laws applicable in the jurisdiction in which each of the branches operate. The amounts paid are generally available for offset as tax credits in India towards the income tax liability computed on TCS Limited's worldwide income.

The current income tax expense for overseas subsidiaries has been computed based on the laws applicable to each entity in the jurisdiction in which that entity operates.

Payments of advance taxes and income taxes payable in the same tax jurisdictions are offset.

Deferred income taxes:

Deferred tax assets and liabilities are recognised for the future tax consequences of temporary differences between the carrying values of assets and liabilities and their respective tax bases, and unutilised business loss carry forwards. Deferred tax assets and liabilities are computed separately for each taxable entity in the consolidated enterprise and for each taxable jurisdiction. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realised and are separately estimated at each such entity without offsetting.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be received or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in the income statement in the period of enactment of the change.

For domestic operations carried out in STPs and SEZs, deferred tax liabilities, if any, have been established for the tax consequences of those temporary differences between the carrying values of assets and liabilities and their respective tax bases that reverse after the tax holiday ends. No deferred tax asset has been recognised for the reduction in taxes attributable to such tax holidays.

For taxable entities and undertakings that are not entitled to tax holidays, deferred tax assets and liabilities are recognised for the future tax consequences of temporary differences between the carrying

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values of assets and liabilities and their respective tax bases, and operating loss carry forwards. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realised.

Uncertain tax position are recognised using the more likely-than-not threshold determined solely based on technical merits that the tax positions will sustain upon examination. Tax positions that meet the recognition threshold are measured as the largest amount of benefit that is greater than fifty percent likely of being realised upon settlement with relevant taxing authority that has full knowledge of all relevant information. Interest and penalties relating to uncertain tax positions are classified under accrued expenses and other current liabilities.

i. Cash and cash equivalents

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

j. Concentrations of credit risk

Financial instruments that potentially subject TCS Limited to concentrations of credit risk principally consist of cash and cash equivalents, accounts receivable and unbilled revenues.

k. Inventories

Stores and spares inventories are stated at cost determined on a weighted average basis. Raw materials, sub-assemblies and components are valued at lower of cost and market value and their costs are determined on a weighted average basis.

Purchased goods in transit are stated at their cost.

Finished goods produced or purchased are stated at the lower of cost and market value. Cost is determined using the specific identification method and includes direct material and labour costs and a proportion of manufacturing overheads. Work-in-progress is stated at lower of cost or market value.

Obsolete or slow moving inventories are written down based on management's specific analysis of future sales forecast and economic conditions.

l. Goodwill and other intangible assets

Purchased intangible assets, other than goodwill, consist of amounts allocated to customer relationships on acquisition of a business, acquisition of intellectual property rights and acquired contract rights. The intangible assets are amortised on a straight-line basis. The following table summarises the nature of intangibles and the estimated useful lives.

<u>Nature of intangibles</u>	<u>Useful lives</u>
Customer-related intangibles	3-10 years
Technology-related intangibles	3-10 years
Software licenses	License period
Acquired contract rights	5-12 years

Goodwill is assessed for impairment annually on March 31 or when events or circumstances indicate that the implied fair value of goodwill is less than its carrying amount. Goodwill impairment assessment is a two-step test. The first step compares the fair value of the reporting unit with its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired; however if the carrying amount of the reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the impairment

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Notes to Consolidated Financial Statements

loss, if any. TCS Limited uses an income-based approach to determine the fair value of the reporting unit by estimating the present value of the future cash flows after considering current economic conditions and trends, estimated future operating results and growth rates, and anticipated future economic and regulatory conditions. When required to perform the second step, TCS Limited compares the implied fair value of reporting units with the carrying amount of that goodwill. If the carrying amount of goodwill exceeds the implied fair value, an impairment loss equal to that excess amount is recognised, not to exceed the goodwill carrying amount. TCS Limited determines the implied fair value of goodwill for a reporting unit by assigning the fair value of the reporting unit to all of the assets and liabilities of that unit (including any unrecognised intangible assets) as if the reporting unit had been acquired in a business combination. The excess of the fair value of the reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill. This assignment process is only for the purpose of testing goodwill impairment and TCS Limited does not adjust the carrying amount of the recognised assets and liabilities (other than goodwill, if appropriate) or recognise previously unrecognised intangible assets in the consolidated balance sheet as a result of this assignment process.

m. Investments

Equity securities and investments in mutual funds with readily determinable fair market values are classified as available-for-sale securities and recorded at fair value. Unrealised gains and losses on such securities, net of applicable taxes, are reported in accumulated other comprehensive income, a separate component of shareholders' equity. Realised gains and losses on sale of securities are recorded on the trade date and the costs of investments sold are determined using the weighted average method.

Equity securities that do not have readily determinable market values are accounted at original cost.

Declines in the fair values of investments below cost that are other than temporary are reflected in earnings as realised losses. Fair values of equity securities carried at cost are estimated if there are identified events or changes in circumstances that may have a significant adverse effect on the fair value of the investment.

Debt securities for which management has the positive intent and ability to hold to maturity are classified as held-to-maturity securities and are reported at amortised cost.

TCS Limited does not have any securities classified as trading.

n. Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation. Depreciation is provided for property, plant and equipment so as to expense the cost over their estimated useful lives at the following basis and rates:

Type of asset	Method	Rate
Buildings	Declining balance method	2.5% - 5%
Computer equipment	Straight line method	16% - 50%
Automobiles	Declining balance method	25% - 40%
Plant and machinery	Straight line method	33.3%
Furniture and fixtures	Straight line method	10% - 100%
Office equipment	Declining balance method	13.9%

Depreciation is not recorded on capital work in progress until construction and installation are complete and the asset is ready for its intended use.

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Property, plant and equipment exclude computers and other assets individually costing USD 1,000 (Rs 50,000) or less which are not capitalised except when they are part of a larger capital investment programme.

o. Impairment or disposal of long-lived assets

Whenever events or circumstances indicate that the carrying amount of long-lived assets may not be recoverable, TCS Limited subjects such assets to a test of recoverability based on the undiscounted cash flows from use and disposition of the asset. If the asset is impaired, TCS Limited recognises an impairment loss as the difference between the carrying value of the asset and fair value. As of March 31, 2008 and 2009, none of TCS Limited's long-lived assets was considered impaired.

p. Compensated absences

TCS Limited provides for the cost of vacation earned but not taken based on the number of days of carry forward entitlement at each balance sheet date.

q. Long-term debt

TCS Limited reports long-term debt at the outstanding principal balance. Interest costs are accounted for on accruals basis and charged to the statement of income using the effective interest method.

r. Earnings per share

Basic earnings per share is computed by dividing net income attributable to shareholders of Tata Consultancy Services Limited by the weighted average number of equity shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of equity and dilutive equity equivalent shares outstanding during the period, using the treasury stock method for options, except where the results would be anti-dilutive.

s. Comprehensive income

Comprehensive income includes all changes in equity from transactions and other events and circumstances from non-shareholder sources. TCS Limited's comprehensive income comprises unrealised gains and losses on available-for-sale securities, translation adjustments arising on the translation of financial statements from functional currency to reporting currency, effective portion of gain / loss on derivative instruments, defined benefit pension and other post-retirement plans and net income.

t. Segment information

TCS Limited operates in three identified geographic reportable segments, namely (1) the Americas, (2) Europe and (3) India. All other operating segments do not meet the quantitative thresholds for disclosure. Segment-wise information has been provided in Note 26.

u. Derivative financial instruments

TCS Limited uses foreign currency option contracts as well as forward contracts to manage its exposure to foreign exchange. TCS Limited recognises the outstanding contracts at fair value. The option and forward contracts are designated and documented as hedges at the inception of the contract. The effectiveness of option and forward contracts to reduce the risk associated with the exposure being hedged is assessed and measured at inception and on an ongoing basis. Any amounts excluded from the assessment of hedge effectiveness, as well as the ineffective portion of designated hedges are reported in earnings immediately.

Changes in fair value of derivative instruments designated and qualifying as hedges are recognised as a component of the accumulated other comprehensive income in the statement of changes in shareholders' equity and is reclassified into earnings when the related hedge items impact earnings. Changes in fair value of derivative financial instruments that are not designated as a hedge are recorded immediately in earnings.

