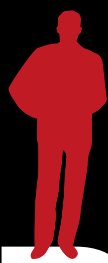
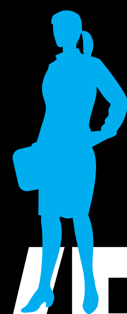
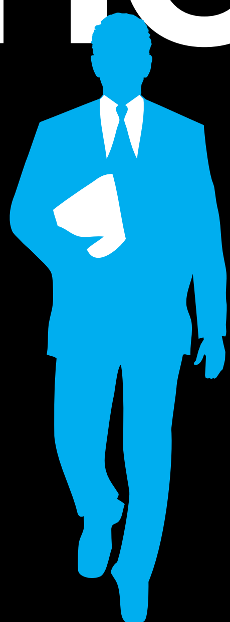
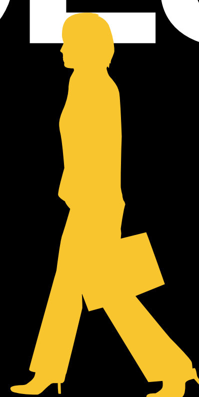
MPHASIS
an HP company

MPHASIS ON THE POWER OF CHOICES

ANNUAL REPORT 2012

IMPLEMENTING CHOICES

Customer Centricity

Hyper-Specialists

Optimism

Inch Wide-Mile Deep

Community Care

Excellence

Shrinking Distances

ANNUAL
REPORT
2012

ANNUAL
REPORT
2012

CONTENTS

Dear Shareholder,

Successful companies choose what they want to do and then they actually do it better than others. While doing so, they learn and improve. As we close the year, we can look back and count many things that we achieved and did well. At the same time, there is tremendous opportunity ahead.

This past year, we at MphasiS sustained our transformation journey and sharpened our focus in key areas. We chose our strategy and executed to plan. While we did this, we looked at improving our profitability. The combination of operational excellence and improved quality of revenue helped us achieve this goal.

Our hyper-specialisation journey continues and is generating a higher quality pipeline. The changing landscape of the services market place offers us a unique opportunity to surge ahead in our select areas.

In line with the above direction, we are embarking on an exciting journey. Our next phase of three years will see us drive greater differentiation through several efforts such as:

- Greater investment in Go-to-Market activity while keeping an eye on maintaining our margins. We are confident that this will translate into more investment in Sales, Solutioning and Marketing.
- Be known for having one of the best sales and customer engagement teams. To enable this, we have engaged a top notch consulting firm, which will help with the transformation.
- Achieve leadership in select areas of emerging services. We have chosen Mobility and Advanced Analytics. You will see us making investments in these two areas.
- Invest in building partnerships in chosen solution segments and be known for best-of-breed services in the solution areas. We are going to build a team that will manage this solution business with first class 'domain experts'.

We are building an engine crucial for our success. This will result in attracting and nurturing world-class professionals.

Our fundamentals are strong and we have demonstrated our strategy in action. This journey is by no means complete. We are excited by the enthusiasm, participation and partnership of employees, customers and shareholders.

We have miles to go and I am confident that some of our efforts today will set a benchmark for the industry in the future.

Regards,

Ganesh

Ganesh Ayyar
CEO

MPHASIS ON DOMAIN FOCUS

Getting into the heart of our Customers' business

Our hyper-specialisation strategy sets us apart. We have leveraged our focus on Insurance, Banking and Capital Markets, New Ventures and Infrastructure Services, to create several innovative solutions that have transformed our customers' business.

BANKING AND CAPITAL MARKETS (BCM)

MphasiS helps BCM customers build reduced-risk environments while complying with industry regulations. Our solutions help such organisations with customer retention, improving efficiency ratios, increasing revenues as well as managing market, credit and operational risks.

Customer Experience Management (CEM)

CEM, developed by MphasiS, provides a 360-degree view of customer experience across channels.
With CEM, organisations can optimise and execute a multi-channel strategy to adapt to changing customer preferences and compliance requirements by listening, analysing and engaging with them.

Client Onboarding

MphasiS launched a proprietary platform to accelerate client onboarding for financial institutions. The solution eliminates duplication of effort, improves customer satisfaction, plugs revenue leakage and reduces operational inefficiencies.

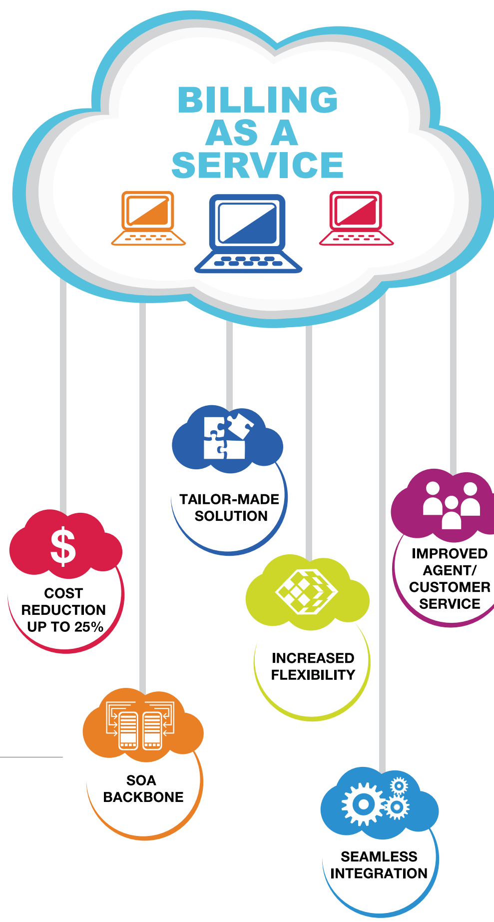
INSURANCE

Our customised solutions anticipate the needs of insurance companies and address their unique challenges. Complex business processes have been modernised through two of our solutions:

- Billing as a Service (BaaS)
- Insurance Sales Modernisation (ISM)

Billing as a Service (BaaS)

BaaS is an end-to-end billing service for insurance companies consisting of several solutions offered on a cloud-based infrastructure. The outsourcing model for BaaS can be tailored to meet customer needs.



Insurance Sales Modernisation (ISM)

ISM is a solution developed by MphasiS to modernise specific sales processes in the insurance industry. This is an automated solution that allows agents to fill out application forms, either on a paper or an iPad while automating the data capture from forms, data transfer to servers, interpretation and finally the authentication of data.

INFRASTRUCTURE SERVICES

MphasiS Managed Maintenance Services (M3S)

M3S is a unique offering designed to eliminate inefficiencies across the IT asset lifecycle - procurement through disposition.
It is designed to enable organisations transform to the new tomorrow of IT infrastructure.

NEW VENTURES

Product Engineering Services (PES)

Innovation and differentiation is essential in the products business. Device driven applications and frameworks are shortening time-to-market in this era of cut-throat competition. To enable such innovations, MphasiS offers services and solutions spanning across firmware, applications and intuitive engineering to the automotive, instrumentation, medical devices and consumer electronics verticals.

MPHASIS ON SHRINKING DISTANCES

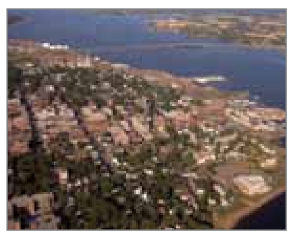
Getting closer to our Customers

We leave no stone unturned in improving customer experience.
This is the cornerstone of our hyper-specialisation strategy.

With the intent of serving our customers in Europe and North America more effectively, we have set up a near-shore facility in Prince Edward Island, Canada. The availability of highly skilled workforce and overlap of working hours with several global business translates into delivering value, while enjoying the benefits of operational convenience.

This near-shore facility is helping us penetrate into the markets of choice and delivering to the needs and requirements of our customers. There is hence a significant impact on customer satisfaction and new business acquisition.

The facility is fully operational and will grow to 300 employees over the next two years. The focus is on delivering integrated business solutions around Applications, Business Process Outsourcing and Infrastructure Management.



Source: Wikipedia

MPHASIS ON CUSTOMER DELIGHT

Sustained excellence, Sustained relationships

Our hyper-specialisation strategy has created enduring relationships, some of which span over a decade and has made us the most preferred IT partner to these customers.

MphasiS and a Global Telecom Company: Making the right connection

Thanks for living our Values of 'Can do' and 'On my side'.

- Head, Customer Service Delivery
Global Telecom Company

Over a span of seven years, we have built a series of delivery centres across India for the customer, growing from 100 Customer Service Executives in 2005 to 7500 as of today. This has helped the customer achieve operational excellence, increased customer centricity and introduce new products.

MphasiS and a UK Credit Card provider: Creating an impactful customer experience

MphasiS agents are at the sharp end of delivering on our commitment to provide great customer service.

– Sven, Director, Service Operations
UK Credit Card provider

A UK Credit Card provider chose us for delivering services across its many lines of business and identifying various opportunities for process and quality improvements. We have helped the company manage its complex processes across multiple channels efficiently. In a relationship lasting over a decade, we have built a team of 300+ Customer Service Executives who have delivered services with high customer satisfaction scores. The team has identified and participated in improvement initiatives around waste reduction, productivity gains, contact avoidance, debit card payments and flexible staffing.

MphasiS and an Australian low-cost airline: Automation of Accounts Payable system

The largest low-cost carrier (by revenue) in Asia Pacific wanted to streamline its payment processing. We created a robust invoice processing solution called mFin that reduced human intervention to around 3% with >98% accuracy and reduced storage and retrieval costs by >80%. It also reduced the Accounts Payable processing lifecycle from 45 days to around 6 days, with an ability to control the Accounts Payable system, on a 'on time, everytime and everywhere' basis. The solution comes with zero upfront cost and provides flexible pricing models.

MphasiS and a leading US provider of Medical Insurance services: Present-perfect and Future-ready

We have already noticed the benefits since going live in early December. Some of these benefits include enhancements to record retention, faster claim re-pricing and an increase in auto-adjudication of claims.

- Mark Carney, HCCMIS President and CEO

We developed a modern and web-based healthcare payer solution, which has been lauded by industry analysts as a promising platform to manage healthcare benefits for both current and next-generation payers. This award winning product has been deployed at health plans, carriers and third party administrators in the US, with more to follow.

BCM'agic: Delighted customers experience the MphasiS values

BCM'agic fest is a customer sponsored event showcasing our customers' appreciation of our in-depth understanding of their business and excellent service levels. BCM'agic is a testimony of our customers' belief in us, which has only grown stronger over the years.

MPHASIS ON SHARING

Nurturing communities, Cherishing human values…

We work with the not-for-profit sectors in implementing social development programmes for the communities that we live and work in. We involve and encourage employees, customers and other stakeholders to actively contribute their skills, time and expertise to such initiatives in the following focus areas:

- **Education**
- **Employability**
- **Entrepreneurship Development**

The MphasiS F1 Foundation was setup in 2012. In line with the focus areas, the foundation supports programmes that have impacted the lives of communities, which have remained at the periphery of development.

Some of the significant F1 Foundation programmes in 2012:

- 124 youth with disabilities, across three cities of India, have been trained in skills required for voice BPO, of which 76 have been hired by MphasiS.
- Initiated training for 100 deaf youth on employability skills in non-voice BPO, a first of its kind programme in association with NOIDA Deaf Society. 30 of these trainees are now part of the MphasiS workforce at Pune.
- Supported Aide-at-Action's i-Lead programme to provide skill-based employment opportunities to 120 semi-educated youth in Sri Lanka and Chennai. The three month training covers ITeS, automobile servicing, electrical work and hospitality.

f1 FOUNDATION

- The F1 Foundation supports Vidya Poshak, a ‘nurture merit’ programme that provides scholarship for higher education to 50 SC/ST students. 99% of the students went to the next level of education in 2011. 91% of these students scored 60% and above.

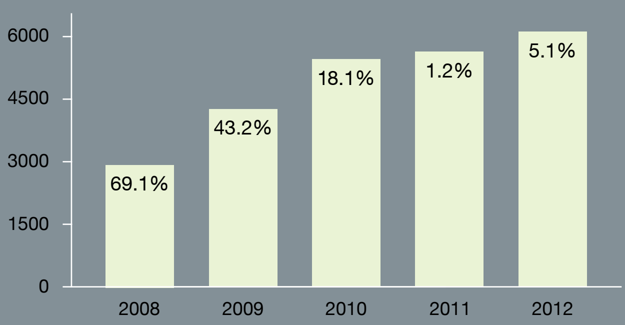
- The Aalamba Livelihood Training and Entrepreneurship Programme has trained as many as 800 youth in the slums of Bengaluru. Over 135 women and youth have been provided assistance to start their own enterprise.

- Shivamma, the owner of a poultry centre in Bengaluru, received financial assistance from the foundation to buy new equipment. This has helped increase her revenue drastically from a mere INR 2,000 per month to INR 15,000 per month. The foundation has also helped her son, rendered jobless by an accident, to buy his own cab and provide taxi services.

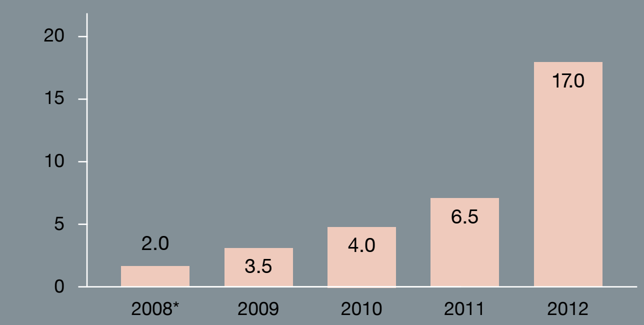
- Vishu Kapoor, a hearing-impaired youth with no employable skills was trained by the Noida Deaf Society, on sign language. Subsequently, the MphasiS F1 Foundation organised a Hardware and Networking course for him, which he cleared successfully. Today, he is employed at MphasiS, Pune for a back-end profile in the Infrastructure Technology Outsourcing.

MPHASIS ON FINANCIALS

5 year trend: **Revenue**

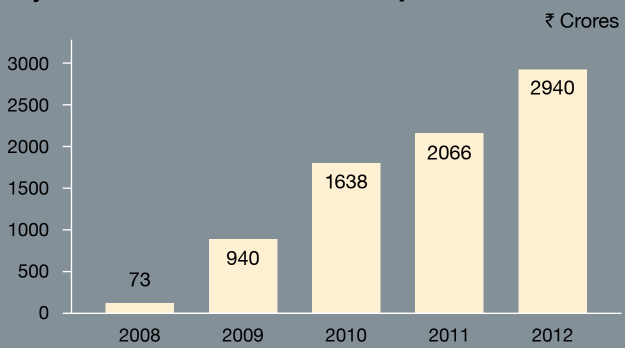


5 year trend: **Dividend Per Share**



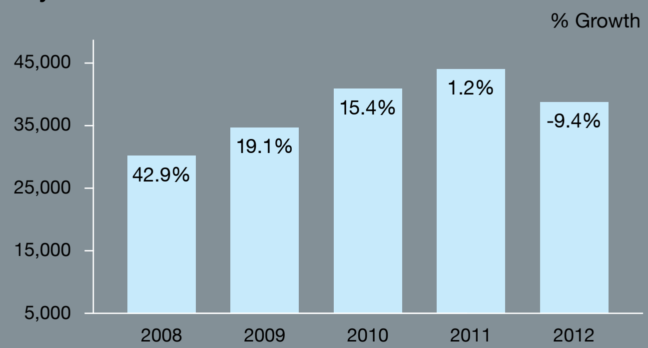
* For 7 months - 1st April to 31st October 2008.

