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Tata Consultancy Services Limited
Unaudited Condensed Consolidated Statements of Financial Position
As of September 30, 2012 and March 31, 2012

	Note	As of September 30, 2012	As of March 31, 2012
(In millions of USD)			
ASSETS:			
Current assets:			
Cash and cash equivalents	3	381.8	391.4
Bank deposits		961.5	752.0
Trade receivables	4	2,397.3	2,258.0
Investments	5(a)	173.7	157.2
Other current financial assets	6(a)	395.4	301.9
Unbilled revenue		595.8	441.3
Current income tax assets		0.6	-
Other current assets	7(a)	247.6	227.7
Total current assets		5,153.7	4,529.5
Non-current assets:			
Bank deposits		16.2	542.8
Investments	5(b)	194.1	133.0
Other non-current financial assets	6(b)	351.6	168.5
Non-current income tax assets		299.1	288.4
Deferred income tax assets		397.8	346.4
Property, plant and equipment	8	1,361.0	1,267.1
Intangible assets		30.5	34.1
Goodwill		635.5	652.5
Other non-current assets	7(b)	112.5	126.7
Total non-current assets		3,398.3	3,559.5
TOTAL ASSETS		8,552.0	8,089.0
LIABILITIES AND EQUITY:			
Liabilities:			
Current liabilities:			
Trade and other payables	9	740.4	637.7
Borrowings		35.1	2.2
Mandatorily redeemable preference shares		19.0	19.6
Other current financial liabilities	10(a)	176.4	171.9
Unearned and deferred revenue		138.7	161.6
Employee benefit obligations		141.9	125.9
Current income tax liabilities		96.2	92.1
Other current liabilities	11	174.8	144.8
Total current liabilities		1,522.5	1,355.8
Non-current liabilities:			
Borrowings		22.5	22.7
Other non-current financial liabilities	10(b)	53.9	52.1
Employee benefit obligations		51.5	42.7
Deferred income tax liabilities		83.0	85.0
Other non-current liabilities		41.6	38.5
Total non-current liabilities		252.5	241.0
TOTAL LIABILITIES		1,775.0	1,596.8
Equity:			
Share capital		43.6	43.6
Share premium		427.4	427.4
Retained earnings		6,969.6	6,515.1
Accumulated other comprehensive losses		(773.5)	(597.4)
Equity attributable to TCS Limited		6,667.1	6,388.7
Non-controlling interests		109.9	103.5
TOTAL EQUITY		6,777.0	6,492.2
TOTAL LIABILITIES AND EQUITY		8,552.0	8,089.0

See accompanying notes to unaudited condensed consolidated financial report

Tata Consultancy Services Limited
Unaudited Condensed Consolidated Statements of Comprehensive Income
For the three month and six month periods ended September 30, 2012 and 2011

	Three-month period ended September 30, 2012	Three-month period ended September 30, 2011	Six-month period ended September 30, 2012	Six-month period ended September 30, 2011
	(In millions of USD, except shares and per share data)			
Revenue:				
Information technology and consultancy services	2,773.6	2,452.1	5,438.2	4,785.0
Sale of equipment and software licences	79.0	73.2	142.8	152.0
Total revenue	2,852.6	2,525.3	5,581.0	4,937.0
Cost of revenue:				
Cost of information technology and consultancy services	1,490.8	1,322.2	2,905.8	2,598.9
Cost of equipment and software licenses	68.3	60.9	121.6	128.3
Total cost of revenue	1,559.1	1,383.1	3,027.4	2,727.2
Gross profit	1,293.5	1,142.2	2,553.6	2,209.8
Operating Expenses:				
Selling, general and administrative expenses	530.4	457.5	1,040.1	893.8
Operating income	763.1	684.7	1,513.5	1,316.0
Other income				
Finance and other income	41.3	41.7	90.8	87.7
Finance costs	(3.8)	(2.8)	(6.1)	(4.6)
Other gains / (losses), net	19.2	(17.2)	4.1	3.1
Other income, net	56.7	21.7	88.8	86.2
Income before income taxes	819.8	706.4	1,602.3	1,402.2
Income tax expense	170.5	172.8	342.2	330.6
Net income	649.3	533.6	1,260.1	1,071.6
Other comprehensive income / (losses), net of taxes				
Exchange differences on translation of foreign operations	358.9	(467.2)	(191.9)	(466.4)
Net gains / (losses) on available-for-sale financial assets	0.1	(0.1)	-	0.4
Net gains / (losses) on cash flow hedges	31.0	(113.0)	12.6	(109.4)
Actuarial (losses) / gains on employee benefit plans	(0.4)	(0.3)	(1.9)	1.2
Total other comprehensive income / (losses), net of taxes	389.6	(580.6)	(181.2)	(574.2)
Total comprehensive income for the period, net of taxes	1,038.9	(47.0)	1,078.9	497.4
Net income attributable to:				
TCS Limited	642.5	527.7	1,246.1	1,059.4
Non-controlling interests	6.8	5.9	14.0	12.2
	649.3	533.6	1,260.1	1,071.6
Total comprehensive income / (losses) attributable to:				
TCS Limited	1,027.0	(45.8)	1,068.0	492.2
Non-controlling interests	11.9	(1.2)	10.9	5.2
	1,038.9	(47.0)	1,078.9	497.4
Weighted average number of shares used in computing basic and diluted earnings per share	1,957,220,996	1,957,220,996	1,957,220,996	1,957,220,996
Basic and diluted earnings per share	0.33	0.27	0.64	0.54