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When the financial instrument is terminated or settled prior to the expected maturity or realisation of the underlying item, hedge accounting is discontinued prospectively. Gains or losses from changes in fair value of discontinued derivative instruments are recognised in earnings when the hedged transaction occurs. Fair value adjustments, recognised for cash flow hedges after settlement or termination, continue to be reported in accumulated other comprehensive income until the related hedged items impact earnings. For anticipated transactions that are no longer probable, recognised fair value adjustments within accumulated other comprehensive income are reported immediately in current earnings.

v. Newly issued accounting pronouncements

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*, (SFAS No. 157). SFAS No. 157 establishes a framework for measuring fair value and expands disclosures about fair value measurements. The changes to current practice resulting from the application of this Statement relate to the definition of fair value, the methods used to measure fair value, and the expanded disclosures about fair value measurements. The Statement is effective for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. In February 2008, the FASB issued Staff Position No. SFAS 157-2 which defers the effective date of SFAS 157 for all non-financial assets and non-financial liabilities to fiscal years beginning after November 15, 2008 and interim periods within those fiscal years. Effective April 2008, TCS Limited adopted SFAS No. 157 and the adoption did not have a material impact on TCS Limited's consolidated financial statements. Disclosures in accordance with SFAS No. 157 have been presented in Note 24 to consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, *Non controlling Interests in Consolidated Financial Statements*, an amendment of Accounting Research Bulletin No. 51 (SFAS No. 160). SFAS No. 160 establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the non controlling interest, changes in a parent's ownership interest, and the valuation of retained non controlling equity investments when a subsidiary is deconsolidated. SFAS No. 160 also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the non controlling owners. This statement is effective for the fiscal year and interim periods within those fiscal years on or after December 15, 2008. The requirements of SFAS No. 160 and its impact on TCS Limited's financial statements are being evaluated.

In December 2007, the FASB issued SFAS No. 141(Revised 2007), *Business Combinations* (SFAS No. 141R) which replaces SFAS No. 141, *Business Combinations*. SFAS 141R requires that the assets acquired, the liabilities assumed and non-controlling interests be measured at the fair value at the acquisition date. The statement also requires the entity to recognise contingent consideration at the fair value at the acquisition date. This statement is effective for the fiscal year on or after December 15, 2008. The requirements of SFAS No. 141R and its impact on TCS Limited's financial statements are being evaluated.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities*, an amendment to FASB Statement No. 133 (SFAS No. 161). SFAS 161 requires additional disclosures on derivative and hedging activities by describing the need and objectives to be disclosed in terms of risks and the effects of such instruments on the financial statements. This statement is effective for the fiscal year on or after November 15, 2008. The requirements of SFAS No. 161 and its impact on TCS Limited's financial statements are being evaluated.

In April 2008, FASB issued FASB Staff Position (FSP) FAS 142-3, *Determination of the Useful Life of the Intangible Assets*. Through this FSP, amendments were made in the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognised intangible asset under FASB Statement No. 142, *Goodwill and Other Intangible Assets*. The FSP enhances the disclosures required for a recognised intangible asset enabling the users of financial statements to assess the extent to which the expected future cash flows associated with the asset would be affected by the entity's intent

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and/or ability to renew or extend the arrangement. This FSP is effective for all assets acquired after April 1, 2009. Early adoption is prohibited. The requirements of this FSP and its impact on TCS Limited's financial statements are being evaluated.

In May 2008, the FASB issued SFAS No. 163, *Accounting for Financial Guarantee Insurance Contracts*, an interpretation of FASB Statement No. 60 (SFAS No. 163). SFAS 163 requires that an insurance enterprise recognise a claim liability prior to an event of default (insured event) when there is evidence that credit deterioration has occurred in an insured financial obligation. This Statement also clarifies how Statement 60 applies to financial guarantee insurance contracts, including the recognition and measurement to be used to account for premium revenue and claim liabilities. This Statement is effective for financial statements issued for fiscal years beginning after December 15, 2008, the adoption of SFAS No. 163 is not expected to have any impact on the financial position or results of operations of TCS Limited.

In October 2008, the FASB issued FSP 157-3, *Determining Fair Value of a Financial Asset in a Market That Is Not Active* (FSP 157-3). FSP 157-3 clarified the application of SFAS No. 157 in an inactive market. It demonstrated how the fair value of a financial asset is determined when the market for that financial asset is inactive. FSP 157-3 was effective upon issuance, including prior periods for which financial statements had not been issued. The adoption of SFAS No. 157-3 is not expected to have any impact on the financial position or results of operations of TCS Limited.

In December 2008, FASB issued FASB Staff Position (FSP) FAS 132(R)-1, *Disclosures about Employers' Plan Assets*. Through this FSP, amendments were made in Statement 132 (R), *Employers' Disclosures about Pensions and Other Postretirement Benefits*. The FSP enhances the disclosures required about employers' plan assets, including employers' investment strategies, major categories of plan assets, concentrations of risk within plan assets, and valuation techniques used to measure the fair value of plan assets. This FSP is effective on December 30, 2008. An entity must provide the FSP's disclosures in financial statements for fiscal years ending after December 15, 2009. The requirements of this FSP and its impact on TCS Limited's financial statements are being evaluated.

In April 2009, the FASB issued FSP No. FAS 141(R)-1, *Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies* (SFAS No. 141(R)). FSP FAS 141(R)-1 amends the provisions in Statement 141R for the initial recognition and measurement, subsequent measurement and accounting and disclosures for assets and liabilities arising from contingencies in business combinations. The FSP is effective for contingent assets or contingent liabilities acquired in business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The requirements of this FSP and its impact on TCS Limited's financial statements are being evaluated.

3. Acquisitions

Fiscal 2008 acquisitions

On May 25, 2007, Tata Consultancy Services Do Brasil Desenvolvimento De Servicos Limitada (TCS LTDA), indirectly through GT Participacoes S.A. (GT), acquired the remaining non-controlling interest of 49% for a consideration of USD 33.7 million (Reais 65.1 million) in Tata Consultancy Services Do Brasil Ltda (TCS Do Brasil). Consequently, TCS Do Brasil is now a wholly owned subsidiary of TCS LTDA. The fair valuation of assets and liabilities based on purchase price allocation has identified Acquired Contract Rights and Customer Relationships as intangible assets that has been valued at USD 5.3 million, to be amortised over the estimated useful life of 5 years. The excess of purchase consideration over net assets and identified intangible assets has been recognised as goodwill of USD 24.2 million.

Considering TCS Do Brasil's contribution in building TCS Limited's business the aforesaid acquisition was targeted to further expand TCS Do Brasil's presence in the Brazilian and US markets for IT services.

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Purchase consideration paid for this acquisition has been allocated as follows:

	<u>(In millions of USD)</u>
Net assets acquired, at fair value	
Property, plant and equipment	\$1.2
Fair value of intangible assets	5.3
Net working capital	3.0
Fair value of net assets on date of acquisition	9.5
Goodwill	24.2
Purchase consideration	\$33.7

Fiscal 2009 acquisitions

On December 31, 2008 Tata Consultancy Services Limited acquired a 96.26 percent equity interest in TCS e-Serve Limited, (formerly known as Citigroup Global Services Limited), a business process outsourcing (BPO) provider within the banking and financial services (BFS) sector from Citigroup Inc.(Seller), for USD 504.5 million including acquisition cost of USD 2.5 million. The fair valuation of assets and liabilities on purchase price allocation has identified Acquired Contract Rights, an intangible asset that has been valued at USD 114.4 million, to be amortised over the contractual period of 9.5 years. The excess of purchase consideration over net assets and the identified intangible asset has been recognised as goodwill of USD 305.0 million.

TCS e-Serve Limited is one of the largest BPO providers in India with a trained workforce, having strong domain skills in the areas of its offerings. Through this acquisition, TCS Limited will be positioned to acquire new customers in addition to the existing client base and create substantial business in BPO services in the BFS sector. Tata Consultancy Services Limited is entitled to an indemnification of certain specified contingent claims on TCS e-Serve Limited and is liable to pay amounts equal to amounts refunded to TCS e-Serve Limited on those claims from the Seller.