5 year trend: **Cash & Cash Equivalents**



Note: Includes both current and non-current fixed deposits.

5 year trend: **Head Count**



Note: Includes billable contractors. Previous years' data has been restated for proper comparison.

Board of Directors

Dr. Friedrich Froeschl
Chairman

Mr. Francesco Serafini
Vice Chairman

Mr. Balu Ganesh Ayyar
Chief Executive Officer

Mr. Nawshir Mirza

Mr. Davinder Singh Brar

Mr. Balu Doraisamy

Mr. Antonio Fabio Neri

Mr. V Ravichandran

Mr. Chandrakant D Patel

SENIOR VICE PRESIDENT, COMPANY SECRETARY, GENERAL COUNSEL & ETHICS OFFICER

Mr. A Sivaram Nair

AUDITORS

S.R. Batliboi & CO.
UB City, 'Canberra Block'
12th and 13th Floor
24, Vittal Mallya Road
Bengaluru - 560 001, India

REGISTERED OFFICE

Bagmane Technology Park
Byrasandra, C V Raman Nagar
Bengaluru - 560 093, India
Ph: +91 80 4004 4444
www.mphasis.com

REGISTRAR & SHARE TRANSFER AGENT

Integrated Enterprises (India) Limited
(Unit : MphasiS Limited)
30, Ramana Residency, 4th Cross
Sampige Road, Malleswaram
Bengaluru - 560 003, India
Ph: +91 80 2346 0815 - 818

Management Discussion and Analysis of Risks and Concerns

Your Company has instituted an Enterprise Risk Management (ERM) framework to proactively identify, mitigate, monitor and report risks across various functions in the organization and to facilitate tracking and continuous review. Broadly risks are managed under the following categories:

i) Strategy - These have the potential to impact the entity's mission which arises out of strategic decisions and its long term marketing, resource allocation, delivery models and other activities. These risks are generally non-routine in nature;

ii) Operational - These have the potential to impact the efficiency and effectiveness of the operations;

iii) Financial & Reporting - These have the potential to impact the financial elements and transmission of timely and accurate information to stakeholders;

iv) Compliance - These have potential to impact the level of adherence to laws and regulations.

The ERM is managed by the Risk Governance Committee chaired by the CEO and it tracks the progress on various identified risks and mitigation efforts and also presents the status to the Board. Some of the risks/concerns and risk mitigation actions/plans are as follows:

Strategy Risks

Customer/Partner concentration risk

The Group derived about 56.5% of the total revenue through HP channels which was 66% last year. Though such dependencies can impact Group's operations in case of any adversity, the Group has increased the number of direct clients by 65 during the last year.

The Group's intent is to further expand its direct business while continuing to explore partnership opportunities with HP.

Risk of offshore model shift due to newer models emerging with advancement of technology

The Group's ability to remain competitive depends on the ability to adapt to changing technology scenario. Over the last 12 months, the Group has focused on reducing the weightage of Time and Material based services. Focus has been to actively grow business models such as Transaction based, Fixed price and Risk & Reward model. In emerging technologies based services, the Group is focused on growing its footprint in the mobility and analytics space.

Over reliance on India as a Delivery centre

While this is seen as risk, we continue to experience good demand from India as delivery location. At the same time, we have plans to grow our foot print beyond India.

Your Company has delivery centres in UK, China, Sri Lanka, Australia and Poland to mitigate this risk. In FY12, we added Canada as one of the delivery locations and are exploring more regions for delivery of Group's services.

Operational Risks

Lack of holistic due diligence of SLA terms and conditions

New business models, new service offerings, growing volume of operations, have brought risks related to delivery and adherence of SLA terms and conditions. The Group with its years of experience and complemented by our partnership with HP has implemented a framework to enhance the review and control mechanisms to ensure contractual terms are captured and complied with.

A Solution Risk Review team has been formed to undertake a review of all new deals. This team of experts approves SLA terms and conditions and ensures unlimited liability clauses or penalty clauses with no cap are not accepted. Size variance from solution to execution stage is also closely monitored to mitigate the risk of resource estimation errors.

Increase in Manpower cost and attrition

With economy on a watchful mode and uncertainty over market conditions, customer relationships and high quality service delivery have assumed even greater criticality to sustain performance. Human capital is the differentiator in achieving this. Hiring, Employee Engagement, Bench Management and Retention of employees are key people practices that enable this differentiator.

To manage this risk your Company is building out a strong employee value proposition. Your company has also embarked on a PCMM (People Capability, Maturity Model) journey that will help build robust people processes. As a result of these we expect to maintain an optimal mix of manpower in terms of experience, knowledge and skill sets to balance quality and cost. The Resource Management and Learning teams of your Company identify the competencies required to deliver services and train employees in bench with the required competencies leading to optimal utilization of manpower. We have increased our investment in Learning and Development and that has helped us continue to improve in this area. In this regard, your Company was awarded Global L&D Team of the year at the TISS CLO Awards 2012.

Management Discussion and Analysis of Risks and Concerns

Continuity and Disaster Recovery Risk

Increased disruptions due to manmade and natural calamities are posing a risk to the enterprise Information Technology infrastructure. Recovery and availability of enterprise applications and infrastructure post any such disruption has become critical for uninterrupted service delivery. Your Company has identified critical enterprise applications for which Disaster Recovery (DR) plan has been formulated. Your Company is certified on BS 25999 which is an international standard for Business Continuity Management System (BCMS) and provides reasonable assurance of continuity of service.

In the event of disruption of service due to any disaster in the primary site the data from the backup is restored to the temporary scaled down hardware in the remote site and services are rendered from the DR site.

Risk of Fraud

Instances of corporate fraud and misconduct remain a constant threat to public trust and confidence in the market. Your Company through various governance structures, internal audits and Whistle Blower mechanisms has built a strong framework to detect and mitigate fraud risk.

Data and Information Security Risk

With the advancement of technology and growing cyber threats the industry is exposed to different types of risks related to data breaches and disruption of IT services. To mitigate these risks your Company has implemented a robust IT Security framework and is also certified on ISO 27001. This is an international standard on Information Security Management System (ISMS). This certification provides reasonable assurance that data protection and information security measures have been adequately implemented.

Financial Risks

Unfavourable Forex movement

About 87% of revenues are in foreign currency thereby exposing the Group to foreign exchange fluctuation risk. Consequently, high volatility in exchange rates between Indian Rupee vs. USD has increased this risk considerably.

The Group manages this risk through a treasury department which follows a well established hedging policy. Currently the Group has a policy of hedging non-functional current assets and current liabilities and cash flows from forecast revenues. Strategies adopted include layered hedge which are used to mitigate forecasting risk.

Risk relating to Service Tax refunds

The Group is allowed to claim refund for the service tax paid on input services subject to the fulfilment of specified conditions as per the relevant statute. Due to various reasons the refunds have not been forthcoming on a timely basis leading to accumulation of refunds receivables. Similar issue is being faced by other Industry members also.

Concerted efforts were made by your Company directly with Central Board of Excise & Customs and through industry bodies such as CII, NASSCOM for expeditious disposal of the claims. Your Company has been granted refund of INR 493 million from the department as on the date of the report and the outstanding is INR 1802 million. Your Company has also taken steps to reduce further accrual of such refundable amounts of Service Tax.

Compliance risk

Non compliance with statutory requirements

With increase in geographical spread, your Group is subjected to multitudes of constantly changing local and overseas legislations. There is a risk of non compliance or delay in compliance with statutory requirements. The Group uses the services of professional consultants to ensure compliance with domestic and overseas laws and regulations. Your Company has also implemented tools and processes to ensure internal stakeholders of the Company are aware of statutory requirements and maintain required evidences to demonstrate that due care has been taken by your Company to ensure compliance.

Non Compliance with Immigration Laws

The Industry has seen increased scrutiny for non compliance of Immigration laws resulting to severe consequences where non compliance was observed.

Your Company is equipped with the expertise to handle the complications of Immigration laws and has processes to ensure compliance. In addition to a specialist internal team your Company has enlisted external consultants wherever necessary, to ensure proper compliance with these laws. Periodic immigration compliance reviews, training and awareness programs are facilitated on immigration requirements.

Auditors' Report

The Board of Directors
MphasiS Limited

We have audited the attached consolidated balance sheet of MphasiS Limited ('the Company') and its subsidiaries (collectively referred to as 'MphasiS Group') as at 31 October 2012, and also the consolidated statement of profit and loss and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

(a) in the case of the consolidated balance sheet, of the state of affairs of the MphasiS Group as at 31 October 2012;

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

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

For S.R. BATLIBOI & CO.
Firm registration number: 301003E
Chartered Accountants

per Navin Agrawal
Partner
Membership No. 56102

Place : Bengaluru
Date : 05 December 2012

Consolidated Balance Sheet as at 31 October 2012

(₹ millions)

	Notes	31 October 2012	31 October 2011
Equity and liabilities			
Shareholders' funds			
Share capital	3	2,101.14	2,100.43
Reserves and surplus	4	41,946.19	36,897.42
		44,047.33	**38,997.85**
Non-current liabilities			
Long-term borrowings	5	-	486.95
Deferred tax liabilities (net)	6	71.00	22.48
Trade payables	8	-	18.26
Other long-term liabilities	9	72.93	406.08
Long-term provisions	10	124.98	217.90
		268.91	**1,151.67**
Current liabilities			
Short-term borrowings	7	2,690.25	2,434.75
Trade payables	8	6,248.21	6,225.30
Other current liabilities	9	2,239.94	1,526.49
Short-term provisions	10	5,903.07	3,787.54
		17,081.47	**13,974.08**
TOTAL		**61,397.71**	**54,123.60**
Assets			
Non-current assets			
Fixed assets			
Tangible assets	11	1,936.02	2,391.09
Intangible assets	11	424.24	453.05
Capital work-in-progress		0.02	65.38
Intangible assets under development		119.25	13.84
Goodwill on consolidation	12	9,612.47	8,698.02
Deferred tax assets (net)	13	1,014.62	974.53
Long-term loans and advances	14	3,723.62	4,695.43
Other non-current assets	15	172.16	15.70
		17,002.40	**17,307.04**
Current assets			
Current investments	16	25,192.30	17,764.61
Trade receivables	17	6,357.52	5,623.02
Cash and bank balances	18	4,124.40	2,751.20
Short-term loans and advances	14	2,735.21	3,042.54
Other current assets	15	5,985.88	7,635.19
		44,395.31	**36,816.56**
TOTAL		**61,397.71**	**54,123.60**

Summary of significant accounting policies. 1

The accompanying notes are an integral part of the consolidated financial statements.
As per our report of even date.

For S.R. BATLIBOI & CO.
Firm registration number: 301003E
Chartered Accountants

per Navin Agrawal
Partner
Membership No. 56102

Bengaluru
5 December 2012

For and on behalf of the Board of Directors

Balu Ganesh Ayyar
Chief Executive Officer

Nawshir H Mirza
Director

Ganesh Murthy
Executive Vice President &
Chief Financial Officer

A. Sivaram Nair
Senior Vice President, Company Secretary
General Counsel & Ethics Officer

Bengaluru
5 December 2012

Consolidated statement of profit and loss for the year ended 31 October 2012

(₹ millions)

	Notes	Year ended 31 October 2012	Year ended 31 October 2011
Income			
Revenue from operations	19	53,573.32	50,979.64
Other income	20	1,680.24	1,810.57
Total revenue (I)		**55,253.56**	**52,790.21**
Expenses			
Purchase of traded goods	21	428.16	218.91
Employee benefits expense	22	31,274.40	29,587.84
Finance costs	23	146.52	48.96
Depreciation and amortization expense	11	1,743.72	1,551.63
Other expenses	24	11,381.46	11,336.97
Total expenses (II)		**44,974.26**	**42,744.31**
Profit before tax (I) - (II)		**10,279.30**	**10,045.90**
Tax expenses			
Current tax (refer note 38)		2,381.38	2,445.23
Deferred tax charge / (credit)		1.66	(129.17)
Minimum alternative tax credit entitlement		(26.90)	(488.38)
Total tax expense		**2,356.14**	**1,827.68**
Profit for the year		**7,923.16**	**8,218.22**
Earnings per equity share [nominal value of shares ₹ 10	30		
(31 October 2011 : ₹ 10)]			
Basic (₹)		37.71	39.14
Diluted (₹)		37.64	39.02

Summary of significant accounting policies. 1

The accompanying notes are an integral part of the consolidated financial statements.
As per our report of even date.

For S.R. BATLIBOI & CO.
Firm registration number: 301003E
Chartered Accountants

per Navin Agrawal
Partner
Membership No. 56102

Bengaluru
5 December 2012

For and on behalf of the Board of Directors

Balu Ganesh Ayyar
Chief Executive Officer

Nawshir H Mirza
Director

Ganesh Murthy
Executive Vice President &
Chief Financial Officer

A. Sivaram Nair
Senior Vice President, Company Secretary
General Counsel & Ethics Officer

Bengaluru
5 December 2012

Notes to the Consolidated Financial Statements for the year ended 31 October 2012

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements of MphasiS Limited ('the Company') and its subsidiaries, collectively referred to as 'the MphasiS Group' or 'the Group', have been prepared and presented under the historical cost convention on the accrual basis of accounting, unless stated otherwise and comply with the mandatory Accounting Standards ('AS') prescribed in the Companies (Accounting Standards) Rules, 2006 (as amended), other pronouncements of the Institute of Chartered Accountants of India ('ICAI') and the related provisions of the Companies Act 1956. The accounting policies adopted in the preparation of financial statements are consistent with those of the previous year, except for changes explained below.

Use of estimates

The preparation of the financial statements requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities on the date of the consolidated financial statements and the reported amounts of revenues and expenses for the year reported. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in the current and future years.

Basis of consolidation

The consolidated financial statements include the financial statements of MphasiS Limited and all its subsidiaries, which are more than 50% owned or controlled. Please refer to Note 2 for the description of the Group.

The financial statements are prepared in accordance with the principles and procedures for the preparation and presentation of consolidated financial statements as laid down under AS 21, Consolidated Financial Statements prescribed by the Companies (Accounting Standards) Rules, 2006 (as amended).

The financial statements of the parent company and subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances/ transactions and resulting unrealised profits in full. Unrealised losses resulting from intra-group transactions have also been eliminated except to the extent that the recoverable value of related assets are lower than their cost to the Group. The amounts shown in respect of reserves comprise the amount of the relevant reserves as per the balance sheet of the parent company and its share in the post-acquisition increase in the relevant reserves of subsidiaries.

Minority interest is the amount of equity attributable to minorities at the date on which investment in a subsidiary is made and its share of movements in the equity since that date.

Consolidated financial statements are prepared using uniform accounting policies across the Group.