See accompanying notes to unaudited condensed consolidated financial report

Tata Consultancy Services Limited
Unaudited Condensed Consolidated Statements of Changes in Equity
For the six month periods ended September 30, 2011 and 2012
(In millions of USD, except shares data)

	Number of shares	Share capital	Share premium	Retained earnings	Accumulated other comprehensive income / (losses)	Equity attributable to TCS Limited	Non- controlling interests	Total equity
Balance as of April 1, 2011	1,957,220,996	43.6	427.4	5,155.4	75.7	5,702.1	70.6	5,772.7
Net income				1,059.4		1,059.4	12.2	1,071.6
Exchange differences on translation of foreign operations					(459.9)	(459.9)	(6.5)	(466.4)
Net gains on available-for-sale financial assets, net of tax					0.3	0.3	0.1	0.4
Net losses on cash flow hedges, net of tax					(108.7)	(108.7)	(0.7)	(109.4)
Actuarial gains on employee benefit plans, net of tax				1.1		1.1	0.1	1.2
Dividend (including tax on dividend of \$79.2 million)				(563.2)		(563.2)	(4.3)	(567.5)
Reclassification of non-controlling interests on extinguishment of put-call option liability				(20.5)	(1.7)	(22.2)	22.0	(0.2)
Balance as of September 30, 2011	1,957,220,996	43.6	427.4	5,632.2	(494.3)	5,608.9	93.5	5,702.4
Balance as of April 1, 2012	1,957,220,996	43.6	427.4	6,515.1	(597.4)	6,388.7	103.5	6,492.2
Net income				1,246.1		1,246.1	14.0	1,260.1
Exchange differences on translation of foreign operations					(188.5)	(188.5)	(3.4)	(191.9)
Net gains on cash flow hedges, net of tax					12.4	12.4	0.2	12.6
Actuarial (losses) / gains on employee benefit plans, net of tax				(2.0)		(2.0)	0.1	(1.9)
Dividend (including tax on dividend of \$105.5 million)				(761.5)		(761.5)	(4.5)	(766.0)
Acquisition of subsidiary				(28.1)		(28.1)	-	(28.1)
Balance as of September 30, 2012	1,957,220,996	43.6	427.4	6,969.6	(773.5)	6,667.1	109.9	6,777.0

See accompanying notes to unaudited condensed consolidated financial report

Tata Consultancy Services Limited
Unaudited Condensed Consolidated Statements of Cash Flows
For the six month periods ended September 30, 2012 and 2011

	Six-month period ended September 30, 2012	Six-month period ended September 30, 2011
	(In millions of USD)	
Cash flows from operating activities :		
Net income	1,260.1	1,071.6
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortisation	92.4	95.4
Loss on disposal of property, plant and equipment	0.1	0.1
Income tax expense	342.2	330.6
Gain on disposal of available-for-sale investments	(3.2)	(3.1)
Interest accrued on investments	(4.9)	(5.2)
Exchange difference on foreign currency cash and cash equivalents	(2.5)	(3.8)
Bad debts, provision for trade receivables and advances, net	5.9	1.0
Net change in:		
Trade receivables	(184.3)	(355.7)
Unbilled revenue	(157.4)	(118.9)
Other financial assets	(93.1)	(10.2)
Inventories	(0.9)	1.0
Other assets	(6.6)	(28.5)
Trade and other payables	98.6	77.1
Unearned and deferred revenue	(19.3)	(5.6)
Other financial liabilities	20.9	(105.5)
Other liabilities	56.5	43.7
Cash generated from operations	1,404.5	984.0
Taxes paid	(418.7)	(329.9)
Net cash provided by operating activities	985.8	654.1

Tata Consultancy Services Limited
Unaudited Condensed Consolidated Statements of Cash Flows
For the six month periods ended September 30, 2012 and 2011