Purchase consideration paid for this acquisition has been allocated as follows:

	<u>(In millions of USD)</u>
Net assets acquired, at fair value	
Investments	\$16.5
Property, plant and equipment	20.6
Fair value of intangible assets	114.4
Net working capital	75.5
Other non-current liabilities	(27.5)
Fair Value of net assets on date of acquisition	199.5
Goodwill	305.0
Purchase consideration	\$504.5

Proforma results for TCS e-Serve Limited acquisition

The following unaudited proforma financial information presents the combined results of operations of TCS Limited and TCS e-Serve Limited as if the acquisition had occurred as of the beginning of each of the periods presented. The unaudited proforma results for all periods presented include amortisation charges for identified intangible assets, eliminations of intercompany transactions and related tax effects.

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The unaudited proforma results were as follows for the fiscal years ended March 31, 2008 and 2009:

	Year Ended March 31, 2008	Year Ended March 31, 2009
	(In millions of USD, except per share data)	
Revenue	\$5,868.5	\$6,218.6
Net Income	1,295.5	1,112.1
Earnings per share	1.32	1.14

The proforma financial information is presented for informational purposes and is not indicative of the results of operations that may have been achieved if the acquisition had taken place at the beginning of each of the periods presented.

4. Cash and cash equivalents

Cash and cash equivalents consist of the following:

	As of March 31, 2008	As of March 31, 2009
	(In millions of USD)	
Held within India	\$19.2	\$44.8
Held outside India	238.9	247.7
Total	\$258.1	\$292.5

5. Concentrations of credit risk

Concentrations of credit risk exist when changes in economic, industry or geographic factors similarly affect groups of counter parties whose aggregate credit exposure is material in relation to TCS Limited's total credit exposure.

TCS Limited has a customer concentration of risk, as illustrated in the table below showing the aggregated accounts receivable and unbilled revenues for five largest customers as of March 31, 2008 and 2009, respectively.

TCS Limited's exposure to other customers is diversified and no other single customer explains more than 2.0% of outstanding accounts receivable and unbilled revenues as of March 31, 2008 and 2009.

	As of March 31, 2008	
	(In millions of USD, except percentages)	
	Total accounts receivable and unbilled revenues	Percentage
Customer P	\$110.5	6.6
Customer J	53.0	3.2
Customer C	44.7	2.7
Customer Q	43.5	2.6
Customer R	36.9	2.2
Others	1,392.5	82.7
Total	\$1,681.1	100.0

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	As of March 31, 2009	
	(In millions of USD, except percentages)	
	Total accounts receivable and unbilled revenues	Percentage
Customer A	\$72.0	4.9
Customer B	54.6	3.7
Customer P	54.3	3.7
Customer D	36.2	2.4
Customer R	30.3	2.0
Others	1,235.5	83.3
Total	\$1,482.9	100.0

TCS Limited also has a geographic concentration of credit risk with exposure to customers based in the United States of America and in the United Kingdom comprising 37.8% and 18.2% of the balances as of March 31, 2008 and 39.6 % and 16.5% of the balances as of March 31, 2009, respectively.

TCS Limited also has a geographic concentration of credit risk relating to cash and cash equivalents held with banks in South Africa, in the United Kingdom and in the United States of America comprising 14.4%, 20.7% and 13.3% of the balances as of March 31, 2008 and 13.3%, 10.6% and 6.0% of the balances as of March 31, 2009, respectively.

6. Inventories

Inventories consist of the following :

	As of March 31, 2008	As of March 31, 2009
	(In millions of USD)	
Stores and spares	\$0.7	\$0.3
Raw materials	3.1	2.7
Goods in transit	0.7	0.7
Computers and equipment held for resale	6.0	3.2
Work in progress	0.1	0.2
Total	\$10.6	\$7.1

In fiscals 2008 and 2009 there was no impairment loss in respect of inventories.

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7. Prepaid expenses and others current assets

Prepaid expenses and other current assets consist of the following :

	As of March 31, 2008	As of March 31, 2009
	(In millions of USD)	
Prepaid expenses	\$ 113.4	\$95.8
Advance to suppliers	13.8	8.5
Employee loans and advance (net of allowances of \$3.3 million and \$3.8 million, respectively)	41.8	25.2
Short-term bank deposits	12.3	222.7
Income taxes paid in advance	71.3	128.0
Deferred income taxes	30.7	26.1
Foreign currency derivative assets	15.5	3.5
Other current assets (net of allowances of \$1.6 million and \$2.1 million, respectively)	74.7	110.9
Total	\$373.5	\$620.7

8. Investments

Investments consist of the following:

	As of March 31, 2008	As of March 31, 2009
	(In millions of USD)	
Investments available-for-sale, at fair value	\$655.9	\$320.2
Investments held-to-maturity, at amortised cost	3.3	18.3
Investments available-for-sale at cost, net	0.9	1.6
Total	\$660.1	\$340.1

Information on unrealised gains and losses on available-for-sale investments at March 31, 2008 and March 31, 2009 is as follows:

	Cost	Gross unrealised gains	Gross unrealised losses	Fair Value
	(In millions of USD)			
Available-for-sale securities :				
As of March 31, 2008:				
Investments in mutual funds	\$635.3	\$11.4	\$(0.3)	\$646.4
Investments in debt securities	9.6	-	(0.1)	9.5
Total available-for-sale securities	\$644.9	\$11.4	\$(0.4)	\$655.9
As of March 31, 2009:				
Investments in mutual funds	\$313.0	\$6.5	\$(0.9)	\$318.6
Investments in debt securities	1.6	-	-	1.6
Total available-for-sale securities	\$314.6	\$6.5	\$(0.9)	\$320.2

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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, 2008 :				
Investments in debt securities	\$1.1	\$-	\$(0.1)	\$1.2
Investments in preference securities	2.0	-	(0.1)	2.1
Total held-to-maturity securities :	\$3.1	\$-	\$(0.2)	\$3.3
As of March 31, 2009 :				
Investments in debt securities	\$16.6	\$-	\$-	\$16.6
Investments in preference securities	1.6	-	(0.1)	1.7
Total held-to-maturity securities :	\$18.2	\$-	\$(0.1)	\$18.3

The contractual maturity of available-for-sale debt securities as of March 31, 2009 is as follows:

Year ending March 31,	(In millions of USD)
2010	\$0.1
2011	0.2
2012	0.1
2013	0.1
2014	0.2
2015	0.4
2021	0.2
2030	0.1
2036	0.2
Total	\$1.6

The contractual maturity of held-to-maturity securities as of March 31, 2009 is as follows:

Year ending March 31,	Debt securities	Preference securities
(In millions of USD)		
2010	\$15.9	\$1.7
2012	-	-
2014	0.4	-
2015	0.3	-
Total	\$16.6	\$1.7

Dividends on investments for fiscals 2007, 2008 and 2009 were \$8.6 million, \$26.9 million and \$27.8 million, respectively.

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The proceeds and gross realised gains from sale of available-for-sale securities for fiscal 2007 were \$3,335.2 million and \$2.2 million, respectively. Unrealised gain of \$1.7 million was reclassified from accumulated other comprehensive income to earnings on sale of these securities.

The proceeds and gross realised gains from sale of available-for-sale securities for fiscal 2008 were \$6,779.7 million and \$3.9 million, respectively. Unrealised gain of \$3.6 million was reclassified from accumulated other comprehensive income to earnings on sale of these securities.

The proceeds and gross realised gains from sale of available-for-sale securities for fiscal 2009 were \$6,719.2 million and \$11.7 million, respectively. Unrealised gain of \$9.4 million was reclassified from accumulated other comprehensive income to earnings on sale of these securities.