Change in accounting policies and estimates

a. Presentation and disclosure of financial statements

During the year ended 31 October 2012, the revised Schedule VI notified under the Companies Act 1956 has become applicable to the Group for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However it has significant impact on presentation and disclosures made in them. The Group has also reclassified the previous year's figures in accordance with the requirements applicable in the current year.

b. Provision for aged receivables

During the year, the Group has revised the basis of estimation of providing for aged receivables. Had the Group continued the earlier basis, the receivables would have been lower by ₹ 386.82 millions and profit for the year ended 31 October 2012 would have been lower by ₹ 386.82 millions.

Revenue recognition

The Group derives its revenues primarily from software services & projects, call centre & business process outsourcing operations, infrastructure outsourcing services, licensing arrangement, application services and trading of goods.

Revenues from software services & projects comprise income from time-and-material and fixed price contracts. Revenue from time and material contracts is recognized when the services are rendered in accordance with the terms of contracts with clients. Revenue from fixed price contracts is recognized using the percentage-of-completion method, calculated as the proportion of the cost of effort incurred up to the reporting date to estimated cost of total effort.

Revenues from call centre & business process outsourcing operations arise from both time-based and unit-priced client contracts. Such revenue is recognized when the services are rendered in accordance with the terms of the contracts with clients.

Revenues from infrastructure outsourcing services arise from time-based, unit-priced and fixed price contracts. Revenue from time based and unit-priced is recognized when the services are rendered in accordance with the terms of the contracts with clients. Revenue from fixed price contracts is recognized using the percentage-of-completion method, calculated as the proportion of the cost of effort incurred up to the reporting date to estimated cost of total effort.

Revenues from licensing arrangements is recognized on transfer of the title in user licenses, except those contracts where transfer of title is dependent upon rendering of significant implementation services by the Company, in which case revenue is recognized over the implementation period in accordance with the specific terms of the contracts with clients.

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

Revenues from sale of goods is recognized on transfer of significant risks and rewards in accordance with the terms of contract. Revenue is shown as net of sales tax, value added tax and applicable discounts.

Provisions for estimated losses on incomplete contracts are recorded in the period in which such losses become probable based on the current contract estimates. 'Unbilled revenue' included in the current assets represent revenues in excess of amounts billed to clients as at the balance sheet date. 'Unearned receivables' included in the current liabilities represent billings in excess of revenues recognized.

Advances received for services are reported as liabilities until all conditions for revenue recognition are met.

Interest on the deployment of surplus funds is recognized using the time-proportion method, based on underlying interest rates.

Dividend income is recognized when the right to receive the dividend is established.

Fixed assets and capital work-in-progress

Fixed assets are stated at the cost of acquisition or construction less accumulated depreciation and write down for impairment if any. Direct costs are capitalised until the assets are ready to be put to use. Borrowing costs directly attributable to acquisition or construction of those fixed assets which necessarily take a substantial period of time to get ready for their intended use, are capitalised. Fixed assets purchased in foreign currency are recorded at cost, based on the exchange rate on the date of purchase.

Acquired intangible assets are capitalised at the acquisition price. Internally generated intangible assets are stated at cost that can be measured reliably during the development phase and capitalised when it is probable that future economic benefits that are attributable to the assets will flow to the Group. Fixed assets held by foreign subsidiaries are translated into Indian rupees at the closing rate.

Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets acquired are capitalised at the fair value of the asset or the present value of the minimum lease payments at the inception of the lease, whichever is lower.

Cost of assets not ready for use at the balance sheet date are disclosed under capital work-in-progress.

Goodwill arising on consolidation

The excess of cost to the Company of its investment in subsidiaries over its portion of equity in the subsidiaries at the respective dates on which those subsidiaries were acquired, is recognized in the financial statements as goodwill. The Company's portion of equity in the subsidiaries is determined on the basis of the value of assets and liabilities as per the financial statements of the subsidiaries as on the date of acquisition.

Depreciation and amortization

Depreciation on fixed assets is provided using the straight-line method over the estimated useful lives of assets. Depreciation is charged on a proportionate basis for all assets purchased and sold during the year. Individual assets costing less than ₹ 5,000 are depreciated in full in the year of purchase. The estimated useful lives of assets are as follows:

Notes to the Consolidated Financial Statements for the year ended 31 October 2012

For assets used in call center services	
	Years
Buildings	10
Plant and machinery (including telecom equipments)	5
Computer equipment	5
Office equipment	5
Furniture and fixtures	5
Vehicles	3 to 5

For assets used in other services	
	Years
Buildings	10
Plant and machinery	4
Computer equipment	2
Office equipment	3
Furniture and fixtures	4
Vehicles	3 to 5

Assets used for Unique Identification (UID) services have been depreciated over a period of 2 years.

Freehold land is not depreciated. Leasehold improvements are amortized over the remaining lease term or 3 years (5 years for Call center services), whichever is shorter. Significant purchased application software and internally generated software that is an integral part of the Group's computer systems and expected to provide lasting benefits, is capitalised at cost and amortized on the straight-line method over its estimated useful life or 3 years, whichever is shorter. Internally generated software for sale expected to provide lasting benefits is amortized on the straight-line method over its estimated life or 7 years, whichever is shorter.

Leases

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

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

Borrowing costs

Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the year they occur.

Impairment of assets

The Group assesses at each balance sheet date whether there is any indication that a fixed asset, including goodwill, may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using the pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the assets. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the statement of profit and loss. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost. In respect of goodwill, the impairment loss will be reversed only when it was caused by specific external events and their effects have been reversed by subsequent external events.

Investments

Investments that are readily realisable and intended to be held for not more than a year, are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis.

Long-term investments are carried at cost. Provision for diminution in the value of investments is made if the impairment is not temporary in nature.

Notes to the Consolidated Financial Statements for the year ended 31 October 2012

Employee benefits

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

The cost of short term compensated absences are provided for based on estimates. Long term compensated absence costs are provided for based on actuarial valuation using the project unit credit method. The Group presents the entire leave as a current liability in the balance sheet, since it does not have an unconditional right to defer its settlement for 12 months after the reporting date.

Contributions payable to recognized provident funds, which are defined contribution schemes, are charged to the statement of profit and loss. The Group's liability is limited to the contribution made to the fund.

Stock-based compensation (Equity settled)

Measurement and disclosure of the employee share-based payment plans is done in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India. The Company measures compensation cost relating to employee stock options using the intrinsic value method except for RSU Plan 2010, RSU Plan 2011 and ESOP 2012 Plan wherein compensation cost is measured based on fair valuation . Compensation expense is amortized over the vesting period of the option on a straight line basis.

Foreign currency

Foreign exchange transactions are recorded at the rates of exchange prevailing on the dates of the respective transactions. Exchange differences arising on foreign exchange transactions settled during the year are recognized in the statement of profit and loss of that year.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the exchange rates on that date. The resultant exchange differences are recognized in the statement of profit and loss. Non-monetary items which are carried in terms of historical cost denominated in foreign currency are reported using the exchange rate as at the date of the transaction.

The financial statements of an integral foreign operation are translated as if the transactions of the foreign operation have been those of the Company itself.

The financial statements of foreign subsidiaries being non-integral operations in terms of para 24 of AS 11, Accounting for the Effects of Changes in Foreign Exchange Rates, are translated into Indian rupees as follows:

a) Income and expense items are translated at the average exchange rates.
b) Assets (including goodwill) and liabilities, both monetary and non-monetary are translated at the closing rate.
c) All resulting exchange differences are accumulated in a foreign currency translation reserve which is reflected under Reserves and Surplus until the disposal of the net investment.
d) Contingent liabilities are translated at the closing rate.

Forward contracts are entered into to hedge the foreign currency risk of the underlying outstanding at the balance sheet date and also to hedge the foreign currency risk of firm commitment or highly probable forecast transactions. The premium or discount on forward contracts that are entered into to hedge the foreign currency risk of the underlying outstanding at the balance sheet date arising at the inception of each contract, is amortized as income or expense over the life of the contract. Any profit or loss arising on the cancellation or renewal of forward contracts is recognized as income or as expense for the year.

In relation to the forward contracts entered into, to hedge the foreign currency risk of the underlying outstanding at the balance sheet date, the exchange difference is calculated and recorded in accordance with paragraphs 36 and 37 of AS 11. The exchange difference on such a forward exchange contract is calculated as the difference between the foreign currency amount of the contract translated at the exchange rate at the reporting date or the settlement date where the transaction is settled during the reporting year, and the corresponding foreign currency amount translated at the later of the date of inception of the forward exchange contract and the last reporting date. Such exchange differences are recognized in the statement of profit and loss in the reporting year in which the exchange rates change.

The Group has adopted the principles of AS 30 "Financial Instruments: Recognition and Measurement" in respect of its derivative financial instruments (excluding embedded derivatives) that are not covered by AS 11 "Accounting for the Effects of Changes in Foreign

Exchange Rates" and that relate to a firm commitment or a highly probable forecast transaction. In accordance with AS 30, such derivative financial instruments, which qualify for cash flow hedge accounting and where the Group has met all the conditions of AS 30, are fair valued at the balance sheet date and the resultant gain / loss is credited / debited to the hedging reserve included in the Reserves and Surplus. This gain / loss is recorded in the statement of profit and loss when the underlying transactions affect earnings. Other derivative instruments that relate to a firm commitment or a highly probable forecast transaction and that do not qualify for hedge accounting, have been recorded at fair value at the reporting date and the resultant gain / loss has been credited / debited to statement of profit and loss for the year.

Income taxes

The current charge for income taxes is calculated in accordance with the relevant tax regulations. Minimum Alternative Tax ('MAT') paid in accordance with the tax laws, which gives rise to future economic benefits in the form of adjustments of future income tax liability, is considered as an asset if there is convincing evidence that the Group will pay normal tax after the tax holiday period. MAT credit entitlement can be carried forward and utilised for a period as specified in the tax laws of the respective countries.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to timing differences that result between taxable profits and accounting profits. Deferred tax in respect of timing differences which originate during the tax holiday period but reverse after the tax holiday period, is recognized in the period in which the timing differences originate. For this purpose, the timing difference which originates first is considered to reverse first. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. The effect on deferred tax assets and liabilities of change in tax rates is recognized in the period that includes the enactment date. Deferred tax assets on timing differences are recognized only if there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. However, deferred tax assets on the timing differences when unabsorbed depreciation and losses carried forward exist, are recognized only to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets are reassessed for the appropriateness of their respective carrying values at each balance sheet date. The legal entities within the Group offsets, on a year on year basis, the current and deferred tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

Provisions and contingent liabilities

A provision is recognized when an enterprise has a present obligation as result of past event and it is probable that an outflow of resources will be required to settle a reliably estimable obligation. Provisions are not discounted to present value and are determined based on best estimate required to settle each obligation at each balance sheet date.

Provisions for onerous contracts, i.e. contracts where the expected unavoidable costs of meeting obligations under a contract exceed the economic benefits expected to be received, are recognized when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event, based on a reliable estimate of such obligation. Provisions are not discounted to their present value and are determined based on best estimate required to settle the obligation at each balance sheet date.

Earnings per share

The basic earnings per share is computed by dividing the net profit attributable to equity shareholders for the year by the weighted average number of equity shares outstanding during the year. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share, and also the weighted average number of equity shares which could be issued on the conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the year, unless they have been issued at a later date. The diluted potential equity shares have been arrived at, assuming that the proceeds receivable were based on shares having been issued at the average market value of the outstanding shares. In computing dilutive earnings per share, only potential equity shares that are dilutive and that would, if issued, either reduce future earnings per share or increase loss per share, are included.

Inventories

Inventory comprises of traded goods and is measured at lower of cost and net realisable value. Cost includes direct materials and related direct expenses. Cost is determined on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated cost necessary to make the sale.

Cash and cash equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

Notes to the Consolidated Financial Statements for the year ended 31 October 2012

2. DESCRIPTION OF THE GROUP

The MphasiS Group, a global, multicultural organisation headquartered in Bengaluru, India, specialises in providing a suite of application development and maintenance services, infrastructure outsourcing services and business process outsourcing solutions to clients around the world.

MphasiS Limited is registered under the Indian Companies Act, 1956 with its registered office in Bengaluru. This is the flagship Company of the Group and is listed on the principal stock exchanges of India.

List of subsidiaries with percentage holding — **% of holding**

Subsidiaries	Country of incorporation and other particulars	2012	2011
MphasiS Corporation	a company organised under the laws of Delaware, USA	100	100
MphasiS Deutschland GmbH	a company organised under the laws of Germany	91	91
MphasiS Australia Pty Limited	a company organised under the laws of Australia	100	100
MphasiS (Shanghai) Software & Services Company Limited	a company organised under the laws of The People's Republic of China	100	100
MphasiS Consulting Limited	a company organised under the laws of United Kingdom	100	100
MphasiS FinsourcE Limited	a company organised under the laws of India	100	100
MphasiS Ireland Limited	a company organised under the laws of Ireland	100	100
MphasiS Belgium BVBA	a company organised under the laws of Belgium	100	100
MphasiS Lanka (Private) Limited	a company organised under the laws of Sri Lanka	100	100
MphasiS Poland s.p.z.o.o.	a company organised under the laws of Poland	100	100
PT. MphasiS Indonesia	a company organised under the laws of Indonesia	100	100
MphasiS Europe BV	a subsidiary of MphasiS Corporation, organised under the laws of The Netherlands	100	100
MphasiS Infrastructure Services Inc. [Refer Note 2.2]	a subsidiary of MphasiS Corporation, organised under the laws of Delaware, USA	100	100
MphasiS Pte Limited	a subsidiary of MphasiS Europe BV, organised under the laws of Singapore	100	100
MphasiS UK Limited	a subsidiary of MphasiS Europe BV, organised under the laws of United Kingdom	100	100
MphasiS Software and Services (India) Private Limited	a subsidiary of MphasiS Europe BV, organised under the laws of India	100	100
MsourcE Mauritius Inc.	a subsidiary of MphasiS Europe BV, organised under the laws of Mauritius	100	100
MphasiS Wyde Inc. [Refer Note 2.3]	a subsidiary of MphasiS UK Limited, organised under the laws of Delaware, USA	100	100
MphasiS Philippines Inc. [Refer note 2.4]	a subsidiary of MphasiS Pte Ltd, organised under the laws of Republic of Philippines	100	-
MsourcE (India) Private Limited	a subsidiary of MsourcE Mauritius Inc., organised under the laws of India	100	100
MsourcE India BPO Private Limited [Refer Note 2.5]	a subsidiary of MsourcE (India) Private Limited, organised under the laws of India	100	100
Wyde Corporation [Refer note 2.3]	a subsidiary of MphasiS Wyde Inc., organised under the laws of Delaware, USA	100	100
MphasiS Wyde SAS [Refer note 2.3]	a subsidiary of Wyde Corporation, organised under the laws of France	100	100
Wyde Solutions Canada Inc. [Refer note 2.3]	a subsidiary of Wyde Corporation, organised under the laws of Quebec, Canada	100	100
Wyde Tunisie SARL [Refer note 2.3]	a subsidiary of MphasiS Wyde SAS, organised under the laws of Tunisia	100	100

All the above subsidiaries are under the same management.

Notes to the Consolidated Financial Statements for the year ended 31 October 2012

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

The balance consideration payable to the erstwhile shareholders amounting to ₹ 17.06 millions (31 October 2011: ₹ 17.06 millions) is carried as a liability which will be paid after necessary regulatory approvals are obtained (refer note 9).