	Six-month period ended September 30, 2012	Six-month period ended September 30, 2011
	(In millions of USD)	
Cash flows from investing activities:		
Bank deposits placed	(252.3)	(116.4)
Inter-corporate deposits placed	(280.0)	(262.0)
Purchase of investments	(2,247.3)	(1,271.0)
Purchase of property, plant and equipment	(200.2)	(188.9)
Purchase of intangible assets	(1.1)	(0.2)
Purchase of subsidiaries, net of cash of \$0.2 million	(29.2)	-
Proceeds from bank deposits	508.1	210.1
Proceeds from inter-corporate deposits	92.2	159.3
Proceeds from disposal of investments	2,169.3	1,280.6
Proceeds from disposal of property, plant and equipment	0.9	1.1
Net cash used in investing activities	(239.6)	(187.4)
Cash flows from financing activities:		
Short term borrowings (net)	30.7	140.2
Repayment of long term borrowings	(0.1)	-
Repayment of finance lease obligations	(1.3)	-
Dividend paid to non-controlling interests	(4.5)	(4.3)
Dividends paid including dividend tax	(761.5)	(563.2)
Repayment of inter corporate deposits	(3.2)	-
Repayment of put option liability to non-controlling interests	-	(47.9)
Net cash used in financing activities	(739.9)	(475.2)
Net change in cash and cash equivalents	6.3	(8.5)
Effect of foreign exchange on cash and cash equivalents	(15.9)	(3.2)
Cash and cash equivalents, beginning of the period	391.4	348.5
Cash and cash equivalents, end of the period	381.8	336.8

See accompanying notes to unaudited condensed consolidated financial report

Tata Consultancy Services Limited
Notes to Condensed Consolidated Financial Report

1. Background and Operations

Tata Consultancy Services Limited along with its subsidiaries (collectively “TCS Limited” or the “Company”) provides 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.

The Company is a public limited company incorporated and domiciled in India. The address of its corporate office is Tata Consultancy Services Limited, TCS House, Raveline Street, Fort, Mumbai 400001. As of September 30, 2012, 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

This unaudited condensed consolidated financial report has been prepared in accordance with International Financial Reporting Standards (IFRSs), as issued by the International Accounting Standard Board (IASB).

Accounting policies have been applied consistently to all periods presented in the unaudited condensed consolidated financial report.

b. Basis of consolidation

TCS Limited consolidates all entities which are controlled by it. Control exists when TCS Limited has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired, or sold, during the year are consolidated from the effective date of acquisition and up to the effective date of disposal, as appropriate.

All inter-company transactions, balances and income and expense are eliminated in full on consolidation.

Changes in the Company’s interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Company’s interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

c. Business combinations

The Company accounts for its business combinations under acquisition method of accounting. Acquisition related costs are recognised in statement of comprehensive income as incurred. The acquiree’s identifiable assets, liabilities and contingent liabilities that meet the condition for recognition are recognised at their fair values at the acquisition date.

Purchase consideration paid in excess of the fair value of net assets acquired is recognised as goodwill. Where the fair value of identifiable assets and liabilities exceed the cost of acquisition, the excess is recognised in determination of net income after reassessing the fair values of the net assets and contingent liabilities.

The interest of non-controlling shareholders is initially measured either at fair value or at the non-controlling interests’ proportionate share of the fair value of the acquiree’s identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests’ share of subsequent changes in equity of subsidiaries.

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted from the date of transaction. The predecessor values method is used to account for

Tata Consultancy Services Limited
Notes to Condensed Consolidated Financial Report

common control transactions. The predecessor values method requires financial statements to be prepared using predecessor book values without any step up to fair value. The difference between any consideration given and the aggregate book value of the assets and liabilities (as of the date of the transaction) of the acquired entity are recorded as an adjustment to retained earnings. No additional goodwill is created by the transaction

d. Revenue recognition

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

TCS Limited recognises revenue as follows:

Revenue from bundled contracts that involve supplying computer equipment, licensing software and providing services is allocated separately for each element based on their fair values.

Revenue from contracts priced on a time and material basis is recognised as services are rendered and as related costs are incurred.

Revenue from software development contracts, which are generally time bound fixed price contracts, is recognised over the life of the contract using the percentage-of-completion method, with contract costs determining the degree of completion. Losses on such contracts are recognised when probable. Revenue in excess of billings is recognised as unbilled revenue in the balance sheet; to the extent billings are in excess of revenue recognised, the excess is reported as unearned and deferred revenue in the balance sheet.

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

Revenue from the sale of internally developed and manufactured systems and third party software products which do not require significant modification is recognised upon delivery of a licence, which is when the absolute right to use passes to the customer and TCS Limited does not have any material remaining service obligations.

Revenue from maintenance contracts is recognised on a pro-rata basis over the period of the contract.

Revenue is recognised only when evidence of an arrangement is obtained and the other criteria to support revenue recognition are met, including the price is fixed or determinable, services have been rendered and collectability of the resulting receivables is reasonably assured.

Revenue is reported net of discounts, indirect and service taxes.

e. Operating lease

Operating lease payments are recognised as an expense on a straight line basis over the lease term.

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 engaged in providing services, travel expenses, employee allowances, payroll related taxes, fees to external consultants engaged in providing services, depreciation and amortisation of production related equipment and software, facility expenses, communication costs, losses incurred on fixed price contracts and other project related expenses.