9. Property, plant and equipment

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

	As of March 31, 2008	As of March 31, 2009
	(In millions of USD)	
Land	\$68.4	\$61.1
Buildings	320.6	360.6
Computer equipment	236.5	269.2
Automobiles	14.9	9.3
Plant and machinery	34.2	26.3
Furniture, fixtures and office equipment	239.5	262.7
Property, plant and equipment, at cost	<u>914.1</u>	<u>989.2</u>
Less : Accumulated depreciation	<u>(366.5)</u>	<u>(375.4)</u>
	547.6	613.8
Capital work-in-progress	<u>205.7</u>	<u>125.1</u>
Property, plant and equipment, net	<u>\$753.3</u>	<u>\$738.9</u>

Depreciation expenses was \$82.6 million, \$125.8 million and \$106.2 million in fiscals 2007, 2008 and 2009, respectively.

The useful life of computer equipment of Tata Consultancy Services Limited has been reviewed by the management and the original estimate of the useful life of these assets has been revised to four years from two years. The remaining depreciable amount is charged over the revised remaining useful life of these assets. Consequently, depreciation for fiscal 2009 is lower and the profit for fiscal 2009 is higher by \$39.3 million, and the earnings per share is higher by \$0.04.

During the fiscal 2009, Tata America International Corporation ("TAIC"), a wholly owned subsidiary, received \$2.5 million consequent to a grant agreement entered with a State Development Department, USA in respect of TAIC's new office established in the State of Ohio, with an obligation to create new employment positions during the term of the agreement. The carrying amount of the related property, plant and equipment has been reduced by \$2.5 million. The grant is recognised as income over the life of the property, plant and equipment by way of reduced depreciation charge.

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Included in property, plant and equipment are the following assets taken on capital lease:

	As of March 31, 2008	As of March 31, 2009
	(In millions of USD)	
Computer equipment	\$2.0	\$1.6
Furniture, fixtures and office equipment	1.2	7.3
Leased property	3.2	8.9
Less: Accumulated depreciation	(0.7)	(1.6)
Leased property, net	\$2.5	\$7.3

10. 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, 2008:					
Customer-related intangibles	\$20.2	\$2.8	\$4.7	\$(9.9)	\$17.8
Technology-related intangibles	24.4	-	3.9	(8.3)	20.0
Acquired contract rights	45.8	2.5	6.2	(10.8)	43.7
Software licenses	11.1	-	1.5	(6.3)	6.3
Others	4.7	-	0.2	(2.1)	2.8
Total	\$106.2	\$5.3	\$16.5	\$(37.4)	\$90.6
As of March 31, 2009:					
Customer-related intangibles	\$23.0	\$-	\$1.0	\$(14.2)	\$9.8
Technology-related intangibles	24.4	-	0.7	(11.0)	14.1
Acquired contract rights	48.3	113.7	(9.1)	(18.0)	134.9
Software licenses	11.1	1.2	0.2	(9.3)	3.2
Others	4.7	-	(0.3)	(3.2)	1.2
Total	\$111.5	\$114.9	\$(7.5)	\$(55.7)	\$163.2

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The estimated amortisation for each of the five fiscal years subsequent to March 31, 2009 is as follows:

<u>Year ending March 31,</u>	<u>Amortised Cost</u>
	(In millions of USD)
2010	\$24.0
2011	21.3
2012	20.1
2013	19.2
2014	18.3
Thereafter	60.3
Total	\$163.2

Amortisation expense was \$13.9 million, \$18.0 million and \$18.3 million in fiscals 2007, 2008 and 2009 respectively.

11. Goodwill

	<u>As of March 31,</u>	<u>As of March 31,</u>
	2008	2009
	(In millions of USD)	
Balance at the beginning of the year	\$224.1	\$276.9
Addition during the year	32.5	305.6
Foreign currency translation adjustment	20.3	(71.9)
Balance at the end of the year	\$276.9	\$510.6

TCS Limited performed its annual impairment test as of March 31, 2009. TCS Limited estimated the fair values of the reporting units using an income-based approach and estimated future cash flows after considering current economic conditions and trends, estimated future operating results and growth rate, and anticipated future economic and regulatory conditions. The estimated cash flows were developed using internal forecasts. The discount rates used for the reporting units were based on the historical market returns of the comparable companies. As of March 31, 2009, the fair values of all reporting units exceed the carrying amounts and no impairment loss was recognised in fiscal 2009.

As of March 31, 2009, goodwill amounting to \$35.1 million is deductible for tax purposes.

12. Other non-current assets

Other non-current assets consist of the following:

	<u>As of March 31,</u>	<u>As of March 31,</u>
	2008	2009
	(In millions of USD)	
Non-current portion of employee loans	\$8.8	\$8.1
Prepaid rent	37.9	25.2
Rent deposits	52.1	67.5
Deferred income taxes	95.7	161.2
Restricted cash	0.9	1.1
Long-term bank deposits	33.4	17.5
Others	30.1	50.6
Total	\$258.9	\$331.2

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13. Accrued expenses and other current liabilities

Accrued expenses and other current liabilities consist of the following:

	As of March 31, 2008	As of March 31, 2009
	(In millions of USD)	
Accounts payable, including retentions	\$189.6	\$208.0
Accrued expenses	254.2	191.3
Accrued payroll	120.4	126.5
Income taxes payable	81.9	115.3
Indirect taxes payable	86.5	66.8
Deferred income taxes	45.6	48.1
Foreign currency derivative liabilities	47.9	136.2
Other current liabilities	20.3	42.9
Total	\$846.4	\$935.1

14. Income taxes

The income tax expense consists of the following:

	Year ended March 31, 2007	Year ended March 31, 2008	Year ended March 31, 2009
	(In millions of USD)		
Current income tax expense:			
Domestic	\$24.5	\$119.3	\$111.4
Foreign	120.9	151.5	149.5
Total	\$145.4	\$270.8	\$260.9
Deferred income tax expense:			
Domestic	\$5.4	\$(81.9)	\$(83.0)
Foreign	(1.6)	(1.4)	12.5
Total	\$3.8	\$(83.3)	\$(70.5)
Total income tax expense	\$149.2	\$187.5	\$190.4

The reconciliation of estimated income tax expense at Indian statutory income tax rate to income tax expense reported in statement of income is as follows:

	Year ended March 31, 2007	Year ended March 31, 2008	Year ended March 31, 2009
	(In millions of USD)		
Income before income taxes	\$1,073.1	\$1,447.2	\$1,327.3
Indian statutory income tax rate	33.660%	33.990%	33.990%
Expected income tax expense	361.2	491.9	451.2
Tax effect of:			
Adjustments to reconcile expected income tax expense to reported income tax expense:			
Tax effect of permanent differences:			
Tax holidays and income exempt from tax	(283.4)	(394.2)	(361.8)
Branch profit tax in foreign jurisdictions	69.6	94.0	79.4
Income taxed at different rates	2.0	1.1	5.2
Others, net	(0.2)	(5.3)	16.4
Total income tax expense	\$149.2	\$187.5	\$190.4

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Under Section 10A of the Indian Income Tax Act, 1961, TCS Limited is entitled to tax holidays for its various Software Technology Park (STP) units located across India. These tax holidays are available for a period of ten fiscal years from the date of commencement of operations. These holidays expire in fiscal 2010.

In addition, TCS Limited benefits from the tax exemption available for units set up under the Special Economic Zone Act, 2005 (SEZ). These tax holidays are available for a period of fifteen fiscal years from the date of commencement of operations. Under the SEZ scheme, the unit which begins providing services on or after April 1, 2005 will be eligible for deductions of 100% of profits or gains derived from export of services for the first five years, 50% of such profit or gains for a further period of five years and 50% of such profit or gains for a further period of five years subject to fulfillment of certain conditions.

The per share (basic) effect of the tax holiday was \$0.29, \$0.39 and \$0.35 for fiscals 2007, 2008 and 2009.