2.2 MphasiS Corporation, a subsidiary of the Company, acquired MphasiS Infrastructure Inc. (formerly Fortify Infrastructure Services Inc.) along with its subsidiaries effective 1 May 2010 for an aggregate consideration of USD 27.74 millions (₹ 1,230.43 millions) including USD 12.50 millions payable in two tranches of USD 6.00 millions and USD 6.50 millions respectively upto the financial year ended 31 October 2012 on the basis of the fulfillment of certain revenue/earnings obligations.

As per the addendum to the Share Purchase Agreement the date of fulfillment of revenue/earnings obligations was revised to 31 January 2013.

During the year ended 31 October 2012, MphasiS Corporation has paid USD 5.89 millions (₹ 310.66 millions) as first tranche and balance USD 0.11 millions (₹ 5.75 millions) has been adjusted with Goodwill.

2.3 MphasiS Wyde Inc. (name changed w.e.f. 1 December 2011, formerly Seine Acquisition Inc.) a subsidiary of MphasiS UK Limited incorporated on 27 July 2011, acquired Wyde Corporation along with its subsidiaries Wyde Solutions Canada Inc., MphasiS Wyde SAS (name changed w.e.f. February 2012, formerly known as Wyde Inc. SA) and Wyde Tunisie SARL effective 29 August 2011 for an aggregate consideration of USD 90.60 millions (₹ 4,183.05 millions) including acquisition related expenses and USD 6.10 millions (₹ 281.15 millions) held in escrow account for a stipulated period subject to deduction of any liability arising in relation to the indemnification provided by the erstwhile shareholders.

2.4 MphasiS Philippines Inc. was incorporated as a subsidiary of MphasiS Pte Ltd. on 20 July 2012.

2.5 MphasiS Wyde Inc. has signed a definitive agreement to acquire USA based Digital Risk LLC, on a cash free debt free basis for USD 175 million with an additional maximum earn-out component of USD 27 million payable over next 3 years. The closing of the transaction is subject to regulatory approvals and other customary closing conditions.

2.6 MsourcE India BPO Private Limited has filed an application under Section 560 of the Companies Act, 1956, for striking its name off the register with the Registrar of Companies, Ministry of Corporate Affairs under Fast Track Exit (FTE) mode which is under progress with Ministry of Corporate Affairs.

Notes to the Consolidated Financial Statements for the year ended 31 October 2012

(₹ millions)

		31 October 2012	31 October 2011
3.	**SHARE CAPITAL**		
	Authorised shares		
	245,000,000 (31 October 2011: 245,000,000) equity shares of ₹ 10 each	2,450.00	2,450.00
	Issued, subscribed and fully paid-up shares		
	210,106,857 (31 October 2011: 210,036,045) equity shares of ₹ 10 each fully paid-up	2,101.07	2,100.36
	Add: Amount originally paid-up on forfeited shares	0.07	0.07
	Total issued, subscribed and fully paid-up share capital	**2,101.14**	**2,100.43**

(a) **Reconciliation of the shares outstanding at the beginning and at the end of the reporting period**

	31 October 2012		31 October 2011	
	Number	**₹ millions**	**Number**	**₹ millions**
At the beginning of the year	210,036,045	2,100.36	209,924,713	2,099.25
Issued during the period – Bonus issue	-	-	700	-
Issued during the period – Employee stock option plans	70,812	0.71	110,632	1.11
Outstanding at the end of the year	**210,106,857**	**2,101.07**	**210,036,045**	**2,100.36**

(b) **Terms/rights attached to equity shares**

The Company has only one class of equity shares having par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

During the year ended 31 October 2012, the amount of per share dividend recognized as distributions to equity shareholders is ₹ 17.00 (31 October 2011: ₹ 6.50).

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

(c) **Shares held by holding/ultimate holding company and/or their subsidiaries/ associates** (₹ millions)

	31 October 2012	31 October 2011
EDS Asia Pacific Holdings, Mauritius (Subsidiary of the ultimate holding company)	830.02	830.02
83,002,201 (31 October 2011: 83,002,201) equity shares of ₹ 10 each fully paid		
EDS World Corporation (Far East) (Subsidiary of the ultimate holding company)	441.04	441.04
44,104,064 (31 October 2011: 44,104,064) equity shares of ₹ 10 each fully paid		
EDS World Corporation (Netherlands) (Subsidiary of the ultimate holding company)	0.00	0.00
1 (31 October 2011: 1) equity share of ₹ 10 each fully paid		

The ultimate holding company is Hewlett-Packard Company, USA.

(d) **Aggregate number of bonus shares issued and shares issued for consideration other than cash during the period of five years immediately preceding the reporting date:**

Equity shares allotted as fully paid bonus shares by capitalization of securities premium/ statement of profit and loss	7,400	16,800
Equity shares allotted as fully paid up pursuant to contracts for considerations other than cash*	-	44,104,065

* represents shares issued to shareholders of EDS India on account of merger with the Company during the year ended 31 March 2007.

In addition, the Company has issued total 1,487,068 shares (31 October 2011: 3,800,060) during the period of five years immediately preceding the reporting date on exercise of options granted under the employee stock option plan (ESOP) wherein part consideration was received in form of employee services.

Notes to the Consolidated Financial Statements for the year ended 31 October 2012

(e) **Details of shareholders holding more than 5% shares in the Company**

Name of the shareholder	31 October 2012	
	Number	% of holding
EDS Asia Pacific Holdings, Mauritius	83,002,201	39.50
EDS World Corporation (Far East)	44,104,064	20.99
Aberdeen Asset Managers Limited A/C Aberdeen Global Indian Equity Fund Mauritius Limited	18,500,000	8.81

Name of the shareholder	31 October 2011	
	Number	% of holding
EDS Asia Pacific Holdings, Mauritius	83,002,201	39.52
EDS World Corporation (Far East)	44,104,064	21.00
Aberdeen Asset Managers Limited A/C Aberdeen Global Indian Equity Fund Mauritius Limited	16,431,000	7.82

As per records of the company, including its register of shareholders/ members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

(f) **Shares reserved for issue under options**

For details of shares reserved for issue under the ESOP plan of the Company, please refer note 4.

(₹ millions)

	31 October 2012	31 October 2011
4. RESERVES & SURPLUS		
Capital reserve		
Balance as per last financial statements	96.23	96.23
Receipts from liquidation of trust (refer note 37)	265.16	-
Closing Balance	**361.39**	**96.23**
Capital redemption reserve	**4.75**	**4.75**
Securities premium account		
Balance as per last financial statements	1,546.44	1,534.36
Add: Premium on issue of shares	5.37	11.93
Add: Transferred from stock options outstanding	1.55	0.15
Closing Balance	**1,553.36**	**1,546.44**
Employee stock options outstanding		
Balance as per last financial statements	201.99	5.40
Add: Gross compensation for options granted during the year	53.13	228.74
Less: Transferred to securities premium on exercise of stock options	1.55	0.15
Less: Exercise of stock options	92.29	-
Less: Reversal on forfeiture/ lapse of options granted	45.95	32.00
	115.33	**201.99**
Less: Deferred employee stock compensation expense		
Balance as per last financial statements	85.05	-
Add: Gross compensation for options granted during the year	53.13	228.74
Less: Expense for the year	61.02	111.79
Less: Reversal on forfeiture/lapse of options granted	45.95	31.90
	31.21	**85.05**
Closing Balance	**84.12**	**116.94**

Notes to the Consolidated Financial Statements for the year ended 31 October 2012

(₹ millions)

		31 October 2012	31 October 2011
4.	**RESERVES & SURPLUS (Contd...)**		
	General reserve		
	Balance as per last financial statements	3,572.11	2,790.10
	Add: Amount transferred from surplus balance in the statement of profit and loss	611.05	782.01
	Less: Loss on exercise of restricted stock units	1.57	-
	Closing Balance	**4,181.59**	**3,572.11**
	Hedging reserve		
	Balance as per last financial statements	(734.53)	656.78
	Add / (Less): Transaction during the year	(1,253.29)	(1,088.80)
	Add/ (Less): Transfer to revenue	1,333.48	(302.51)
	Closing Balance	**(654.34)**	**(734.53)**
	Foreign currency translation reserve		
	Balance as per last financial statements	466.31	(175.50)
	Add/ (Less): During the year	959.59	641.81
	Closing Balance	**1,425.90**	**466.31**
	Surplus in the statement of profit and loss		
	Balance as per last financial statements	31,829.17	25,979.97
	Profit for the year	7,923.16	8,218.22
	Less: Appropriations		
	Final dividend for earlier years	0.51	0.26
	Proposed final equity dividend (amount per share ₹ 17.00 (31 October 2011: ₹ 6.50))	3,571.82	1,365.23
	Tax on proposed equity dividend	579.53	221.51
	Transfer to general reserve	611.05	782.01
	Issue of bonus shares	-	0.01
	Total appropriations	**4,762.91**	**2,369.02**
	Net surplus in the statement of profit and loss	**34,989.42**	**31,829.17**
	Total reserves and surplus	**41,946.19**	**36,897.42**

Employee Stock Option Plans ('ESOP') – Equity settled

All the ESOPs are in respect of the Company's shares where each stock option is equivalent to one share. In accordance with the Guidance Note on "Accounting for Employee Share-based Payments" issued by the ICAI with effect from 1 April 2005, the necessary disclosures have been made for the years ended 31 October 2012 and 31 October 2011 for grants outstanding on and made on or after that date for each of the plans described below (Also refer note 31).

Employees Stock Option Plan - 1998 (the 1998 Plan): The Company instituted the 1998 Plan for all eligible employees in pursuance of the special resolution approved by the shareholders in the Annual General Meeting held on 31 July 1998. The 1998 Plan provides for the issuance of 3,720,000 options to eligible employees as recommended by the ESOP Committee constituted for this purpose.

In accordance with the 1998 Plan, the Committee has formulated 1998 Plan - (Version I) and 1998 Plan - (Version II) during the years 1998 - 1999 and 1999 - 2000 respectively.

1998 Plan - (Version I): Each option, granted under the 1998 Plan - (Version I), entitles the holder thereof with an option to apply for and be issued one equity share of the Company at an exercise price of ₹ 34.38 per share. The equity shares covered under these options vest at various dates over a period ranging from six to sixty-six months from the date of grant based on the length of service completed by the employee to the date of grant. The options are exercisable any time after their vesting period.

Notes to the Consolidated Financial Statements for the year ended 31 October 2012

The movements in the options granted under the 1998 Plan - (Version I) for the years ended 31 October 2012 and 31 October 2011 are set out below:

	Year ended 31 October 2012		Year ended 31 October 2011	
	No. of Options	Weighted Average Exercise Price	No. of Options	Weighted Average Exercise Price
Options outstanding at the beginning	67,632	34.38	69,280	34.38
Granted	-	-	-	-
Forfeited	-	-	-	-
Lapsed	-	-	-	-
Exercised	19,344	34.38	1,648	34.38
Options outstanding at the end	48,288	34.38	67,632	34.38
Exercisable at the end	48,288	34.38	67,632	34.38

The weighted average share price as at the date of exercise for stock options was ₹ 386.97 (31 October 2011: ₹ 522.00). The options outstanding as at 31 October 2012 has an exercise price of ₹ 34.38 (31 October 2011: ₹ 34.38).

1998 Plan - (Version II): Commencing January 2000, the Company decided to grant all future options at the market price immediately preceding the date of grant. The equity shares covered under these options vest at various dates over a period ranging from twelve to forty-eight months from the date of grant based on the grade of the employee. However, in the case of options granted to the then Managing Director or Chief Executive Officer, the vesting period of the options, subject to a minimum period of one year from the date of grant, is determined by the ESOP Committee and approved by the Board. The options are to be exercised within a period of ten years from their date of vesting.

The movements in the options granted under the 1998 Plan - (Version II) for the years ended 31 October 2012 and 31 October 2011 are set out below:

	Year ended 31 October 2012		Year ended 31 October 2011	
	No. of Options	Weighted Average Exercise Price	No. of Options	Weighted Average Exercise Price
Options outstanding at the beginning	515,974	88.91	700,338	91.71
Granted	-	-	-	-
Forfeited	-	-	-	-
Lapsed	82,436	103.55	136,724	102.31
Exercised	38,896	98.72	47,640	91.70
Options outstanding at the end	394,642	84.88	515,974	88.91
Exercisable at the end	394,642	84.88	515,974	88.91

The weighted average share price as at the date of exercise for stock options was ₹ 347.71 (31 October 2011: ₹ 533.21). The options outstanding as at 31 October 2012 has an exercise price ranging from ₹ 23.21 to ₹ 258.00 (31 October 2011: ₹ 23.21 to ₹ 258.00) and weighted average remaining contractual life of 1.93 years (31 October 2011: 2.33 years).

Employees Stock Option Plan - 2000 (the 2000 Plan): Effective 25 July 2000, the Company instituted the 2000 Plan. The shareholders and ESOP Committee approved the 2000 Plan in July 2000. The 2000 Plan provides for the issue of equity shares to employees and directors of the Company and its subsidiaries.

The 2000 Plan is administered by the ESOP Committee appointed by the Board. Under the 2000 Plan, options will be issued to employees at an exercise price, which shall not be less than the market price immediately preceding the date of grant. The equity shares covered under these options vest over a period ranging from twelve to forty-eight months from the date of grant. The exercise period is one to two years from the date of vesting.

Notes to the Consolidated Financial Statements for the year ended 31 October 2012

The movements in the options under the 2000 plan for the years ended 31 October 2012 and 31 October 2011 are set out below:

	Year ended 31 October 2012		Year ended 31 October 2011	
	No. of Options	Weighted Average Exercise Price	No. of Options	Weighted Average Exercise Price
Options outstanding at the beginning	26,576	171.66	117,394	152.24
Granted	-	-	-	-
Forfeited	-	-	2,675	164.92
Lapsed	20,826	169.92	51,364	147.04
Exercised	5,750	177.97	36,779	144.55
Options outstanding at the end	-	-	26,576	171.66
Exercisable at the end	-	-	26,576	171.66

The weighted average share price as at the date of exercise for stock options was ₹ 362.46 (31 October 2011: ₹ 521.83). No options are outstanding as at 31 October 2012. The options outstanding as at 31 October 2011 had an exercise price ranging from ₹ 129.95 to ₹ 208.45 and weighted average remaining contractual life of 0.27 years.

Employees Stock Option Plan - 2003 (the 2003 Plan): The shareholders at the Annual General Meeting on 2 June 2003 approved a new Employee Stock Option Plan. The 2003 Plan provides for the issue of equity shares to employees and directors of the Company and its subsidiaries and is administered by the ESOP Committee appointed by the Board. Options will be issued to employees at an exercise price which shall not be less than the market price immediately preceding the date of grant. The equity shares covered under these options vest over a period ranging from twelve to forty-eight months from the date of grant. However, certain options were granted to executive directors having a target stock price condition and a one year service condition as vesting conditions. The exercise period is two years from the date of vesting.

The movements in the options under the 2003 Plan for the years ended 31 October 2012 and 31 October 2011 are set out below:

	Year ended 31 October 2012		Year ended 31 October 2011	
	No. of Options	Weighted Average Exercise Price	No. of Options	Weighted Average Exercise Price
Options outstanding at the beginning	-	-	12,450	130.60
Granted	-	-	-	-
Forfeited	-	-	-	-
Lapsed	-	-	2,250	130.60
Exercised	-	-	10,200	130.60
Options outstanding at the end	-	-	-	-
Exercisable at the end	-	-	-	-

The weighted average share price as at the date of exercise for stock options was ₹ Nil (31 October 2011: ₹ 455.08). No options are outstanding as at 31 October 2012 and 31 October 2011.