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Cost of equipment and software licenses

These costs consist of the cost of resold computer equipment and re-licensed software, 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, facility 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, facility expenses for administrative offices, communication costs, fees to external consultants and other general expenses.

g. Foreign currency

The functional currency of TCS Limited and its Indian subsidiaries is the Indian Rupee (₹) whereas the functional currency of foreign subsidiaries is the currency of their countries of incorporation. These consolidated financial statements are presented in US dollars to facilitate the investors' ability to evaluate TCS Limited's performance and financial position in comparison to similar companies domiciled in different foreign jurisdictions.

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

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

h. Income taxes

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

Current and deferred tax are recognised in net income, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

Current income taxes

The current income tax expense includes Indian income taxes payable for TCS Limited's worldwide operations after taking credit for benefits available for export operations in Special Economic Zones (SEZs) and after offsetting benefits under double tax avoidance treaties for foreign taxes payable in overseas jurisdictions.

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.

Tata Consultancy Services Limited
Notes to Condensed Consolidated Financial Report

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

Deferred income taxes

Deferred income tax is recognised using the balance sheet approach. Deferred income tax assets and liabilities are recognised for deductible and taxable temporary differences arising between the tax base of assets and liabilities and their carrying amount, except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

Deferred income tax asset are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

Deferred income tax liabilities are recognised for all taxable temporary differences except in respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be received or settled.

For operations carried out in SEZs, deferred tax assets or 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.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the relevant entity intends to settle its current tax assets and liabilities on a net basis.

The Company recognises interest levied and penalties related to income tax assessments in income tax expenses.

i. Financial instruments

The Company determines the classification of financial instruments at the time of initial recognition depending on their intent, nature and purpose.

A. Non-derivative financial instruments

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.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are either designated as such upon initial recognition or are not classified in any of the other financial assets categories. Available-for-sale financial assets are recognised initially at costs. Subsequently these are measured at fair value and unrealised gains or losses are recognised directly in other comprehensive income, net of tax. On disposal or impairment of such investments, the gains or losses in other comprehensive income are recycled into the net income.

Investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured are measured at cost.

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Notes to Condensed Consolidated Financial Report

Held-to-maturity investments

Debt securities for which TCS Limited has the positive intent and ability to hold to maturity are classified as held-to-maturity securities and are measured at amortised cost using effective interest method less any impairment loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as financial assets at fair value through profit or loss or financial assets available-for-sale. Loans and receivables are measured initially at fair value plus transaction cost and subsequently carried at amortised cost using the effective interest method less any impairment losses.

These include trade receivables, deposits with banks, investments with fixed or determinable payments and other financial assets.

Financial liabilities

Financial liabilities are measured at amortised cost using the effective interest method.

B. Derivative financial instruments

TCS Limited uses foreign currency option and forward contracts to manage its exposure to foreign exchange. The Company designates these forward and option contracts in a cash flow hedging relationship by applying the hedge accounting principles.

TCS Limited recognises 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 amount excluded from the assessment of hedge effectiveness, as well as the ineffective portion of designated hedges are recognised immediately in the net income.

The effective portion of changes in fair value of derivatives that are designated and qualify as cash flow hedges are recorded in other comprehensive income and included under the heading cash flow hedging reserve in the statement of changes in equity. Such amounts are reclassified into the net income when the related hedged items affect net income.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or no longer qualifies for hedge accounting.

Derivative financial instruments that do not qualify for hedge accounting are recognised at fair value and gains and losses are recognised in net income immediately.

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j. Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and impairment loss, if any.

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:

<u>Type of asset</u>	<u>Method</u>	<u>Rate</u>
Buildings, including leasehold building	Declining balance	5.0%
	Straight line	1.63% - 10%
	Straight line	Lease period
Computer equipment	Straight line	10% - 50%
Automobiles	Declining balance	25.89%
	Straight line	9.50% - 33.33%
Furniture, fixtures and office equipment	Declining balance	13.91%
	Straight line	4.75% - 100%

Leasehold improvements are amortised over the lease term. Depreciation is not recorded on capital work-in-progress until construction and installation are complete and the asset is ready for its intended use. Capital-work-in-progress includes capital advances.

k. Goodwill and intangible assets

Goodwill represents the cost of the acquired businesses in excess of the fair value of identifiable tangible and intangible net assets purchased. Goodwill is tested for impairment annually or when events or circumstances indicate that the implied fair value of goodwill is less than its carrying amount.

Intangible assets purchased including acquired in business combination, are measured at cost or fair value as of the date of acquisition, as applicable, less accumulated amortisation and accumulated impairment, if any.

Intangible assets are amortised on a straight line basis.

Intangible assets consist of customer related intangibles, acquired contract rights, intellectual property rights and software licences. Following table summarises the nature of intangibles and the estimated useful lives.

<u>Nature of intangibles</u>	<u>Useful lives</u>
Customer-related intangibles.....	1-3 years
Acquired contract rights.....	12 years
Technology-related intangibles.....	5 years
Software licences.....	License period
Intellectual property rights and others	License period

l. Impairment

A. Financial assets

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

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Available-for-sale financial assets

When the fair value of available-for-sale financial asset declines below acquisition cost and there is objective evidence that the asset is impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to the net income.