The tax effects of significant temporary differences are as follows:

	As of March 31, 2008	As of March 31, 2009
	(In millions of USD)	
Tax effect of:		
Deductible temporary differences:		
Retirement benefits and compensated absences	\$13.3	\$12.9
Allowances for doubtful receivables, loans and advances	4.4	6.5
Allowances for diminution in value of investments	2.5	0.6
MAT credit entitlement	87.7	152.8
Operating loss carry forward	11.4	2.8
Intangibles and goodwill	4.3	8.0
Others	5.3	4.5
Deferred tax asset	128.9	188.1
Less: Valuation allowance	2.5	0.8
Net deferred tax asset	\$126.4	\$187.3
Current	\$30.7	\$26.1
Non-current	95.7	161.2
Total	\$126.4	\$187.3
Taxable temporary differences:		
Property, plant and equipment	\$2.4	\$14.8
Branch profit tax	25.2	21.5
Undistributed earnings of subsidiaries and affiliates	15.6	23.6
Unrealised gain on available-for-sale securities	3.8	2.1
Others	9.1	44.9
Deferred tax liability	\$56.1	\$106.9
Current	\$45.6	\$48.1
Non-current	10.5	58.8
Total	\$56.1	\$106.9

A valuation allowance has been recognised on deferred tax asset relating to impairment of certain securities carried at cost, which TCS Limited does not intend to sell in the foreseeable future and operating losses of certain subsidiaries and branches do not expect to return to tax profitability in near future.

Under the Indian Income Tax Act, 1961, unabsorbed business losses expire eight years after the year in which they originate. In respect of certain foreign subsidiaries, business losses can be carried forward indefinitely unless there is a substantial change in the ownership.

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Under the Indian Income Tax Act, 1961, TCS Limited is liable to pay Minimum Alternate Tax (MAT). The excess tax paid as per MAT over and above the regular tax liability can be carried forward for a period of 7 years and can be set off against the future tax liabilities computed under regular tax provisions. Consequently, TCS Limited has recognised a deferred tax asset of \$152.8 million as of March 31, 2009.

Deferred tax liability of \$22.1 million on undistributed earnings of a foreign subsidiary has not been recognised, as it is the intention of TCS Limited to reinvest the foreign earnings for an indefinite period of time. TCS Limited has not provided deferred tax liability on \$132.3 million of undistributed earnings of subsidiaries, as it is TCS Limited's policy to indefinitely reinvest these earnings in subsidiaries' operations. Quantification of the deferred tax liability, if any, associated with indefinitely reinvested earnings is not practicable.

Tax (benefit) / expense allocated to each component of other comprehensive income are as follows:

	<u>As of March 31, 2007</u>	<u>As of March 31, 2008</u>	<u>As of March 31, 2009</u>
	(In millions of USD)		
Unrealised (loss) / gain on available-for-sale securities	\$0.6	\$2.5	\$(1.7)
Employee benefit plans	-	0.6	(1.8)
Total	<u>\$0.6</u>	<u>\$3.1</u>	<u>\$(3.5)</u>

TCS Limited adopted the provisions of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, on April 1, 2007. This Interpretation requires that TCS Limited recognise in financial statements the impact of a tax position, if that position is more likely than not to be sustained based on the technical merits of the position. TCS Limited has recognised \$3.9 million and \$1.0 million as an increase in liability net of deferred tax of \$0.4 million and \$0.2 million for unrecognised tax benefits for fiscals 2008 and 2009 respectively.

A reconciliation of the beginning and ending amounts of the gross unrecognised tax benefits, which are recorded in the balance sheet of TCS Limited, is given below:

	<u>Year ended March 31, 2008</u>	<u>Year ended March 31, 2009</u>
	(In millions of USD)	
Balance at the beginning of the year	\$-	\$3.5
Increases due to tax positions related to prior years	3.2	0.9
Increases due to tax positions related to the current year	0.5	0.6
Decreases due to tax positions related to prior years	(0.2)	(0.6)
Decreases due to tax positions related to the current year	-	(0.1)
Balance at the end of the year	<u>\$3.5</u>	<u>\$4.3</u>

Of the ending balance above, \$0.4 million and \$0.6 million is reported under prepaid expenses and other current assets; \$3.9 million and \$4.9 million is reported under accrued expenses and other current liabilities in consolidated financial statements for fiscals 2008 and 2009 respectively. Quantification of amounts of uncertain tax position as disclosed above that may change within twelve months of the reporting date is not practicable.

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TCS Limited files numerous consolidated and separate income tax returns in India, United States federal and state jurisdictions, United Kingdom and in several other foreign jurisdictions. On an ongoing basis TCS Limited is routinely subject to examination by taxing authorities. While it is often difficult to predict the final outcome or the timing of resolution of any particular uncertain tax position, TCS Limited believes that its unrecognised tax benefits reflect the outcome that is more likely than not to occur. TCS Limited adjusts these unrecognised tax benefits, as well as the related interest and penalties, in light of changing facts and circumstances. The resolution of a matter could be recognised as an adjustment to provision for income taxes and effective tax rate in the period of resolution, and may also require the outflow of cash.

TCS Limited has ongoing disputes with Indian Income tax authorities relating to tax treatment of certain items. These mainly include disallowed expenses, tax treatment of certain expenses claimed by TCS Limited as deductions, and computation of, or eligibility of, certain tax incentives or allowances. As of March 31, 2009, TCS Limited has demands from direct tax authorities in Indian jurisdiction, which are being contested by TCS Limited on appeal amounting to \$96.6 million. Demands from direct tax authorities include \$43.5 million in respect of TCS e-Serve Limited. TCS e-Serve Limited has also paid advance taxes aggregating \$32.0 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.

The number of years that are subject to tax assessments varies depending on tax jurisdiction. The major tax jurisdictions of TCS Limited include India, United States of America and United Kingdom. In India, tax filings from fiscal 2006 are subject to examination by the taxing authorities. In United States of America, the federal statute of limitation applies to fiscals 2005 and earlier and applicable state statutes of limitation vary by state. In United Kingdom, tax filings from fiscal 2007 are subject to examination by the taxing authorities.

15. Short-term debt

Short-term debt consists of the following:

	As of March 31, 2008	As of March 31, 2009
	(In millions of USD)	
Foreign currency bank loans	\$-	\$101.0
Cash credits and overdrafts	7.6	0.3
Current portion of long-term debt	0.3	0.2
Other short-term debt	1.4	-
Total	\$9.3	\$101.5
Available lines of credit	\$467.2	\$313.9
Total debt outstanding		
Maximum amount outstanding	\$65.3	\$101.5
Average amount outstanding	\$17.0	\$2.3
Weighted average interest rate	2.0%	1.8%

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

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16. Long-term debt

Long-term debt consists of the following:

	As of March 31, 2008	As of March 31, 2009
	(In millions of USD)	
Foreign currency debt	\$100.0	\$1.0
Put-call option liability	40.8	32.4
Unsecured debt	2.3	1.5
Less: Current portion	(0.3)	(0.2)
Total	\$142.8	\$34.7

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 on the same terms. An additional consideration of \$30.2 million has been recorded and TCS Limited has consolidated 100% of Diligenta at the inception of this arrangement.

17. 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 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 would carry a fixed cumulative dividend liability of 1% per annum and a variable non-cumulative dividend liability 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. The total interest on the debt has been accrued.

18. Other non-current liabilities

Other non-current liabilities consist of the following:

	As of March 31, 2008	As of March 31, 2009
	(In millions of USD)	
Deferred income taxes	\$10.5	\$58.8
Others	8.3	16.5
Total	\$18.8	\$75.3

19. Shareholders' equity

Authorised and issued share capital

Stock-split

On June 29, 2006, the shareholders approved a bonus issue of 489,305,249 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, \$10.5 million has been capitalised from additional paid-in capital as share capital.

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20. Retirement and post-retirement benefits

Defined benefit retirement plan

In accordance with Indian law, TCS Limited and its subsidiaries in India provide for gratuity, a defined benefit retirement plan covering eligible employees in India. The plan provides for a lump sum payment to vested employees at retirement, death while in employment or on termination of employment in an amount equivalent to 15 to 30 days' salary payable for each completed year of service. Vesting occurs upon completion of five continuous years of service. The measurement date used for determining retirement benefits for gratuity is March 31. Certain overseas subsidiaries of TCS Limited also provide for retirement benefit pension plans in accordance with the local laws.