Employees Stock Option Plan - 2004 (the 2004 Plan): At the Extraordinary General Meeting on 12 May 2004, the shareholders approved a new Employee Stock Option Plan. The 2004 Plan provides for the issuance of equity shares to employees and directors of the Company and its subsidiaries and for the exchange of outstanding stock options of MsourcE Corporation as on 20 September 2004, pursuant to its merger with MphasiS Corporation and the assumption of the MsourcE stock options by the Company.

Notes to the Consolidated Financial Statements for the year ended 31 October 2012

The 2004 Plan is administered through the ESOP Committee appointed by the Board and comprises two programs. Under Program A, outstanding options of MsourcE Corporation were exchanged for options in the Company on the agreed exchange ratio of 0.14028 stock options with underlying equity shares of the Company for each stock option in the MsourcE 2001 plan, the exercise price being the equivalent amount payable by the option holder under the MsourcE 2001 plan. The equity shares underlying these options vest over a period up to forty-eight months from the date of assumption by the Company and shall be exercisable within a period of ten years from the original date of grant under the MsourcE 2001 plan.

Options under Program B represent fresh grants and will be issued to employees at an exercise price which shall be equal to the fair value of the underlying shares at the date of grant. The equity shares covered under these options vest over a period ranging from twelve to forty-eight months from the date of grant. The exercise period is two years from the date of vesting.

The movements in the options under the 2004 Plan for the years ended 31 October 2012 and 31 October 2011 are set out below:

	Year ended 31 October 2012		Year ended 31 October 2011	
	No. of Options	Weighted Average Exercise Price	No. of Options	Weighted Average Exercise Price
Options outstanding at the beginning	21,506	113.15	56,774	127.87
Granted	-	-	-	-
Forfeited	-	-	1,269	178.26
Lapsed	2,326	184.50	19,634	134.50
Exercised	6,822	80.22	14,365	136.38
Options outstanding at the end	12,358	117.91	21,506	113.15
Exercisable at the end	12,358	117.91	21,506	113.15

The weighted average share price as at the date of exercise for stock options was ₹ 405.29 (31 October 2011: ₹ 473.40).The options outstanding as at 31 October 2012 has an exercise price ranging from ₹ 50.34 to ₹ 148.07 (31 October 2011: ₹ 50.34 to ₹ 184.50) and weighted average remaining contractual life of 3.80 years (31 October 2011: 4.25 years).

Employees Stock Option Plan - 2012 (the 2012 Plan): Effective 14 March 2012, the Company instituted the 2012 Plan. The Board and the shareholders of the Company approved 2012 plan on 20 January 2012. The 2012 plan provides for the issue of restricted options to certain employees of the Company and its subsidiaries.

The 2012 plan is administered by the MphasiS Employees Benefit Trust which is created for this purpose. Each option, granted under this plan, entitles the holder thereof with an option to apply for and be issued one equity share of the Company at an exercise price of ₹ 410.25 per share. The equity shares covered under these options vest over a period ranging from twelve to twenty-four months from the date of grant. The exercise period is three years from the date of vesting.

The movements in the options under the 2012 plan for the year ended 31 October 2012 is set out below:

	Year ended 31 October 2012		Year ended 31 October 2011	
	No. of Options	Weighted Average Exercise Price	No. of Options	Weighted Average Exercise Price
Options outstanding at the beginning	-	-	-	-
Granted	567,300	410.25	-	-
Forfeited	66,550	410.25	-	-
Lapsed	-	-	-	-
Exercised	-	-	-	-
Options outstanding at the end	500,750	410.25	-	-
Exercisable at the end	-	-	-	-

The options outstanding as at 31 October 2012 has an exercise price ₹ 410.25 and weighted average remaining contractual life of 3.84 years.

Notes to the Consolidated Financial Statements for the year ended 31 October 2012

The weighted average fair value of stock options granted during the year was ₹ 93.65. The Black-Scholes valuation model has been used for computing the weighted average fair value considering the following inputs:

	31 October 2012
Weighted average share price on the date of grant	410.25
Exercise Price	410.25
Expected Volatility*	40.53%
Life of the options granted in years	1 -2 Years
Average risk-free interest rate	8.20%
Expected dividend rate	1.50%

* The expected volatility was determined based on historical volatility data.

Total Employee Compensation Cost pertaining to 2012 plan during the year is ₹ 20.99 millions.

Restricted Stock Units

EDS, the Holding Company, had issued Restricted Stock Units ('RSU') to certain employees of the Group. These have been replaced by RSUs of HP, pursuant to the merger. Subsequent to the merger, HP had also issued RSUs to certain employees of the Group. The total cost incurred towards RSUs for the years ended 31 October 2012 and 31 October 2011 amounted to ₹ 15.60 millions and ₹ 45.44 millions respectively. However, the cost has been borne by HP and accordingly this has not been accounted as an expense by the Group.

Restricted Stock Unit Plan-2010 ('RSU Plan-2010')

Effective 1 August 2010, the Company instituted the Restricted Stock Unit Plan-2010. The Board and the shareholders of the Company approved RSU Plan-2010 on 29 June 2010 and 17 August 2010 respectively. The RSU Plan-2010 provides for the issue of restricted options to employees and directors of the Company and its subsidiaries.

The RSU Plan-2010 is administered by the MphasiS Employees Benefit Trust which was created for this purpose. Each option, granted under the RSU Plan-2010, entitles the holder thereof with an option to apply for and be issued one equity share of the Company at an exercise price of ₹ 10.00 per share. The equity shares covered under these options vest over a period ranging from twelve to twenty-four months from the date of grant. The exercise period is one to three years from the date of vesting.

The movements in the options under the RSU Plan-2010 for the years ended 31 October 2012 and 31 October 2011 are set out below:

	Year ended 31 October 2012		Year ended 31 October 2011	
	No. of Options	Weighted Average Exercise Price	No. of Options	Weighted Average Exercise Price
Options outstanding at the beginning	145,700	10.00	-	-
Granted	-	-	162,250	10.00
Forfeited	12,750	10.00	16,550	10.00
Lapsed	1,050	10.00	-	-
Exercised	39,800	10.00	-	-
Options outstanding at the end	92,100	10.00	145,700	10.00
Exercisable at the end	30,000	10.00	-	-

Notes to the Consolidated Financial Statements for the year ended 31 October 2012

The option outstanding on 31 October 2012 has an exercise price of ₹ 10.00 (31 October 2011: ₹10.00) and the weighted average remaining contractual life of 2.89 years (31 October 2011: 3.78 years).

The weighted average fair value of stock options granted during the year is ₹ Nil (31 October 2011: ₹ 404.44 to ₹ 658.42).

Total Employee Compensation Cost pertaining to RSU Plan-2010 during the year is ₹ 27.38 millions (31 October 2011: ₹ 51.07 millions).

Restricted Stock Unit Plan-2011 ('RSU Plan-2011')

Effective 1 April 2011, the Company instituted the Restricted Stock Unit Plan-2011. The Board and the shareholders of the Company approved RSU Plan-2011 on 22 November 2010 and 24 February 2011 respectively. The RSU Plan-2011 provides for the issue of restricted options to employees and directors of the Company and its subsidiaries.

The RSU Plan-2011 is administered by the MphasiS Employees Benefit Trust which was created for this purpose. Each option, granted under the RSU Plan-2011, entitles the holder thereof with an option to apply for and be issued one equity share of the Company at an exercise price of ₹ Nil per share. The equity shares covered under these options vest over a period of twelve months from the date of grant. The exercise period is three months from the date of vesting.

The movements in the options under the RSU Plan-2011 for the years ended 31 October 2012 and 31 October 2011 are set out below:

	Year ended 31 October 2012		Year ended 31 October 2011	
	No. of Options	Weighted Average Exercise Price	No. of Options	Weighted Average Exercise Price
Options outstanding at the beginning	250,420	-	-	-
Granted	-	-	301,010	-
Forfeited	38,290	-	50,590	-
Lapsed	35,600	-	-	-
Exercised	176,530	-	-	-
Options outstanding at the end	-	-	250,420	-
Exercisable at the end	-	-	-	-

The weighted average share price as at the date of exercise of stock options was ₹ 373.34 (31 October 2011: ₹ Nil). No options are outstanding as at 31 October 2012.

The weighted average fair value of stock options granted during the year is ₹ Nil (31 October 2011: ₹ 415.70).

Total Employee Compensation Cost pertaining to RSU Plan-2011 during the year is ₹ 12.66 millions (31 October 2011: ₹ 60.72 millions).

The Group has advanced an amount of ₹ 162.65 millions (31 October 2011: ₹ 214.86 millions) to the MphasiS Employees Benefit Trust.

Notes to the Consolidated Financial Statements for the year ended 31 October 2012

(₹ millions)

	Non Current		Current	
	31 October 2012	31 October 2011	31 October 2012	31 October 2011
5. LONG-TERM BORROWINGS				
Loan from Hewlett-Packard Company	-	486.95	538.05	-
Vehicle loans from bank	-	-	-	1.73
Amount disclosed under the head "Other current liabilities"	-	-	(538.05)	(1.73)
	-	**486.95**	**-**	**-**

Loan from Hewlett-Packard Company carries interest @ 3.77% p.a. The loan is repayable on 29 April 2013 along with interest from the date of the loan i.e. 29 April 2010. The loan is secured against trade receivables.

Vehicle loans from bank carry interest ranging from 11.5% to 13.5% p.a. The loan was repayable in 36 monthly instalments. The loan was secured by hypothecation of vehicles.

	31 October 2012	31 October 2011
6. DEFERRED TAX LIABILITIES (NET)		
Fixed assets: Impact of difference between tax depreciation and depreciation/ amortization charged for the financial reporting	181.84	124.21
Provision for employee benefits	(97.60)	(88.80)
Others	(13.24)	(12.93)
	71.00	**22.48**

	31 October 2012	31 October 2011
7. SHORT TERM BORROWINGS		
Pre-shipment loan in Foreign Currency	2,690.25	2,434.75
	2,690.25	**2,434.75**

Pre-shipment loan carries interest @ 0.9385% p.a (31 October 2011: 1.203% p.a). The loan is repayable along with interest after 3 months from the date of loan. The loan is unsecured.

	Non Current		Current	
	31 October 2012	31 October 2011	31 October 2012	31 October 2011
8. TRADE PAYABLES				
Trade payables	-	-	4,497.49	4,481.09
Salary related costs	-	18.26	1,750.72	1,738.48
Book overdraft	-	-	-	5.73
	-	**18.26**	**6,248.21**	**6,225.30**

The Group has amounts due to Micro and Small Enterprises under The Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act) as at 31 October 2012.

Particulars	31 October 2012	31 October 2011
The principal amount and the interest due thereon remaining unpaid to any supplier	7.81	1.99
The amount of interest paid by the Group along with the amount of the payments made to the supplier beyond the appointed day	Nil	Nil
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year)	4.05	0.08
The amount of interest accrued and remaining unpaid at the end of the year	Nil	Nil
The amount of further interest remaining due and payable for the earlier years	1.99	Nil

Notes to the Consolidated Financial Statements for the year ended 31 October 2012

(₹ millions)

	Non Current		Current	
	31 October 2012	31 October 2011	31 October 2012	31 October 2011
9. OTHER LIABILITIES				
Advances from clients	-	-	34.43	28.82
Unearned receivables	-	-	308.21	368.17
Interest on long term loans payable	-	28.05	51.40	-
Rent equalisation reserve	72.93	61.36	16.91	55.17
Statutory dues	-	-	540.19	530.31
Capital creditors	-	-	40.90	47.77
Other payables*	-	316.67	607.33	490.81
Unpaid dividend**	-	-	4.32	3.71
Current maturities of long-term borrowings	-	-	538.05	1.73
Restatement of forward cover	-	-	98.20	-
	72.93	**406.08**	**2,239.94**	**1,526.49**

* The above amount includes ₹ 17.06 millions (31 October 2011: ₹ 17.06 millions) which represents the remaining consideration payable for the acquisition of Kshema Technologies Limited [refer note 2.1] and ₹ 349.73 millions (USD 6.50 millions) [31 October 2011: ₹ 608.69 millions (USD 12.50 millions)] which represents the earnout payable to the erstwhile share holders of Fortify Infrastructure Services Inc. [refer note 2.2].

** Investor Protection and Education Fund shall be credited for unclaimed dividends amount when due.

	Non Current		Current	
	31 October 2012	31 October 2011	31 October 2012	31 October 2011
10. PROVISIONS				
Provision for employee benefits				
Provision for gratuity (refer note 32)	60.98	-	100.00	50.03
Provision for employee compensated absences	-	-	387.66	543.00
	60.98	**-**	**487.66**	**593.03**
Other provisions				
Proposed equity dividend	-	-	3,571.82	1,365.23
Provision for tax on proposed equity dividend	-	-	579.44	221.48
Provision for taxation	-	-	477.32	1,082.71
Provision for Mark to Market loss on derivative contracts	64.00	217.90	786.83	525.09
	64.00	**217.90**	**5,415.41**	**3,194.51**
	124.98	**217.90**	**5,903.07**	**3,787.54**

Notes to the Consolidated Financial Statements for the year ended 31 October 2012

11. TANGIBLE AND INTANGIBLE ASSETS

(₹ millions)