Held-to-maturity investments and loans and receivables

Held-to-maturity investments and loans and receivables are assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Impairment loss on an asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

B. Non-financial assets

Tangible and intangible assets

Property, plant and equipment and intangible assets with finite life are evaluated for recoverability whenever there is any indication that their carrying amounts may not be recoverable. If any such indication exists, the recoverable amount (i.e. higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the cash generating units (CGU) to which the asset belongs.

If the recoverable amount of an asset (CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised in the net income.

Goodwill

CGU to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

m. Employee benefits

Defined benefit plans

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

Defined contribution plans

For defined contribution plans, the amount charged to the net income in respect of pension cost and other post retirement benefits is the contribution payable in the year.

Compensated absences

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

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n. Earnings per share

Basic earnings per share are 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. Tata Consultancy Services Limited did not have any potentially dilutive securities in any of the periods presented.

o. Comprehensive income

Comprehensive income includes all changes in equity from transactions and other events and circumstances from non-shareholder sources. Comprehensive income comprises unrealised gains / (losses) on available-for-sale securities, translation adjustments arising on the translation of financial statements from functional currency to reporting currency, effective portion of gains / (losses) on derivative instruments designated as cash flow hedges, unrealised actuarial gains / (losses) and net income.

p. Use of estimates

The preparation of condensed consolidated financial report in conformity with the recognition and measurement principles of IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent liabilities at the date of the condensed consolidated financial report and the reported amounts of revenue and expenses for the periods presented. Significant estimates in these condensed consolidated financial report that are susceptible to change as more information becomes available include costs to complete for fixed price contracts, allowances for uncollectible trade receivable, useful lives of intangible assets and property, plant and equipment, estimates of future cash flows and other assumptions associated with goodwill, other intangible and tangible assets impairment tests, determination of discount and other assumptions for employee benefit expenses and income taxes. Actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised and future periods are affected.

3. Cash and cash equivalents

Cash and cash equivalents consist of the following:

	<u>As of</u> <u>September 30, 2012</u>	<u>As of</u> <u>March 31, 2012</u>
	(In millions of USD)	
Cash at banks and in hand	249.6	233.3
Bank deposits (original maturities less than three months)	132.2	158.1
Total	381.8	391.4
Held within India	39.9	33.3
Held outside India	341.9	358.1
Total	381.8	391.4

4. Trade receivables

Trade receivables consist of the following:

	<u>As of</u> <u>September 30, 2012</u>	<u>As of</u> <u>March 31, 2012</u>
	(In millions of USD)	
Trade receivables, gross	2,437.1	2,296.0
Less: Allowances for doubtful trade receivables	(39.8)	(38.0)
Total	2,397.3	2,258.0

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5. Investments

Investments consist of the following:

(a) Investments – Current

	<u>As of</u> <u>September 30, 2012</u>	<u>As of</u> <u>March 31, 2012</u>
	(In millions of USD)	
Available-for-sale financial assets, carried at fair value		
Corporate debentures and bonds	1.8	1.6
Mutual fund units	65.4	47.7
	<u>67.2</u>	<u>49.3</u>
Loans and receivables, carried at amortised cost	106.5	107.9
	<u>173.7</u>	<u>157.2</u>

(b) Investments – Non current

	<u>As of</u> <u>September 30, 2012</u>	<u>As of</u> <u>March 31, 2012</u>
	(In millions of USD)	
Available-for-sale financial assets, carried at cost		
Mutual fund units	0.6	-
Unquoted equity shares	5.4	4.9
	<u>6.0</u>	<u>4.9</u>
Held-to-maturity financial assets, carried at amortised cost		
Corporate debentures and bonds	41.4	37.2
Government securities	7.5	7.8
	<u>48.9</u>	<u>45.0</u>
Loans and receivables, carried at amortised cost	139.2	83.1
	<u>194.1</u>	<u>133.0</u>

Loans and receivables include subscription to the privately placed unsecured, unlisted redeemable non-convertible debentures issued by Tata Sons Limited in January 2010 and its subsidiary Panatone Finvest Limited in March 2010 for a consideration of \$217.8 million and \$44.5 million, respectively. The debentures issued by Tata Sons Limited would be redeemable at par in three equal installments at the end of second, third and fourth year, respectively from the date of allotment while the debentures issued by Panatone Finvest Limited would be redeemed at the end of the third year. The non-convertible debentures issued by Tata Sons Limited and its subsidiary Panatone Finvest Limited carry an effective interest of 8.50% and 8.75%, respectively. The first installment of the debentures amounting to \$66.2 million issued by Tata Sons Limited has been redeemed during the fiscal 2012.