The following table sets out the funded status of the defined benefit retirement plans and the amounts recognised in the financial statements:

	As of March 31, 2008			As of March 31, 2009		
	Domestic plans	Foreign plans	Total	Domestic plans	Foreign plans	Total
	(In millions of USD)					
Change in benefit obligations:						
Benefit obligation, beginning of the year	\$58.7	\$25.0	\$83.7	\$82.8	\$29.7	\$112.5
Exchange (gain) / loss	4.9	4.7	9.6	(19.1)	(5.5)	(24.6)
Plans assumed on acquisition of subsidiaries	-	-	-	4.0	-	4.0
Plan participant's contribution	-	1.6	1.6	-	1.1	1.1
Service cost	12.5	4.7	17.2	13.4	3.4	16.8
Interest cost	5.9	0.9	6.8	6.3	1.1	7.4
Actuarial loss / (gain)	6.7	(3.6)	3.1	1.5	3.2	4.7
Benefits paid	(5.9)	(3.6)	(9.5)	(5.1)	(1.5)	(6.6)
Benefit obligation, end of the year	\$82.8	\$29.7	\$112.5	\$83.8	\$31.5	\$115.3
Change in plan assets:						
Fair value of plan assets, beginning of the year	\$56.2	\$23.2	\$79.4	\$66.5	\$31.0	\$97.5
Exchange (gain) / loss	4.7	4.2	8.9	(14.5)	(5.2)	(19.7)
Actual return on plan assets	6.1	0.1	6.2	6.5	(3.2)	3.3
Employer contributions	5.4	5.5	10.9	16.3	4.9	21.2
Plan assets obtained on acquisition of subsidiaries	-	-	-	1.2	-	1.2
Plan participant's contribution	-	1.6	1.6	-	1.1	1.1
Benefits paid	(5.9)	(3.6)	(9.5)	(5.1)	(1.5)	(6.6)
Fair value of plan assets, end of the year	\$66.5	\$31.0	\$97.5	\$70.9	\$27.1	\$98.0
Funded status:						
(Deficit) / excess of plan assets over obligations	\$(16.3)	\$1.3	\$(15.0)	\$(12.9)	\$(4.4)	\$(17.3)
(Accrued liability) / prepaid benefit	\$(16.3)	\$1.3	\$(15.0)	\$(12.9)	\$(4.4)	\$(17.3)

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	As of March 31, 2008			As of March 31, 2009		
	Domestic plans	Foreign plans	Total	Domestic plans	Foreign plans	Total
(In millions of USD)						
Category of assets:						
Corporate bonds	\$-	\$4.2	\$4.2	\$-	\$11.7	\$11.7
Equity shares	-	11.3	11.3	-	3.8	3.8
Special deposit scheme	0.5	3.8	4.3	0.3	-	0.3
Index linked gilt	-	4.8	4.8	-	4.5	4.5
Insurer managed funds	65.9	-	65.9	70.6	-	70.6
Cash and bank balances	-	2.0	2.0	-	0.3	0.3
Funds	-	4.9	4.9	-	-	-
Others	0.1	-	0.1	-	6.8	6.8
Total	\$66.5	\$31.0	\$97.5	\$70.9	\$27.1	\$98.0

Net periodic gratuity cost consists of the following components:

	Year ended March 31, 2007			Year ended March 31, 2008			Year ended March 31, 2009		
	Domestic plans	Foreign plans	Total	Domestic plans	Foreign plans	Total	Domestic plans	Foreign plans	Total
(In millions of USD)									
Service cost	\$8.7	\$4.8	\$13.5	\$12.5	\$4.7	\$17.2	\$13.4	\$3.4	\$16.8
Interest cost	4.2	0.4	4.6	5.9	0.9	6.8	6.3	1.1	7.4
Amortisation of net actuarial loss	0.2	-	0.2	-	-	-	-	-	-
Expected return on plan assets	(4.1)	(0.4)	(4.5)	(5.1)	(1.3)	(6.4)	(5.4)	(1.5)	(6.9)
Net periodic gratuity cost	\$9.0	\$4.8	\$13.8	\$13.3	\$4.3	\$17.6	\$14.3	\$3.0	\$17.3

The assumptions used in accounting for the gratuity plan are set out below:

	Year ended March 31, 2007		Year ended March 31, 2008		Year ended March 31, 2009	
	Domestic plans	Foreign plans	Domestic plans	Foreign plans	Domestic plans	Foreign plans
	%	%	%	%	%	%
Discount rate	7.0 - 9.8	3.0 - 5.3	8.0	3.5 - 6.9	7.5 - 8.0	3.5 - 6.3
Rate of increase in compensation levels of covered employees	4.0 - 7.0	1.5	4.0 - 6.0	1.5 - 3.4	4.0 - 15.0	1.5 - 3.3
Rate of return on plan assets	7.0 - 8.0	4.7 - 4.9	7.0 - 8.9	4.5 - 5.7	8.0 - 9.2	4.5 - 5.6

TCS Limited's overall expected long-term rate of return on assets has been determined based on a consideration of assessed risks of asset management, available market information, historical results of the return on plan assets and the provisions of Indian law which specify the instruments in which investments can be made.

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Accumulated benefit obligation was \$74.4 million and \$83.2 million as of March 31, 2008 and 2009 respectively.

The estimated benefit payments expected to be paid for future service are as follows:

<u>Year ending March 31,</u>	<u>Domestic plans</u>	<u>Foreign plans</u>	<u>Total</u>
	(In millions of USD)		
2010	\$6.8	\$5.1	\$11.9
2011	8.3	5.2	13.5
2012	10.2	5.3	15.5
2013	10.9	4.4	15.3
2014	12.6	3.9	16.5
2015-2019	76.0	20.6	96.6

The expected benefits are based on the same assumptions as are used to measure TCS Limited's gratuity obligations as of March 31, 2009. TCS Limited is expected to contribute \$21.6 million to gratuity funds in fiscal 2010 comprising domestic component of \$17.1 million and foreign component of \$4.5 million.

An amount of \$8.3 million in accumulated other comprehensive income pertains to actuarial gains and losses that have not yet been recognised as a component of net periodic benefit cost for fiscal 2009.

Defined benefit medical plan

The medical plan liability arises on the retirement and death of an employee. The aforesaid liability is calculated on the basis of fixed annual amount per employee (based on the basic salary) for qualifying employees.

The most recent actuarial valuation of plan assets and the present value of the defined obligation were carried out on March 31, 2009. The present value of the defined obligation and the related current service cost and past service cost were measured using the Projected Unit Credit Method.

The following tables set out the reconciliation of the benefit obligation of the medical plan and amounts recognised in TCS Limited's financial statements as at March 31, 2009.

	<u>As of March 31,</u> <u>2008</u>	<u>As of March 31,</u> <u>2009</u>
	(In millions of USD)	
Change in benefit obligations:		
Benefit obligation, beginning of the year	\$1.3	\$1.3
Exchange Difference	0.1	(0.2)
Current service cost	0.1	-
Interest cost	0.1	0.1
Actuarial gain on obligation	(0.3)	(0.2)
Benefits paid	-	(0.1)
Benefit obligation, end of the year	<u>\$1.3</u>	<u>\$0.9</u>

Net periodic post-retirement medical cost consists of the following components:

	<u>Year ended</u> <u>March 31, 2007</u>	<u>Year ended</u> <u>March 31, 2008</u>	<u>Year ended</u> <u>March 31, 2009</u>
	(In millions of USD)		
Current service cost	\$0.1	\$0.1	\$-
Interest cost	0.1	0.1	0.1
Net cost	<u>\$0.2</u>	<u>\$0.2</u>	<u>\$0.1</u>

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Principal actuarial assumptions:

	<u>Year ended</u> <u>March 31, 2007</u>	<u>Year ended</u> <u>March 31, 2008</u>	<u>Year ended</u> <u>March 31, 2009</u>
	%	%	%
Discount rate	8.3	8.0	7.5

Defined contribution plans

Superannuation

In addition to gratuity benefits, all eligible employees are entitled to benefits under Superannuation, a defined contribution plan. TCS Limited makes monthly contributions until retirement or resignation of the employee. TCS Limited recognises such contributions as an expense when incurred. TCS Limited has no further obligation beyond its monthly contribution.

TCS Limited contributed \$12.7 million, \$17.5 million and \$21.1 million to the Employees' Superannuation Fund in fiscals 2007, 2008 and 2009 respectively.