	Tangible Assets									Intangible Assets		
	Freehold Land	Buildings	Plant and equipment	Computer equipment	Office equipment	Furniture and fixtures	Vehicles	Leasehold improve-ments	Total of Tangible Assets	Computer Software	Total of Intangible Assets	Total
Cost or valuation												
At 1 November 2010	27.38	1.23	2,475.98	2,578.07	1,066.03	1,167.27	102.11	1,444.72	**8,862.79**	1,395.45	**1,395.45**	**10,258.24**
Additions	-	-	433.36	743.86	247.55	71.44	53.19	317.21	**1,866.61**	108.01	**108.01**	**1,974.62**
Disposals	-	-	(358.90)	(347.94)	(74.63)	(117.54)	(31.26)	(27.25)	**(957.52)**	(101.46)	**(101.46)**	**(1,058.98)**
Exchange differences	-	-	53.13	38.47	7.60	4.66	(1.27)	0.96	**103.55**	61.90	**61.90**	**165.45**
At 31 October 2011	**27.38**	**1.23**	**2,603.57**	**3,012.46**	**1,246.55**	**1,125.83**	**122.77**	**1,735.64**	**9,875.43**	**1,463.90**	**1,463.90**	**11,339.33**
Additions	-	-	387.95	257.39	139.11	67.67	49.37	230.47	**1,131.96**	122.39	**122.39**	**1,254.35**
Disposals	-	(1.23)	(162.99)	(238.99)	(55.40)	(533.11)	(46.66)	(298.76)	**(1,337.14)**	(27.44)	**(27.44)**	**(1,364.58)**
Exchange differences	-	-	33.72	42.50	4.45	13.01	1.14	2.07	**96.89**	75.14	**75.14**	**172.03**
At 31 October 2012	**27.38**	**-**	**2,862.25**	**3,073.36**	**1,334.71**	**673.40**	**126.62**	**1,669.42**	**9,767.14**	**1,633.99**	**1,633.99**	**11,401.13**
Depreciation												
At 1 November 2010	-	1.18	1,798.14	2,177.60	887.16	926.28	42.43	1,091.34	**6,924.13**	911.53	**911.53**	**7,835.66**
Charge for the year	-	0.05	369.80	401.13	191.27	148.11	23.11	247.90	**1,381.37**	170.26	**170.26**	**1,551.63**
Disposals	-	-	(353.21)	(317.56)	(73.74)	(117.20)	(22.76)	(25.43)	**(909.90)**	(101.46)	**(101.46)**	**(1,011.36)**
Exchange differences	-	-	48.21	32.65	5.30	2.44	(0.82)	0.96	**88.74**	30.52	**30.52**	**119.26**
At 31 October 2011	**-**	**1.23**	**1,862.94**	**2,293.82**	**1,009.99**	**959.63**	**41.96**	**1,314.77**	**7,484.34**	**1,010.85**	**1,010.85**	**8,495.19**
Charge for the year	-	-	407.05	568.13	215.61	119.75	24.49	222.98	**1,558.01**	185.71	**185.71**	**1,743.72**
Disposals	-	(1.23)	(148.77)	(230.32)	(55.17)	(525.76)	(29.82)	(297.83)	**(1,288.90)**	(27.44)	**(27.44)**	**(1,316.34)**
Exchange differences	-	-	26.62	37.58	4.42	6.68	0.95	1.42	**77.67**	40.63	**40.63**	**118.30**
At 31 October 2012	**-**	**-**	**2,147.84**	**2,669.21**	**1,174.85**	**560.30**	**37.58**	**1,241.34**	**7,831.12**	**1,209.75**	**1,209.75**	**9,040.87**
Net Block												
At 31 October 2011	**27.38**	**-**	**740.63**	**718.64**	**236.56**	**166.20**	**80.81**	**420.87**	**2,391.09**	**453.05**	**453.05**	**2,844.14**
At 31 October 2012	**27.38**	**-**	**714.41**	**404.15**	**159.86**	**113.10**	**89.04**	**428.08**	**1,936.02**	**424.24**	**424.24**	**2,360.26**

Notes to the Consolidated Financial Statements for the year ended 31 October 2012

(₹ millions)

		31 October 2012	31 October 2011
12.	**GOODWILL ON CONSOLIDATION**		
	Balance brought forward	8,698.02	3,886.49
	Add: On acquisition of Wyde Corporation	-	4,404.91
	Less: On acquisition of MphasiS Infrastructure Services Inc. (refer note 2.2)	(5.75)	-
	Add/(Less): Movement on account of exchange rate fluctuation	920.20	406.72
	Less: Adjustment on forfeiture/lapse of options granted on earlier acquisitions	-	(0.10)
		9,612.47	**8,698.02**

		31 October 2012	31 October 2011
13.	**DEFERRED TAX ASSETS (NET)**		
	Fixed assets: Impact of difference between tax depreciation and depreciation/ amortization charged for the financial reporting	791.27	832.97
	Provision for doubtful debts and advances	29.39	27.77
	Provision for employee benefits	187.37	85.97
	Others	6.59	27.82
		1,014.62	**974.53**

		Non Current		Current	
		31 October 2012	31 October 2011	31 October 2012	31 October 2011
14.	**LOANS AND ADVANCES**				
	Unsecured - considered good				
	Capital advances	30.56	23.10	-	-
	Deposits				
	- Premises	811.72	764.82	22.96	227.10
	- With government authorities	22.24	21.73	4.21	-
	- Others	131.30	28.10	29.39	89.17
	Loans to employees	-	-	4.67	5.46
	Loan to ESOP trust	6.35	62.45	156.30	152.41
	Advances recoverable in cash or kind				
	- Prepaid expenses	55.91	-	187.72	149.14
	- Employee advances	-	-	114.27	165.07
	- Advance to supplier / others	-	-	165.35	178.71
	- Other advances	-	-	-	-
	Balance with statutory/government authorities *	428.79	1,095.60	1,624.38	1,656.48
	Advance income-tax (net of provision for taxation)	1,377.34	1,379.77	-	-
	MAT credit entitlement **	859.41	1,319.86	425.96	419.00
		3,723.62	**4,695.43**	**2,735.21**	**3,042.54**

* Balances with statutory/government authorities include service tax input credit receivable, (net) of ₹ 2,018.01 millions (31 October 2011: ₹ 2,659.81 millions). Based on legal opinion obtained by the Group, service tax liability on imported services under 'Import of Services Rules' have been discharged using accumulated balance available in CENVAT Credit Account for the period 1 December 2010 to 31 March 2011. Effective 1 April 2011 such position is reversed and service tax liability on select imported services under 'Import of Services Rules' have been discharged in cash. Further, the Group has obtained legal opinions in support of its position on non applicability of Sec 66A of the Finance Act 1994 read with 'Import of Services Rules' on onsite services provided by foreign vendors (including group companies).

The management, per the legal opinions, is confident that the legal positions taken by the Group are tenable and defendable under law.

** net of MAT credit utilisation of ₹ 480.39 millions (31 October 2011: ₹ 183.48 millions).

Notes to the Consolidated Financial Statements for the year ended 31 October 2012

(₹ millions)

		Non Current		Current	
		31 October 2012	31 October 2011	31 October 2012	31 October 2011
15.	OTHER ASSETS				
	Non-current bank balances	86.68	11.15	-	-
	Unbilled revenue	-	-	5,744.25	7,448.89
	Accrued interest	-	0.36	5.38	0.74
	Recoverable on sale of assets	-	-	-	43.88
	Restatement of forward cover	-	-	-	4.16
	Mark to Market gains on forward cover	85.48	4.19	111.01	-
	Expense incurred on behalf of customers	-	-	125.24	137.52
		172.16	**15.70**	**5,985.88**	**7,635.19**

		31 October 2012	31 October 2011
16.	CURRENT INVESTMENTS		
	Unquoted mutual funds		
	Birla Sun Life Cash Plus	1,289.50	2,313.29
	12,869,948 units at ₹ 100.1950 (31 October 2011: 23,087,848.59 units at ₹ 100.1950)		
	Birla Sun Life Savings Plus	3,734.56	2,309.37
	37,316,740 units at ₹ 100.0774 (31 October 2011: 23,078,029.31 units at ₹ 100.0680)		
	ICICI Prudential Blended Plan B Institutional	-	1,285.76
	Nil units (31 October 2011:128,479,560.11 units at ₹ 10.0075)		
	ICICI Prudential Flexible Income Plan Premium	3,754.19	1,773.03
	35,505,633 units at ₹ 105.7350 (31 October 2011:16,768,587.23 units at ₹ 105.7350)		
	ICICI Prudential Banking & PSU Debt Fund Premium	-	504.26
	Nil units (31 October 2011: 50,068,047.24 units at ₹ 10.0715)		
	LFRCW ICICI Prudential Long Term Floating Rate Plan C	-	505.04
	Nil units (31 October 2011: 50,199,689.04 units at ₹ 10.0607)		
	IDFC Ultra Short Term Fund	-	1,525.98
	Nil units (31 October 2011: 152,407,093.92 units at ₹ 10.0125)		
	Kotak Bond (Short Term)	1,000.00	1,000.00
	99,256,589.48 units at ₹ 10.0749 (31 October 2011: 99,256,589.48 units at ₹ 10.0749)		
	Kotak FMP Series 59	-	250.00
	Nil units (31 October 2011: 25,000,000 units at ₹ 10.0000)		
	UTI Treasury Advantage Fund - Institutional Plan	4,747.74	4,069.77
	4,746,728 units at ₹ 1,000.2141 (31 October 2011: 4,068,899.84 units at ₹ 1,000.2141)		
	Templeton India Low Duration Fund	1,994.10	1,725.63
	193,100,804 units at ₹ 10.3268 (31 October 2011: 167,109,727.16 units at ₹ 10.3263)		
	Fidelity Short Term Income Fund	518.25	502.48
	51,554,244 units at ₹ 10.0525 (31 October 2011: 49,982,191.23 units at ₹ 10.0532)		
	Birla Sun Life Dynamic Bond Fund - Retail Plan	1,263.19	-
	120,404,255 units at ₹ 10.4912 (31 October 2011: Nil units)		
	Birla Sun Life Short Term Fund	499.31	-
	42,928,036 units at ₹ 11.6313 (31 October 2011: Nil units)		
	HDFC High Interest Fund	1,374.10	-
	129,885,691.53 units at ₹ 10.5793 (31 October 2011: Nil units)		
	ICICI Prudential Fixed Maturity Plan	200.00	-
	20,000,000 units at ₹ 10.0000 (31 October 2011: Nil units)		
	ICICI Prudential Short Term Plan	767.24	-
	62,645,158 units at ₹ 12.2473 (31 October 2011: Nil units)		
	ICICI Prudential LTP - Premium Plus	200.00	-
	16,705,786 units at ₹ 11.9719 (31 October 2011: Nil units)		
	IDFC - SSIF - Shorterm	761.48	-
	74,620,235 units at ₹ 10.2048 (31 October 2011: Nil units)		
	IDFC Money Manager Fund - Investment Plan	1,027.26	-
	101,685,835 units at ₹ 10.1023 (31 October 2011: Nil units)		

Notes to the Consolidated Financial Statements for the year ended 31 October 2012

(₹ millions)

		31 October 2012	31 October 2011
16.	**CURRENT INVESTMENTS (Contd...)**		
	JP Morgan India Short Term Income Fund	518.59	-
	51,708,666 units at ₹ 10.0291 (31 October 2011: Nil units)		
	Kotak Flexi Debt Fund	690.90	-
	68,763,590 units at ₹ 10.0475 (31 October 2011: Nil units)		
	Religare Short Term Plan	497.02	-
	47,478,872 units at ₹ 10.4683 (31 October 2011: Nil units)		
	L&T Ultra STF Installment	253.86	-
	24,990,018 units at ₹ 10.1583 (31 October 2011: Nil units)		
	Reliance Money Manager Fund	101.01	-
	100,870 units at ₹ 1001.3715 (31 October 2011: Nil units)		
		25,192.30	**17,764.61**

		Non Current		Current	
		31 October 2012	31 October 2011	31 October 2012	31 October 2011
17.	**TRADE RECEIVABLES**				
	Outstanding for a period exceeding six months from the date they are due for payment, unsecured				
	- Considered good	-	-	124.22	-
	- Considered doubtful	136.08	100.68	-	-
	Less: Provision for doubtful receivables	(136.08)	(100.68)	-	-
	Other receivables				
	- Considered good	-	-	6,233.30	5,623.02
	- Considered doubtful	-	0.52	-	-
	Less: Provision for doubtful receivables	-	(0.52)	-	-
		-	**-**	**6,357.52**	**5,623.02**

		Non Current		Current	
		31 October 2012	31 October 2011	31 October 2012	31 October 2011
18.	**CASH AND BANK BALANCES**				
	Cash and cash equivalents				
	Balances with banks:				
	Cash on hand	-	-	0.07	0.21
	– On current accounts	-	-	2,683.47	2,093.95
	– Deposits with maturity less than 3 months	-	-	1,364.77	593.47
	– Unclaimed dividend	-	-	4.32	3.71
		-	**-**	**4,052.63**	**2,691.34**
	Other bank balances *				
	– Deposits with original maturity for more than 12 months	86.68	11.15	24.72	15.63
	– Deposits with original maturity for more than 3 months but less than 12 months	-	-	47.05	44.23
		86.68	**11.15**	**71.77**	**59.86**
	Amount disclosed under non-current assets	(86.68)	(11.15)	-	-
		-	**-**	**71.77**	**59.86**
		-	**-**	**4,124.40**	**2,751.20**

* includes restricted deposits of ₹ 30.84 millions as at 31 October 2012 (31 October 2011: ₹ 54.95 millions).

Notes to the Consolidated Financial Statements for the year ended 31 October 2012

(₹ millions)

		Year ended 31 October 2012	Year ended 31 October 2011
19.	**REVENUE FROM OPERATIONS ***		
	Sale of services	54,444.34	50,441.89
	Sale of traded products	462.46	235.24
	Gain/(loss) on cashflow hedges	(1,333.48)	302.51
		53,573.32	**50,979.64**

* net of reversal of credit notes pertaining to earlier period which are no longer required amounting to ₹ Nil (31 October 2011: ₹ 665.61 millions).

19.1	**Details of services rendered:**		
	Application maintenance & other services	18,179.15	18,082.08
	Application development	14,527.72	13,514.17
	Infrastructure management services	12,980.48	10,440.30
	Other services	8,756.99	8,405.34
		54,444.34	**50,441.89**
19.2	**Details of product sold:**		
	Biometric devices	462.46	235.24
		462.46	**235.24**
20.	**OTHER INCOME**		
	Interest income on		
	Bank deposits	49.23	22.54
	Others	9.79	8.69
	Dividend income on current investments	1,371.62	1,070.88
	Profit on sale of current investment	33.37	7.46
	Foreign exchange gain / (loss), net	181.90	665.31
	Profit /(loss) on sale of fixed assets, net	23.50	32.15
	Miscellaneous income	10.83	3.54
		1,680.24	**1,810.57**
21.	**PURCHASE OF TRADED GOODS**		
	Biometric devices	428.16	218.91
		428.16	**218.91**
22.	**EMPLOYEE BENEFITS EXPENSE**		
	Salaries and bonus *	28,548.80	26,864.56
	Contribution to provident and other funds	1,912.91	1,717.87
	Employee stock option compensation cost (net)	61.02	111.79
	Gratuity expense (refer note 32)	180.95	102.19
	Staff welfare expenses	570.72	791.43
		31,274.40	**29,587.84**

* net of reversal of provisions which are no longer required amounting to ₹ Nil (31 October 2011: ₹ 514.99 millions).

Notes to the Consolidated Financial Statements for the year ended 31 October 2012

(₹ millions)

		Year ended 31 October 2012	Year ended 31 October 2011
23.	**FINANCE COST**		
	Interest	72.32	48.96
	Exchange difference to the extent considered as an adjustment to borrowing costs	74.20	-
		146.52	**48.96**
24.	**OTHER EXPENSES**		
	Travel	1,086.15	1,289.68
	Recruitment expenses	266.69	347.68
	Communication expenses*	724.13	578.19
	Rent**	1,740.81	1,768.25
	Professional charges	621.09	494.11
	Payment to auditor (refer details below)	14.76	14.22
	Provision for doubtful debts	36.89	3.55
	Software development expenses	3,914.13	3,846.50
	Power and fuel	476.29	544.82
	Software support & annual maintenance charges***	1,269.98	1,241.65
	Insurance	27.26	14.10
	Rates & taxes	301.49	63.17
	Repairs & maintenance		
	- Plant & machinery	5.71	8.79
	- Building	5.93	15.60
	- Others	18.10	19.68
	Miscellaneous expenses ****	872.05	1,086.98
		11,381.46	**11,336.97**

* net of reversals of provisions which were no longer required amounting to ₹ Nil (31 October 2011: ₹ 236.68 millions).