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6. Other financial assets

Other financial assets consist of the following:

(a) Other current financial assets

	<u>As of</u> <u>September 30, 2012</u>	<u>As of</u> <u>March 31, 2012</u>
	(In millions of USD)	
Accrued interest	84.2	81.5
Employee loans and advances	38.8	33.6
Inter-corporate deposits	134.6	128.0
Foreign currency derivative assets	111.3	29.9
Others	26.5	28.9
Total	395.4	301.9

(b) Other non-current financial assets

	<u>As of</u> <u>September 30, 2012</u>	<u>As of</u> <u>March 31, 2012</u>
	(In millions of USD)	
Accrued interest	3.1	9.9
Premises deposits	83.5	82.1
Restricted cash	2.3	3.1
Employee loans and advances	1.6	1.9
Inter-corporate deposits	241.2	55.2
Others	19.9	16.3
Total	351.6	168.5

7. Other assets

Other assets consist of the following:

(a) Other current assets

	<u>As of</u> <u>September 30, 2012</u>	<u>As of</u> <u>March 31, 2012</u>
	(In millions of USD)	
Prepaid expenses	174.5	160.3
Indirect tax recoverable	37.9	31.8
Advances to suppliers	16.0	14.5
Others	19.2	21.1
Total	247.6	227.7

(b) Other non-current assets

	<u>As of</u> <u>September 30, 2012</u>	<u>As of</u> <u>March 31, 2012</u>
	(In millions of USD)	
Prepaid expenses	60.2	67.1
Prepaid rent	40.1	40.0
Others	12.2	19.6
Total	112.5	126.7

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8. Property, plant and equipment

Property, plant and equipment consist of the following:

	(In millions of USD)						
	Freehold land	Buildings	Leasehold improve- ments	Computer equipment	Auto- mobiles	Furniture, fixtures and office equipment	Total
Gross block as of April 1, 2011	73.9	389.3	167.8	545.7	6.3	404.7	1,587.7
Additions	-	92.5	46.4	115.0	0.4	104.6	358.9
Deletions	-	-	(2.9)	(21.8)	(0.7)	(2.8)	(28.2)
Translation exchange difference	(8.8)	(52.8)	(19.0)	(70.4)	(0.8)	(54.1)	(205.9)
Gross block as of March 31, 2012	65.1	429.0	192.3	568.5	5.2	452.4	1,712.5
Accumulated depreciation as of April 1, 2011	-	(67.5)	(83.2)	(355.5)	(3.5)	(214.8)	(724.5)
Deletions	-	-	2.9	18.9	0.6	2.8	25.2
Depreciation for the period	-	(16.7)	(21.4)	(88.1)	(0.8)	(52.1)	(179.1)
Translation exchange difference	-	9.3	9.9	45.7	0.5	29.9	95.3
Accumulated depreciation as of March 31, 2012	-	(74.9)	(91.8)	(379.0)	(3.2)	(234.2)	(783.1)
Net carrying amount as of March 31, 2012	65.1	354.1	100.5	189.5	2.0	218.2	929.4
Capital work-in-progress (including capital advances)							337.7
Total							1,267.1

	(In millions of USD)						
	Freehold land	Buildings	Leasehold improve- ments	Computer equipment	Auto- mobiles	Furniture, fixtures and office equipment	Total
Gross block as of April 1, 2012	65.1	429.0	192.3	568.5	5.2	452.4	1,712.5
Additions	-	45.6	15.8	49.5	0.3	45.6	156.8
Acquisitions through business combinations	-	-	0.4	14.1	-	0.8	15.3
Deletion	-	(0.1)	(0.7)	(5.8)	(0.6)	(5.7)	(12.9)
Translation exchange difference	(1.9)	(10.9)	(6.5)	(14.4)	(0.2)	(11.2)	(45.1)
Gross block as of September 30, 2012	63.2	463.6	201.3	611.9	4.7	481.9	1,826.6
Accumulated depreciation as of April 1, 2012	-	(74.9)	(91.8)	(379.0)	(3.2)	(234.2)	(783.1)
Acquisitions through business combinations	-	-	(0.4)	(11.2)	-	(0.2)	(11.8)
Deletion	-	-	0.6	5.6	0.5	5.2	11.9
Depreciation for the period	-	(8.6)	(10.9)	(41.6)	(0.3)	(26.3)	(87.7)
Translation exchange difference	-	2.0	2.3	9.4	0.1	5.2	19.0
Accumulated depreciation as of September 30, 2012	-	(81.5)	(100.2)	(416.8)	(2.9)	(250.3)	(851.7)
Net carrying amount as of September 30, 2012	63.2	382.1	101.1	195.1	1.8	231.6	974.9
Capital work-in-progress (including capital advances)							386.1
Total							1,361.0

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9. Trade and other payables

Trade and other payables consist of the following:

	<u>As of</u> <u>September 30, 2012</u>	<u>As of</u> <u>March 31, 2012</u>
	(In millions of USD)	
Trade payables	616.1	529.4
Accrued payroll	120.4	108.1
Others	3.9	0.2
Total	<u>740.4</u>	<u>637.7</u>