Provident fund

In accordance with Indian law, all eligible employees of Tata Consultancy Services Limited and its subsidiaries in India are entitled to receive benefits under the provident fund, a defined contribution plan in which both the employee and employer contribute monthly at a determined rate (upto 12% of employee's salary). Tata Consultancy Services Limited and its subsidiaries in India are liable for future provident fund benefits to the extent of its annual contribution and any shortfall in fund assets based on government specified minimum rates of return and recognises such contributions and shortfall, if any, as an expense in the year incurred.

Tata Consultancy Services Limited and its subsidiaries in India contributed \$23.6 million, \$50.4 million and \$50.1 million to the provident fund in fiscals 2007, 2008 and 2009 respectively.

Foreign Defined Contribution Plan

TCS Limited and its subsidiaries contributed \$2.6 million, \$4.4 million and \$6.9 million in fiscals 2007, 2008 and 2009 respectively, towards foreign defined contribution plan.

21. Other non-operating income, net

	<u>Year ended</u> <u>March 31, 2007</u>	<u>Year ended</u> <u>March 31, 2008</u>	<u>Year ended</u> <u>March 31, 2009</u>
	(In millions of USD)		
Gain on sale of subsidiaries	\$-	\$1.0	\$-
Gain on sale of equity accounted affiliates	13.3	0.2	-
Foreign exchange (loss) / gain on derivative instruments designated as cash flow hedges	4.0	60.7	(125.0)
Foreign exchange (loss) / gain on other derivative instruments	9.9	70.3	(93.0)
Foreign exchange gain / (loss), others	-	(6.5)	51.1
Dividend income	8.6	26.9	27.8
Others, net	12.3	15.8	30.6
Total	\$48.1	\$168.4	\$(108.5)

In fiscal 2007, TCS Limited sold its interest in Sitel India Limited (SITEL), an equity accounted affiliate. The carrying amount of SITEL was \$4.4 million and the sale proceeds were \$17.7 million.

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In fiscal 2008, TCS Limited through its wholly owned subsidiary, TCS Iberoamerica SA, sold its interest in two of its subsidiaries Pentacrom S.A. and Pentacrom Servicios S.A. for a profit of \$1.0 million. The sale proceeds of \$1.5 million are receivable in three instalments upto December, 2009.

In fiscal 2008, TCS Limited sold its interest in Conscripti (Pty) Ltd, an equity accounted affiliate. The carrying amount of Conscripti (Pty) Ltd was \$0.7 million and the sale proceeds were \$0.9 million.

22. Shipping and handling costs

Selling, general and administrative expenses for fiscals 2007, 2008 and 2009, include shipping and handling costs of \$1.0 million, \$1.0 million and \$0.7 million respectively.

23. Leases

TCS Limited has leased property, equipment and automobiles under operating lease arrangements. Operating lease rent expense was \$58.5 million, \$61.9 million and \$65.1 million in fiscals 2007, 2008 and 2009 respectively.

The following is a summary of future minimum lease rental commitments towards non-cancellable operating leases and capital leases:

<u>Year ending March 31,</u>	<u>Operating lease</u>	<u>Capital lease</u>
	<u>(In millions of USD)</u>	
2010	\$68.3	\$2.3
2011	57.4	1.7
2012	49.5	1.4
2013	36.6	1.4
2014	30.9	1.4
Thereafter	84.8	4.3
Total minimum lease commitments	\$327.5	\$12.5

Present value of minimum lease commitments of assets acquired under capital lease amounting to \$7.2 million.

The capital lease arrangement is renewable at the option of the lessee.

24. Estimated fair value of financial instruments

Effective April 1, 2008, TCS Limited adopted SFAS No. 157 limited to financial assets and liabilities, which primarily relate to TCS Limited's investments and derivative contracts.

The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable and consists of the following three levels:

- Level 1- Inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2- Inputs are quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable and market-corroborated inputs which are derived principally from or corroborated by observable market data.
- Level 3- Inputs which are unobservable reflecting internal assumptions are used in pricing assets or liabilities.

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The following table summarises financial assets and liabilities measured at fair value on a recurring basis in accordance with SFAS No. 157 as of March 31, 2009:

	Level 1	Level 2	Level 3	Total
	(In millions of USD)			
Investments - available-for-sale securities	\$320.2	\$-	\$-	\$320.2
Derivative financial assets	1.7	1.8	-	3.5
Derivative financial liabilities	19.3	116.9	-	136.2

25. Derivative financial instruments

TCS Limited, in accordance with its risk management policies and procedures, enters into foreign currency forward contracts and currency options 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.

TCS Limited in respect of forecasted transactions and upon completion of the formal documentation including testing for effectiveness designates certain foreign currency forwards and options in respect of forecasted transactions, which meet the hedging criteria, as cash flow hedges.

The following are outstanding foreign exchange forward contracts, which have been designated as cash flow hedges:

Foreign Currency	As of March 31, 2008			As of March 31, 2009		
	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	14	290.0	\$(6.3)	14	153.5	\$(18.1)
Euro	3	19.0	(2.9)	-	-	-
Sterling Pound	3	15.0	(1.0)	-	-	-

The following are outstanding Currency Option contracts, which have been designated as Cash Flow Hedges:

Foreign Currency	As of March 31, 2008			As of March 31, 2009		
	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	67	3,871.5	\$(22.1)	56	1,081.7	\$(117.3)
Euro	12	99.3	(9.7)	1	5.0	(1.1)
Sterling Pound	7	55.7	(0.6)	1	4.0	(0.2)

Net loss on derivative instruments of \$92.8 million recognised in accumulated other comprehensive income as of March 31, 2009, is expected to be reclassified into earnings by March 31, 2010.

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The movement in accumulated other comprehensive income during fiscals 2008 and 2009 for derivatives designated as cash flow hedges is as follows:

	Year ended March 31, 2008	Year ended March 31, 2009
	(In millions of USD)	
Balance at the beginning of the year	\$ 17.0	\$(3.8)
Gains / (losses) transferred to income statement on occurrence of forecasted hedge transaction	(16.2)	4.3
Changes in the fair value of effective portion of outstanding cash flow derivatives.	(43.6)	(125.9)
Net derivative (loss) / gain related to a discontinued cash flow hedge	37.6	(19.3)
Foreign currency translation adjustment	1.4	0.8
Balance at the end of the year	\$(3.8)	\$(143.9)

In addition to the above cash flow hedges, TCS Limited has outstanding foreign exchange forward contracts and currency option contracts aggregating \$540.5 million and \$832.2 million as on March 31, 2008 and 2009 respectively, whose fair value showed a loss of \$1.1 million and a gain of \$1.5 million in fiscals 2008 and 2009 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 gains of \$9.9 million, \$70.3 million and an exchange loss of \$93.0 on foreign currency forward exchange contracts and currency option contracts have been recognised in earnings in fiscals 2007, 2008 and 2009 respectively.

26. 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.

TCS Limited provides products and services to three reportable segments based on the geographical locations in which customers are based. These segments are: Americas, Europe and India. All other operating segments fall below the quantitative thresholds for reporting purposes. The revenue and related expense recognition policies for each segment are the same as for the consolidated enterprise, and are set out in Note 2.

Income and direct expenses directly identifiable to segments are reported under each reportable segment, while remaining expenses, principally corporate overheads, are allocated to each segment on the basis of the associated revenues of each segment. Certain expenses, such as depreciation, are not specifically allocable to segments and accordingly these expenses have been reported as unallocable.

Substantially all of TCS Limited's long-lived assets are located in India.