** net of reversals of provisions which were no longer required amounting to ₹ Nil (31 October 2011: ₹ 7.22 millions).

*** net of reversals of provisions which were no longer required amounting to ₹ Nil (31 October 2011: ₹ 277.27 millions).

**** net of reversals of provisions which were no longer required amounting to ₹ Nil (31 October 2011: ₹ 84.03 millions).

Payment to Auditor *		
As auditor:		
Statutory Audit fee	8.93	8.30
Tax audit fee	1.18	1.10
Other services (certification fees)	4.65	4.82
	14.76	**14.22**

* excluding service tax of ₹ 1.78 millions (31 October 2011: ₹ 1.46 millions).

Notes to the Consolidated Financial Statements for the year ended 31 October 2012

25. The Group's software development centres and call centres in India include 100% Export Oriented Units ('EOU'), Special Economic Zone ('SEZ') under Special Economic Zone Ordinance and Software Technology Park ('STP') Units under the Software Technology Park guidelines issued by the Government of India. They are exempted from customs and central excise duties and levies on imported and indigenous capital goods and stores and spares. The Group has executed legal undertakings to pay customs duty, central excise duty, levies and liquidated damages payable, if any, in respect of imported and indigenous capital goods and stores and spares consumed duty free, in the event that certain terms and conditions are not fulfilled. Bank guarantees aggregating to ₹ 51.73 millions as at 31 October 2012 (31 October 2011: ₹ 125.81 millions) have been furnished to the Customs authorities in this regard.

26. **Contingent liabilities and commitments**

(a) The Group has received assessment orders for the financial years ended 31 March 2004, 31 March 2005, 31 March 2006, 31 March 2007 and 31 March 2008, wherein certain adjustments in respect of transfer pricing under Section 92CA of the Income Tax Act, 1961 have been made to the taxable income and demand orders for ₹ 1,777.49 millions (31 October 2011: ₹ 1,792.94 millions) have been raised on the Group. The above demands are disputed by the management and the Group has filed appeals against the aforesaid orders with appellate authorities. The management is of the view that the prices determined by it are at arm's length and is confident that the demands raised by the assessing officer are not tenable under law. Pending outcome of the aforesaid matters under litigation, no provision has been made in the books of account for the above mentioned tax demands.

Other claims against the Group not acknowledged as debts amount to ₹ 1,208.33 millions (31 October 2011:₹ 659.59 millions).

(b) Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for as at 31 October 2012: ₹ 94.02 millions (31 October 2011: ₹ 249.24 millions).

(c) Outstanding guarantees as at 31 October 2012: ₹ 711.55 millions (31 October 2011: ₹ 350.76 millions) including those furnished on account of jointly controlled operations ₹ 235.74 millions (31 October 2011: ₹ Nil).

(d) Forward contracts outstanding against receivables/highly probable forecast transactions as at 31 October 2012 and 31 October 2011 are as below:

Currency	31 October 2012		31 October 2011	
	Amount (millions)	Amount in ₹ (millions)	Amount (millions)	Amount in ₹ (millions)
USD	353.40	19,014.69	462.00	22,497.09
GBP	18.28	1,584.93	21.40	1,669.90
CAD	4.17	224.84	-	-
AUD	10.40	581.62	47.30	2,438.91
EUR	13.38	936.82	7.30	498.15

Forward contracts outstanding against payables as at 31 October 2012 and 31 October 2011 are as below:

Currency	31 October 2012		31 October 2011	
	Amount (millions)	Amount in ₹ (millions)	Amount (millions)	Amount in ₹ (millions)
SGD	1.60	70.75	13.00	507.46
USD	50.00	2,690.25	50.00	2,434.75

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

Unamortized premium as at 31 October 2012 on forward exchange contracts to hedge the foreign currency risk of the underlying outstanding at the balance sheet date is ₹ 58.19 millions (31 October 2011: ₹ 61.48 millions). Net foreign currency exposure of the Group that is not hedged by a derivative instrument or otherwise as at 31 October 2012: ₹ 12,614.61 millions (31 October 2011: ₹ 9,010.65 millions).

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

Notes to the Consolidated Financial Statements for the year ended 31 October 2012

27. Operating Leases

The Group is obligated under non-cancellable leases for computer equipment, office and residential space that are renewable on a periodic basis at the option of both the lessor and the lessee. Total rental expense under non-cancellable operating leases amounted to ₹ 545.37 millions for the year ended 31 October 2012 (31 October 2011: ₹ 634.99 millions).

Future minimum lease payments under non-cancellable operating leases as at 31 October 2012 are as follows:

(₹ millions)

Period	31 October 2012	31 October 2011
Not later than 1 year	310.79	547.56
Later than 1 year and not later than 5 years	580.79	834.55
More than 5 years	-	25.40
	891.58	**1,407.51**

The Group has also occupied office facilities and residential facilities under cancellable operating lease agreements. The Group intends to renew such leases in the normal course of its business. Total rental expense under cancellable operating leases for the year ended 31 October 2012 amounted to ₹ 1,195.44 millions (31 October 2011: ₹ 1,133.26 millions).

Office Premises are obtained on operating lease for terms ranging from 1 to 7 years and are renewable at the option of the Company/ lessor.

28. Related Party Transactions

(a) Entities where control exists:

- Hewlett-Packard Company, USA (ultimate holding company)
- Hewlett Packard Eagle Corporation, USA (100% subsidiary of Hewlett Packard Company, USA)
- Electronic Data Systems LLC, USA (formerly Electronic Data Systems Corporation, USA), (100% subsidiary of Hewlett Packard Eagle Corporation, USA)*

* EDS Asia Pacific Holdings, Mauritius (formerly TH Holding, Mauritius), EDS World Corporation (Far East) and EDS World Corporation (Netherlands), the subsidiaries of Electronic Data Systems LLC, USA (formerly Electronic Data Systems Corporation, USA) hold 60.50% (31 October 2011: 60.52%) of the equity capital of the Company.

The related parties where control exists also include BFL Employees Equity Reward Trust, Kshema Employees Welfare Trust and MphasiS Employee Benefit Trust.

(b) Key management personnel:

The key management personnel of the Group are as mentioned below:

Executive key management personnel represented on the Board of the Company

■ Balu Ganesh Ayyar	Chief Executive Officer

Non-executive / independent directors on the Board of the Company

■ Friedrich Froeschl	Director - Non Executive Chairman of the Board
■ Francesco Serafini	Director & Vice Chairman
■ Nawshir H Mirza	Director
■ Davinder Singh Brar	Director
■ Balu Doraisamy	Director
■ Gerard Brossard	Director
■ Antonio F Neri	Additional Director – Appointed w.e.f. 1 March 2012
■ V Ravichandran	Additional Director – Appointed w.e.f. 1 March 2012
■ Juergen Reiners	Director - Expired on 07 May 2011
■ Prakash Jothee	Director - Resigned w.e.f. 14 November 2011

Notes to the Consolidated Financial Statements for the year ended 31 October 2012

(c) Direct or indirect subsidiaries of ultimate holding company with which transactions have taken place:

- Hewlett-Packard UK Enterprise (I) Ltd.
- P.T. Hewlett-Packard Berca Servisindo
- Autonomy Inc
- HP India Software Operation Pvt Ltd
- Hewlett-Packard Australia Pty Limited.
- HP Enterprise Services BPA Pty Ltd
- Hewlett-Packard Brasil Ltda
- Hewlett-Packard (Schweiz) GmbH
- Shanghai Hewlett-Packard Co, Ltd
- Hewlett-Packard GmbH
- Hewlett Packard Europe Finance Ltd
- HP Centre de Competence France SAS
- Hewlett-Packard Ltd
- HP Enterprise Services UK Ltd
- Hewlett-Packard Bracknell (Holdings) Limited
- Hewlett-Packard Galway Ltd
- Hewlett-Packard Financial Services (India) Private Ltd
- Hewlett-Packard Globalsoft Limited
- HP Enterprise Services Energy Italia S.r.l
- Hewlett-Packard Korea Limited
- Hewlett-Packard de Mexico S. De R.L. De CV
- Hewlett-Packard Nigeria Ltd
- Hewlett-Packard International Trade B.V.
- Hewlett-Packard New Zealand
- Hewlett-Packard Singapore (Sales) Pte. Ltd
- HP Services (Singapore) Pte Ltd
- HP Software, LLC
- Hewlett-Packard State & Local Enterprise Services, Inc.
- Hewlett-Packard Chile, Comerical Limitada
- Hewlett-Packard Polska Sp. z.o.o.
- HP Enterprises Services Bahrain W.L.L
- Hewlett-Packard Inter-Americas
- UAB Hewlett-Packard
- BPO Hewlett Packard Finance Operations
- Hewlett-Packard Deventer B.V.
- Hewlett-Packard Company Financial services Center
- Hewlett-Packard Servizi ICT S.r.l.
- Hewlett Packard Company
- China Hewlett-Packard Ltd.
- Hewlett-Packard Gesellschaft m.b.H.
- HP Enterprise Services Australia Pty Ltd
- Hewlett-Packard Belgium B.V.B.A/S.P.R.L
- Hewlett-Packard (Canada) Co.
- Hewlett-Packard Technology (Shanghai) Co., Ltd
- Hewlett-Packard Colombia Ltda
- Hewlett-Packard Aps
- Hewlett-Packard OY
- Hewlett-Packard France SaS
- Hewlett-Packard CDS Limited
- HP Enterprise Services (Hong Kong) Ltd
- Hewlett-Packard Ireland, Ltd.
- Hewlett-Packard India Sales Private Limited
- Hewlett-Packard AP (Hong Kong) Limited
- HP Enterprise Services Italia S.r.l
- Hewlett-Packard Japan Limited
- Hewlett-Packard Services Kuwait Company W.L.L
- Hewlett-Packard Multimedia SDN BHD
- Hewlett-Packard Nederland B.V.
- Hewlett-Packard Norge A/S
- Hewlett-Packard Sverige A.B.
- Hewlett-Packard Asia Pacific PTE LTD
- Hewlett-Packard (Thailand) Ltd
- Hewlett-Packard Enterprises LLC
- HP Enterprise Services, LLC
- Hewlett-Packard South Africa (Proprietary) Limited
- Hewlett-Packard World Services Corporation.
- Hewlett-Packard Holding Iberia, S.L
- Hewlett Packard Europe Finance Limited, Israel Branch
- Hewlett Packard Development Company, L.P.
- Hewlett Packard (M) Sdn.Bhd.
- Excellerate HRO JV

(d) The following is the summary of significant transactions with related parties by the Group:

(₹ millions)

	Year ended 31 October 2012	Year ended 31 October 2011
Rendering of services to entities where control exists	**2,241.33**	**1,533.35**
- Hewlett-Packard Company [net of credit note reversal of ₹ Nil (31 October 2011: ₹ 665.61)]	2,241.33	1,533.35
Rendering of services to other related parties	**28,759.69**	**31,801.67**
- HP Enterprise Services, LLC	16,717.75	19,437.92
- Others	12,041.94	12,363.75

Notes to the Consolidated Financial Statements for the year ended 31 October 2012

(₹ millions)

	Year ended 31 October 2012	Year ended 31 October 2011
Purchase of fixed assets from other related parties	**102.36**	**514.07**
- Hewlett-Packard India Sales Private Limited	33.47	95.13
- Hewlett-Packard Singapore (Sales) Pte. Limited	68.75	418.94
- Others	0.14	-
Sale of fixed assets to other related parties	**-**	**41.79**
- Hewlett-Packard India Sales Private Limited	-	41.79
Lease Rentals to other related parties	**97.70**	**55.70**
- Hewlett-Packard Financial Services (India) Private Limited	97.70	55.70
Communication charges paid to other related parties	**67.85**	**(151.19)**
- HP Services (Singapore) Pte Limited [net of reversal ₹ Nil (31 October 2011 : ₹ 236.68)]	67.85	(151.19)
Software development charges to other related parties	**40.85**	**80.15**
- Hewlett-Packard Globalsoft Private Limited	-	24.82
- HP Services (Singapore) Pte Limited	40.85	55.33
Software support and annual maintenance charges to other related parties*	**899.19**	**904.98**
- HP Services (Singapore) Pte Limited [net of reversal of ₹ Nil (31 October 2011 : ₹ 272.20)]	899.19	904.98
Other expenses to other related parties	**-**	**(84.03)**
- HP Services (Singapore) Pte Limited [net of reversal of ₹ Nil (31 October 2011 : ₹ 84.03)]	-	(84.03)
Dividend paid (on cash basis)	**826.19**	**508.43**
- EDS Asia Pacific Holdings,Mauritius	539.51	332.01
- EDS World Corporation (Far East)	286.68	176.42
Remuneration to executive key management personnel	**74.55**	**67.23**
- Balu Ganesh Ayyar	74.55	67.23
Commission to non-executive directors **	**11.07**	**11.24**
- Davinder Singh Brar	3.41	3.45
- Nawshir H Mirza	3.50	3.65
- Friedrich Froeschl	4.16	4.14
Interest on loan to entities where control exists	**20.14**	**17.47**
-Hewlett-Packard Company	20.14	17.47
Advance / Loan given to MphasiS Employee Benefit Trust	**42.05**	**194.09**
Advance adjusted against issue of RSU	**93.86**	**-**
Loan refunded by MphasiS Employee Benefit Trust	**0.40**	**0.10**

* The Group has accrued expenses for certain services received from a related party where significant influence exists for which the Master Service Agreement ("MSA") has been signed and the statement of work is expected to be signed upon completion of the ongoing negotiation of terms. As at 31 October 2012, the provisioning for such services has been made based on the MSA and best estimate basis.

** This does not include remuneration paid to certain non-executive directors who are paid by the ultimate parent company and its affiliates as they are employees of the said companies.

Notes to the Consolidated Financial Statements for the year ended 31 October 2012

(e) The balances receivable from and payable to related parties are as follows:

(₹ millions)

	31 October 2012	31 October 2011
Advance / Loan to MphasiS Employees Benefit Trust	**162.65**	**214.86**
Trade receivables and unbilled revenue – entities where control exists	**487.32**	**400.30**
- Hewlett-Packard Company	487.32	400.30
Trade receivables and unbilled revenue - other related parties	**5,421.40**	**8,587.70**
- HP Enterprise Services, LLC	2,902.29	5,391.72
- HP Enterprise Services UK Ltd	523.57	931.95
- Others	1,995.54	2,264.03
Loan payable to entities where control exists including interest	**589.45**	**515.00**
- Hewlett-Packard Company	589.45	515.00
Trade payable - other related parties	**729.28**	**1,110.13**
- HP Services (Singapore) Pte Limited	717.53	1,097.20
- Others	11.75	12.93
Remuneration payable to executive key management personnel	**1.53**	**1.51**
- Balu Ganesh Ayyar	1.53	1.51
Comission payable to non-executive directors	**2.99**	**4.73**
- Davinder Singh Brar	1.03	1.57
- Nawshir H Mirza	1.00	1.69
- Friedrich Froeschl	0.96	1.47

In addition to the above, please refer note 37 for the remittances received from MphasiS Employee Welfare Trust, Mauritius ('MEWT').

29. Segment reporting

The Group has identified Banking and Capital Market, Insurance, Information Technology, Communication and Entertainment and Emerging Industries as primary business segments of the Group.