10. Other financial liabilities

(a) Other current financial liabilities

	<u>As of</u> <u>September 30, 2012</u>	<u>As of</u> <u>March 31, 2012</u>
	(In millions of USD)	
Foreign currency derivative liabilities	27.9	47.2
Capital creditors	44.3	32.9
Others	104.2	91.8
Total	<u>176.4</u>	<u>171.9</u>

(b) Other non-current financial liabilities

	<u>As of</u> <u>September 30, 2012</u>	<u>As of</u> <u>March 31, 2012</u>
	(In millions of USD)	
Foreign currency derivative liabilities	7.5	10.3
Capital creditors	5.9	6.2
Others	40.5	35.6
Total	<u>53.9</u>	<u>52.1</u>

11. Other current liabilities

	<u>As of</u> <u>September 30, 2012</u>	<u>As of</u> <u>March 31, 2012</u>
	(In millions of USD)	
Indirect tax payable and other statutory liabilities	151.4	121.4
Advances received from customers	11.2	14.1
Others	12.4	9.3
Total	<u>174.8</u>	<u>144.8</u>

12. Derivative financial instruments and hedging activity

TCS Limited's revenue is denominated in foreign currency predominantly US Dollar, Sterling Pound and the Euro. In addition to these currencies, TCS Limited also does business in Australian Dollar, Canadian Dollar, South African Rand and Swiss Franc. Given the nature of the business, a large portion of the costs are denominated in Indian Rupee. This exposes TCS Limited to currency fluctuations.

TCS Limited monitors and manages the financial risks relating to its operations by analyzing its foreign exchange exposures by the level and extent of currency risks.

Tata Consultancy Services Limited and its subsidiaries use various derivative financial instruments governed by policies approved by the board of directors such as foreign currency option contracts as well as forward contracts to

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manage and mitigate its exposure to foreign exchange rates. The counter party is generally a bank. The Company can enter into contracts for a period between one day and eight years.

Tata Consultancy Services Limited and its subsidiaries report quarterly to its risk management board, an independent body that monitors foreign exchange risks and policies implemented to manage its foreign exchange exposures. TCS Limited has developed software platform to monitor, manage and reports foreign exchange exposures relating to hedging transactions on a periodic basis.

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

	September 30, 2012			March 31, 2012		
	No. of contracts	Notional amount of forward contracts (in millions)	Fair value (In millions of USD)	No. of contracts	Notional amount of forward contracts (in millions)	Fair value (In millions of USD)
Foreign currency						
US dollar	26	157.9	(13.1)	44	288.0	(19.4)
Sterling pound	14	5.4	(0.9)	26	9.4	(1.1)
Australian dollar	26	7.0	(1.1)	44	11.1	(1.5)

The following are outstanding currency option contracts, which have been designated as cash flow hedges as of:

	September 30, 2012			March 31, 2012		
	No. of contracts	Notional amount of currency option contracts (in millions)	Fair value (In millions of USD)	No. of contracts	Notional amount of currency option contracts (in millions)	Fair value (In millions of USD)
Foreign currency						
US dollar	114	2,086.0	15.0	81	2,185.0	5.8
Sterling pound	42	249.0	6.5	33	217.5	2.9
Australian dollar	21	108.0	4.4	6	30.0	0.7
Euro	33	213.0	4.7	21	210.0	3.7

The movement in accumulated other comprehensive income for the six month period ended September 30, 2012 and year ended March 31, 2012 for derivatives designated as cash flow hedges is as follows:

	Six-month period ended	Year ended
	September 30, 2012	March 31, 2012
	(In millions of USD)	
Balance at the beginning of the year	(27.3)	10.3
Losses transferred to profit or loss on occurrence of forecasted Hedge transaction	13.1	141.0
Deferred tax on (gains) / losses transferred to profit or loss on occurrence of forecasted Hedge transaction	(4.3)	0.2
Change in the fair value of effective portion of outstanding cash flow hedges	9.0	(37.3)
Deferred tax on fair value of effective portion of cash flow hedges	2.4	9.1
Changes in the fair value of effective portion of discontinued / matured cash flow hedges during the period	(7.6)	(151.5)
Amount transferred to non-controlling interests during the year	(0.2)	0.9
Balance at the end of the year	(14.9)	(27.3)

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In addition to the above cash flow hedges, TCS Limited has outstanding foreign exchange forward contracts and currency option contracts with notional amounts aggregating \$1,727.3 million and \$1,669.9 million, whose fair value showed a net gain of \$60.3 million and net loss of \$18.7 as of September 30, 2012 and March 31, 2012, respectively. Although these contracts are effective as hedges from an economic perspective, they do not qualify for hedge accounting.

Exchange gain of \$81.7 million (*September 30, 2011 – exchange loss of \$51.9 million*) and exchange gain of \$16.4 million (*September 30, 2011 – exchange loss of \$42.6 million*) on foreign currency forward exchange contracts and currency option contracts have been recognised in earnings during quarter and six month periods ended September 30, 2012 and 2011, respectively.