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Summarised segment information for the years ended March 31, 2007, 2008 and 2009 is as follows:

Segment income statement:	Year ended March 31, 2007				
	(In millions of USD)				
	Americas	Europe	India	Others	Total
Revenues	\$2,316.3	\$1,177.3	\$372.3	\$258.9	\$4,124.8
Identified operating expenses	1,270.4	727.7	251.3	166.8	2,416.2
Allocated expenses	280.2	106.5	37.7	38.6	463.0
Segment result	\$765.7	\$343.1	\$83.3	\$53.5	\$1,245.6
Unallocable expenses					220.0
Operating income					1,025.6
Other income / (expense), net					47.5
Income before income taxes and minority interest					1073.1
Income tax expense					149.2
Minority interest					(9.3)
Equity in net earnings of affiliates					1.0
Net income					\$915.6

Segment income statement:	Year ended March 31, 2008				
	(In millions of USD)				
	Americas	Europe	India	Others	Total
Revenues	\$3,087.1	\$1,645.1	\$510.8	\$391.4	\$5,634.4
Identified operating expenses	1,722.7	959.8	374.3	246.5	3,303.3
Allocated expenses	422.7	187.5	55.7	51.9	717.8
Segment result	\$941.7	\$497.8	\$80.8	\$93.0	\$1,613.3
Unallocable expenses					337.3
Operating income					1,276.0
Other income / (expense), net					171.2
Income before income taxes and minority interest					1,447.2
Income tax expense					187.5
Minority interest					(10.6)
Equity in net earnings of affiliates					0.2
Net income					\$1,249.3
Segment assets:					
Segment total assets	\$910.2	\$860.1	\$432.8	\$264.4	\$2,467.5
Unallocable assets					1,896.3
Total assets					\$4,363.8

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Year ended March 31, 2009
(In millions of USD)

Segment income statement:	Americas	Europe	India	Others	Total
Revenues	\$3,369.2	\$1,778.5	\$473.7	\$394.3	\$6,015.7
Identified operating expenses	1,902.5	1,090.0	355.2	243.2	3,590.9
Allocated expenses	389.5	154.9	61.9	68.1	674.4
Segment result	\$1,077.2	\$533.6	\$56.6	\$83.0	\$1,750.4
Unallocable expenses					325.5
Operating income					1,424.9
Other income / (expense), net					(97.6)
Income before income taxes and minority interest					1,327.3
Income tax expense					190.4
Minority interest					(12.9)
Equity in net earnings of affiliates					(0.2)
Net income					\$1,123.8
Segment assets:					
Segment total assets	\$839.0	\$707.9	\$808.9	\$256.1	\$2,611.9
Unallocable assets					1,875.6
Total assets					\$4,487.5

Allocation of goodwill and intangible assets by segments for fiscals 2008 and 2009 is as follows:

Geography	As of March 31, 2008		As of March 31, 2009	
	Goodwill	Intangible assets	Goodwill	Intangible assets
	(In millions of USD)			
Americas	\$78.7	\$5.3	\$223.6	\$61.2
Europe	163.0	63.0	136.6	42.1
India	27.7	0.3	82.4	22.4
Others	7.5	22.0	68.0	37.5
Total	\$276.9	\$90.6	\$510.6	\$163.2

Industry practices which contributed at least 10% to the consolidated revenues in any of the three years presented below were as follows:

	Year ended March 31, 2007	Year ended March 31, 2008	Year ended March 31, 2009
	(In millions of USD)		
Banking, Financial Services and Insurance	\$1,814.6	\$2,513.9	\$2,605.3
Manufacturing	525.5	559.2	607.3
Telecommunications	661.5	919.7	983.5

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27. Commitments and contingencies

Commitments and contingent liabilities are as follows:

Capital commitments

As of March 31, 2009, \$131.0 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 \$19.8 million. These claims are being contested in the courts by TCS Limited. Pending resolution of the matter, an amount of \$13.3 million has been accrued based on management's estimate. Interest and penalty, if any, has not been determined.

Guarantees and letters of credit

Tata Consultancy Services Limited has issued counter guarantees to Bank of America of \$2.0 million and \$1.2 million on behalf of TCS Asia Pacific Pte Ltd. and on behalf of Tata Information Technology (Shanghai) Company Limited, both 100% owned subsidiaries respectively, in consideration of Bank of America issuing credit lines, guarantees and other financial facilities in various currencies to these subsidiaries.

Tata Consultancy Services Limited has issued counter guarantees for \$8.4 million, valid till October 23, 2010 on behalf of its 100% owned subsidiary TCS Iberoamerica SA and its subsidiaries ('Ibero'), in consideration of the bank providing bank guarantee facilities to Ibero to assist in their bidding for contracts with some customers.

Tata Consultancy Services Limited has provided guarantees aggregating to \$361.4 million (GBP 252.5 million) to third parties on behalf of its subsidiary Diligenta Limited.

Tata Consultancy Services Limited has provided counter guarantees for \$9.0 million to third parties on behalf of its 100% owned subsidiary TCS FNS Pty Limited.

Tata Consultancy Services Limited has provided guarantees aggregating to \$0.1 million to third parties on behalf of its subsidiary Tata Consultancy Services Morocco SARL AU.

TCS Limited has unexpired letters of credit of \$10.8 million as at March 31, 2009.

Indirect tax matters

TCS Limited has ongoing disputes with Indian tax authorities mainly relating to treatment of characterisation and classification of certain items. As of March 31, 2009, TCS Limited has demands from various indirect tax authorities in Indian jurisdiction, which are being contested by the Company on appeal amounting to \$8.0 million.

Other claims

TCS Limited has examined the social security and tax aspects of contracts with legal entities which provide services to an overseas subsidiary and, based on legal opinion, concludes that the subsidiary is in compliance with the related statutory requirements.

28. Related party transactions

Tata Consultancy Services Limited's principal related parties consist of its holding company Tata Sons Limited and its subsidiaries, its own subsidiaries, affiliates and its key managerial personnel. TCS Limited routinely enters into transactions with its related parties in the ordinary course of business. Transactions and balances with its own subsidiaries and affiliates are eliminated on combination and consolidation. TCS Limited's related party balances and transactions are summarised as follows:

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Transactions with related parties are as follows:

	<u>Year ended</u> <u>March 31, 2007</u>	<u>Year ended</u> <u>March 31, 2008</u>	<u>Year ended</u> <u>March 31, 2009</u>
		(In millions of USD)	
Revenues from sale of services and licenses	\$55.1	\$76.2	\$62.8
Other income	0.1	0.5	2.3
Purchases of goods and services	65.0	119.2	121.9
Brand equity contribution	8.9	11.9	13.8
Dividend paid	167.5	240.7	221.8
Purchase of property, plant and equipment	0.9	0.3	0.9
Inter-corporate deposits	-	5.0	17.3
Mandatorily redeemable preference shares with Tata Sons Limited	-	24.9	-
Interest	-	-	1.5
Allowances for doubtful debts and advances	-	0.9	0.2
Purchase of investment in affiliates	0.2	-	0.5

Balances receivable from related parties are as follows:

	<u>As of March 31,</u> <u>2008</u>	<u>As of March 31,</u> <u>2009</u>
	(In millions of USD)	
Accounts receivable and unbilled revenues (net)	\$15.8	\$20.0
Advances and deposits	5.6	29.3
Total	\$21.4	\$49.3

Balances payable to related parties are as follows:

	<u>As of March 31,</u> <u>2008</u>	<u>As of March 31,</u> <u>2009</u>
	(In millions of USD)	
Payables	\$16.1	\$29.2
Advances received and deposits	0.1	-
Mandatorily redeemable preference shares with Tata Sons Limited	24.9	19.7
Total	\$41.1	\$48.9

29. Dividends

The dividends declared by Tata Consultancy Services Limited are in Indian Rupees and are based on the profits available for distribution as reported in the unconsolidated statutory financial statements of Tata Consultancy Services Limited prepared in accordance with Indian GAAP. Accordingly, the net income reported in these financial statements may not be fully distributable. As of March 31, 2008 and 2009, incomes (net of dividend tax) available for distribution were \$1,847.2 million (Rs. 79,596.1 million) and \$2,482.0 million (Rs. 105,966.0 million), respectively. Subsequent to March 31, 2009, Tata Consultancy Services Limited has proposed dividend of \$0.1 (Rs.5) per share in respect of fiscal 2009.

30. Subsequent event

On April 20, 2009, the Board of Directors, subject to the approval of shareholders, approved a bonus issue of equity shares in the ratio of one equity share of Tata Consultancy Services Limited of \$0.02 (Re.1) each for every one equity share of Tata Consultancy Services Limited held by the shareholders. In accordance with Indian Law, \$19.3 million will be transferred from additional paid-in-capital to share capital after obtaining the shareholders' approval. Consequent to the bonus issue earnings per share for fiscal 2009 would be \$0.57.