13. Segment information

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

The Company has identified business segments (industry practice) as reportable segments. Business segments are primarily financial services comprising banking, finance and insurance services, manufacturing companies, companies in retail and consumer packaged goods industries, companies in telecommunication, media and entertainment and others such as energy, resources and utilities, hi-tech industry practice, life science and healthcare, s-Governance, travel, transportation and hospitality, products, etc.

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

Assets directly attributable or allocable to segments are disclosed under each reportable segment. All other assets are disclosed as unallocable. Property, plant and equipment that are used interchangeably among segments are not allocated to reportable segments.

Summarised segment information for the three month and six month periods ended September 30, 2012 and 2011 is as follows:

	Three month period ended September 30, 2012					
	(In millions of USD)					
	Banking, Financial Services and Insurance	Manufacturing	Retail and Consumer Packaged Goods	Telecom, media and entertain- ment	Others	Total
Revenue	1,221.1	235.0	382.0	355.4	659.1	2,852.6
Segment result	356.7	61.6	118.7	87.0	180.0	804.0
Unallocable expenses						40.9
Operating income						763.1
Other income, net						56.7
Income before taxes						819.8
Income tax expense						170.5
Net income						649.3

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Three month period ended September 30, 2011

(In millions of USD)

	Banking, Financial Services and Insurance	Manufacturing	Retail and Consumer Packaged Goods	Telecom, media and entertain- ment	Others	Total
Revenue	1,102.1	196.0	306.3	321.7	599.2	2,525.3
Segment result	340.0	50.1	88.7	92.1	156.4	727.3
Unallocable expenses						42.6
Operating income						684.7
Other income, net						21.7
Income before taxes						706.4
Income tax expense						172.8
Net income						533.6

Six month period ended September 30, 2012

(In millions of USD)

	Banking, Financial Services and Insurance	Manufacturing	Retail and Consumer Packaged Goods	Telecom, media and entertain- ment	Others	Total
Revenue	2,393.5	450.6	740.5	695.4	1,301.0	5,581.0
Segment result	697.4	116.1	230.5	180.7	368.0	1,592.7
Unallocable expenses						79.2
Operating income						1,513.5
Other income, net						88.8
Income before taxes						1,602.3
Income tax expense						342.2
Net income						1,260.1
As of September 30, 2012						
Segment assets:						
Allocable assets	2,022.6	248.7	359.8	479.1	1,211.0	4,321.2
Unallocable assets						4,230.8
Total assets						8,552.0
Segment liabilities						
Allocable liabilities	167.1	18.2	14.7	34.6	155.2	389.8
Unallocable liabilities						1,385.2
Total liabilities						1,775.0

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Six month period ended September 30, 2011

(In millions of USD)

	Banking, Financial Services and Insurance	Manufacturing	Retail and Consumer Packaged Goods	Telecom, media and entertain- ment	Others	Total
Revenue	2,146.7	378.8	587.0	656.4	1,168.1	4,937.0
Segment result	644.1	93.4	160.8	195.7	304.0	1,398.0
Unallocable expenses						82.0
Operating income						1,316.0
Other income, net						86.2
Income before taxes						1,402.2
Income tax expense						330.6
Net income						1,071.6
As of September 30, 2011						
Segment assets:						
Allocable assets	1,891.8	211.6	263.2	432.6	965.6	3,764.8
Unallocable assets						3,713.7
Total assets						7,478.5
Segment liabilities						
Allocable liabilities	167.8	18.4	16.2	24.2	81.9	308.5
Unallocable liabilities						1,467.1
Total liabilities						1,775.6

14. Commitments and contingencies

Commitments and contingent liabilities are as follows:

Capital commitments

As of September 30, 2012, \$682.2 million was contractually committed for purchase of property, plant and equipment.

Contingencies

Guarantees and letters of credit

The Group has provided guarantees aggregating to \$121.6 million to third parties on behalf of its subsidiary Diligenta Limited. The Group does not expect any outflow of resources in respect of the above.

TCS Limited has unexpired letters of credit of \$0.4 million as of September 30, 2012.

Income tax matters

As of September 30, 2012, TCS Limited has demands from direct tax authorities in Indian jurisdiction, which are being contested by TCS Limited on appeal amounting to \$356.8 million. Demands from direct tax authorities include \$62.8 million in respect of TCS e-Serve Limited. TCS e-Serve Limited has also paid advance taxes aggregating \$61.2 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 the seller and would be required to pay amounts equal to amounts refunded to TCS e-Serve Limited on those claims.

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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 September 30, 2012, TCS Limited has demands from various indirect tax authorities in Indian jurisdiction, which are being contested by the Company on appeal amounting to \$34.1 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.

As of September 30, 2012, \$18.7 million are claims against the Company.

15. Subsequent event

On October 19, 2012, the Board of Directors declared an interim dividend of \$0.06 (₹3) per equity share.