The accounting policies consistently used in the preparation of financial statements are also applied to record revenue and expenditure in individual segments. Assets, liabilities, revenues and direct expenses in relation to segments are categorised based on items that are individually identifiable to that segment, while other items, wherever allocable, are apportioned to the segments on an appropriate basis. Certain items are not specifically allocable to individual segments as the underlying services are used interchangeably. The Group, therefore believes that it is not practical to provide segment disclosures relating to such items, and accordingly such items are separately disclosed as 'unallocated'.

Client relationships are driven based on client domicile. The geographical segments include United States of America (USA), Asia Pacific (APAC), India and Europe, Middle East & Africa (EMEA). Secondary segment information for previous year has been regrouped based on geographical segments of current year.

Primary segment information

	Year ended 31 October 2012	Year ended 31 October 2011
Segment revenue		
Banking and Capital Market	14,163.25	13,100.31
Insurance	6,320.38	5,075.56
Information Technology, Communication and Entertainment	14,550.02	14,001.20
Emerging Industries	19,873.15	18,500.06
Unallocated - Hedge	(1,333.48)	302.51
	53,573.32	**50,979.64**

Notes to the Consolidated Financial Statements for the year ended 31 October 2012

(₹ millions)

	Year ended 31 October 2012	Year ended 31 October 2011
Segment profit		
Banking and Capital Market	4,511.93	2,975.01
Insurance	1,717.77	1,164.52
Information Technology, Communication and Entertainment	3,341.98	3,897.72
Emerging Industries	5,544.21	4,210.23
Unallocated - Hedge	(1,333.48)	302.51
	13,782.41	**12,549.99**
Interest income	59.02	31.23
Interest expenses	(146.52)	(48.96)
Other income	1,621.22	1,779.34
Other unallocable expenditure	(5,036.83)	(4,265.70)
Profit before taxation	**10,279.30**	**10,045.90**
Income taxes	2,356.14	1,827.68
Profit after taxation	**7,923.16**	**8,218.22**

	31 October 2012	31 October 2011
Segment assets		
Banking and Capital Market	3,838.33	4,809.64
Insurance	1,623.94	1,738.29
Information Technology, Communication and Entertainment	4,879.39	4,983.07
Emerging Industries	6,071.28	6,522.44
Unallocated	44,984.77	36,070.16
	61,397.71	**54,123.60**
Segment liabilities		
Banking and Capital Market	1,992.93	2,240.56
Insurance	952.62	869.40
Information Technology, Communication and Entertainment	2,339.69	2,248.11
Emerging Industries	2,983.34	3,170.35
Unallocated	9,081.80	6,597.33
	17,350.38	**15,125.75**
Capital Employed		
Banking and Capital Market	1,845.40	2,569.08
Insurance	671.32	868.89
Information Technology, Communication and Entertainment	2,539.70	2,734.96
Emerging Industries	3,087.94	3,352.09
Unallocated	35,902.97	29,472.83
	44,047.33	**38,997.85**

Notes to the Consolidated Financial Statements for the year ended 31 October 2012

(₹ millions)

	Year ended 31 October 2012	Year ended 31 October 2011
Capital Expenditure		
Banking and Capital Market	335.81	513.91
Insurance	149.86	199.11
Information Technology, Communication and Entertainment	344.98	549.25
Emerging Industries	471.21	725.72
	1,301.86	**1,987.99**
Depreciation		
Banking and Capital Market	564.62	549.01
Insurance	83.52	80.60
Information Technology, Communication and Entertainment	466.10	430.00
Emerging Industries	629.48	492.02
	1,743.72	**1,551.63**
Secondary segment information (revenues)		
Region		
USA	35,500.26	33,229.28
APAC	4,562.36	4,632.71
India	6,698.30	4,139.40
EMEA	8,145.88	8,675.74
Unallocated - Hedge	(1,333.48)	302.51
	53,573.32	**50,979.64**

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

Secondary segment information (segment assets)

	31 October 2012	31 October 2011
Region		
USA	18,176.08	18,865.53
APAC	1,570.09	1,283.21
India	38,501.65	30,110.18
EMEA	3,149.89	3,864.68
	61,397.71	**54,123.60**

Secondary segment information (capital expenditure)

	Year ended 31 October 2012	Year ended 31 October 2011
Region		
USA	396.17	163.29
APAC	11.02	31.12
India	884.90	1,720.67
EMEA	9.77	72.91
	1,301.86	**1,987.99**

Notes to the Consolidated Financial Statements for the year ended 31 October 2012

30. Earnings Per Share ('EPS')

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

	Year ended 31 October 2012	Year ended 31 October 2011
Profit after taxation (₹ in millions)	7,923.16	8,218.22
Number of weighted average shares considered for calculation of basic earnings per share	210,085,495	209,995,945
Add: Dilutive effect of stock options	390,419	596,511
Number of weighted average shares considered for calculation of diluted earnings per share	**210,475,914**	**210,592,456**

The above does not include 21,700 (31 October 2011: 21,700) bonus shares held in abeyance by the Company.

31. Stock Based Compensation

The Group uses the intrinsic value method of accounting for its employee stock options except for RSU Plan 2010, RSU Plan 2011 and ESOP 2012 plan wherein compensation cost is measured based on fair value method. The Group, has therefore adopted the pro-forma disclosure provisions as required by the Guidance Note on "Accounting for Employee Share-based Payments" issued by the ICAI with effect from 1 April 2005.

Had the compensation cost been determined in a manner consistent with the fair value approach described in the aforesaid Guidance Note, the Group's net profit and EPS as reported would have been adjusted to the pro-forma amounts indicated below:

(₹ millions)

	Year ended 31 October 2012	Year ended 31 October 2011
Net profit as reported	7,923.16	8,218.22
Add: Stock based employee compensation expense determined under the intrinsic value method	-	-
Add: Stock based employee compensation income determined under the fair value method	2.05	5.18
Pro-forma net profit	7,925.21	8,223.40
Earnings per share: Basic		
As reported	37.71	39.14
Pro-forma	37.72	39.16
Earnings per share: Diluted		
As reported	37.64	39.02
Pro-forma	37.65	39.05

The fair value of each stock option has been estimated by management on the respective grant date using the Black-Scholes option pricing model with the following assumptions:

Dividend yield %	1.44% to 1.98%
Expected life	1 to 4 years
Risk free interest rates	5.78% to 8.00%
Expected volatility (annualised) *	67.12% to 69.48%

* Expected volatility (annualised) is computed based on historical share price movement since April 2001.

Notes to the Consolidated Financial Statements for the year ended 31 October 2012

32. Employee Benefits

a. Gratuity Plan

The following tables set out the status of the gratuity plan as required under revised AS 15.

Reconciliation of the projected benefit obligations

(₹ millions)

	31 October 2012	31 October 2011
Change in projected benefit obligation		
Obligations at year beginning	501.97	415.19
Service cost	186.53	108.01
Interest cost	38.05	33.09
Benefits paid	(108.70)	(52.20)
Actuarial loss/(gain)	(1.02)	(2.12)
Obligations at year end	**616.83**	**501.97**
Change in plan assets		
Plan assets at year beginning, at fair value	451.94	305.35
Expected return on plan assets (estimated)	42.29	35.69
Actuarial gain/(loss)	0.32	1.10
Contributions	70.00	162.00
Benefits paid	(108.70)	(52.20)
Plan assets at year end, at fair value	**455.85**	**451.94**
Reconciliation of present value of obligation and fair value of plan assets		
Fair value of plan assets at the end of the year	455.85	451.94
Present value of defined benefit obligation at the end of the year	616.83	501.97
Liability recognized in the balance sheet	**(160.98)**	**(50.03)**
Assumptions		
Interest rate	8.50%	8.50%
Discount rate	8.50%	8.50%
Expected rate of return on plan assets	8.50%	8.50%
Attrition rate	20%- 30%	5% - 30%
Expected contribution over next one year	100.00	150.00

	Year ended 31 October 2012	Year ended 31 October 2011
Gratuity cost for the year		
Service cost	186.53	108.01
Interest cost	38.05	33.09
Expected return on plan assets	(42.29)	(35.69)
Actuarial loss/(gain)	(1.34)	(3.22)
Net gratuity cost	**180.95**	**102.19**

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market. Expected return on plan assets is computed based on prevailing market rate.

Notes to the Consolidated Financial Statements for the year ended 31 October 2012

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	31 October 2012	31 October 2011
Investments with insurer	100%	100%

Amounts for the current and previous four periods are as follows:

(₹ millions)

	Year ended 31 October 2012	Year ended 31 October 2011	Year ended 31 October 2010	Year ended 31 October 2009	Seven months ended 31 October 2008
Fair value of plan assets at the end of the year	455.85	451.94	305.35	319.10	100.63
Present value of defined benefit obligation at the end of the year	616.83	501.97	415.19	378.57	235.90
Liability recognized in the balance sheet	(160.98)	(50.03)	(109.84)	(59.47)	(135.27)
Experience adjustment					
Experience gain/ (loss) adjustment on plan liability	1.02	2.12	4.32	11.76	6.78
Experience gain/ (loss) adjustment on plan asset	0.32	1.10	0.90	0.60	(2.66)

b. Provident Fund

The Company contributed ₹ 591.90 millions during the year ended 31 October 2012 (31 October 2011: ₹ 675.75 millions).

33. The Group paid an amount of USD 0.40 millions (₹ 17.53 millions) against a claim received from a client in respect of alleged identity theft pertaining to customer bank accounts involving the Group's employees and ex-employees. Liquid assets and properties worth USD 0.23 millions (₹ 10.06 millions) of the alleged offenders have been frozen by the authorities and legal action has been instituted against them. Under a separate deed of assignment, the client has assigned any amount recoverable from the aforesaid frozen assets of the alleged offenders to the Group. During the quarter ended 31 December 2005, the Group reached settlements for USD 0.18 millions (₹ 7.65 millions) with the insurance companies. The amount has since been received in cash.

During July 2007, the Group has received from the client, who was given this amount by the Court to be held in trust, an amount of ₹ 10.73 millions including interest from the aforesaid frozen assets. The said amount has been assigned by the client to the Group and has been kept in Fixed Deposit, until such time the Court in a final, non-appealable written order holds that the amounts may be appropriated by the Group or the client.

34. The movement in provisions (figures in bracket represent previous year numbers) during the year is as below:

	1 November 2011	Additions	Amounts used	31 October 2012
Claims	48.03 (91.53)	- (-)	- (43.50)	48.03 (48.03)
Contingent consideration payable to erstwhile shareholders of a subsidiary (Refer note 2.2)*	608.69 (555.31)	57.45 (53.38)	316.41 (-)	349.73 (608.69)
	656.72 **(646.84)**	**57.45** **(53.38)**	**316.41** **(43.50)**	**397.76** **(656.72)**

* Additions during the years ended, represents impact on account of re-statement.

Notes to the Consolidated Financial Statements for the year ended 31 October 2012

35. The effect of acquisition in subsidiary companies on the consolidated financial statements is as follows:

(₹ millions)

Name of Subsidiary	Year ended 31 October 2012		Year ended 31 October 2011	
	Effect on Consolidated Profit/(Loss)	Effect on Net Assets	Effect on Consolidated Profit/(Loss)	Effect on Net Assets
Wyde Corporation	-	-	(17.80)	21.22

36. The details in respect of the jointly controlled operations entered into by the Group as on 31 October 2012 are as follows:

<table>
<tr><th>Sl. No.</th><th>Name of Joint Ventures</th><th>Nature of Project</th><th>Capital Commitments</th></tr>
<tr><td>1</td><td>TechSmart India Private Limited</td><td rowspan="2">The principal activity of this project is setting up enrolment stations, supply/installation of hardware, maintenance, and biometric data entry for National Population Register project of India.</td><td rowspan="7">MphasiS Group is committed to procure the required fixed assets to service the customers and also provide performance bank guarantees / earnest money deposits, wherever required.</td></tr>
<tr><td>2</td><td>Swathy Smart Cards Hi-tech Private Limited</td></tr>
<tr><td>3</td><td>Swathy Smart Cards Hi-tech Private Limited</td><td rowspan="2">The principal activity of this project is to deploy equipment/ manpower, and give technology support for collection of door to door data entry for Social Economic Caste Census project in India.</td></tr>
<tr><td>4</td><td>JMK Infosoft Limited</td></tr>
<tr><td>5</td><td>E - Governance Private Limited</td><td rowspan="3">The principal activity of this project is to supply equipment conduct enrollment operations and collect demographic data for issuance of Unique Identification cards in India.</td></tr>
<tr><td>6</td><td>Stretegic Outsourcing Services Private Limited</td></tr>
<tr><td>7</td><td>CSS Techenergy Limited</td></tr>
</table>

In respect of the above activities, the Group has advanced ₹ 41.84 millions (31 October 2011: ₹ 27.92 millions) to the said joint venturers.

37. MphasiS Employee Welfare Trust, Mauritius ('MEWT'), was formed in year 2000 to administer the options granted to the employees of MphasiS Corporation when it was acquired by MphasiS Limited. At the time of acquisition, 1,288,787 shares of MphasiS Limited were issued to MEWT to be granted to the employees of MphasiS Corporation in lieu of the options on its shares held by them. The options that were not exercised, lapsed on 11 April 2011. MEWT no longer has a purpose, hence, the cash balance to the extent of ₹ 181.69 millions with MEWT and the sale proceeds of 216,783 shares amounting to ₹ 83.47 millions representing the lapsed options was remitted back during the year ended 31 October 2012. The remittance received has been credited to Capital Reserve. The Company has agreed to indemnify the trustees of MEWT towards any future claims.

38. Income tax - current tax for the year ended 31 October 2012 is net of reversal of provision for earlier years amounting to ₹ 180.00 millions (31 October 2011: ₹ Nil).

39. During the year ended 31 October 2012, the revised Schedule VI notified under the Companies Act, 1956 became applicable to the Group. Hence, previous year's figures have been reclassified to conform to this year's classification.

For S.R. BATLIBOI & CO.
Firm registration number: 301003E
Chartered Accountants

per Navin Agrawal
Partner
Membership No. 56102

Bengaluru
5 December 2012

For and on behalf of the Board of Directors

Balu Ganesh Ayyar
Chief Executive Officer

Nawshir H Mirza
Director

Ganesh Murthy
Executive Vice President &
Chief Financial Officer

A. Sivaram Nair
Senior Vice President, Company Secretary
General Counsel & Ethics Officer

Bengaluru
5 December 2012

Cash Flow Statement for the year ended 31 October 2012

(₹ millions)

	Year ended 31 October 2012	Year ended 31 October 2011
Cash flow from operating activities		
Profit before tax	**10,279.30**	**10,045.90**
Non-Cash Adjustment to reconcile profit before tax to net cashflows:		
Depreciation /amortization	1,743.72	1,551.63
Loss /(profit) on sale of fixed assets	(23.50)	(32.15)
Employee stock compensation expense	61.02	111.79
Provision for bad and doubtful debts	36.89	3.55
Interest expense	146.52	48.96
Interest income	(59.02)	(31.23)
Dividend income	(1,371.62)	(1,070.88)
Profit on sale of current investments	(33.37)	(7.46)
Effect of exchange rate changes (gain)/loss	(204.36)	(48.25)
Operating profit before working capital changes	**10,575.58**	**10,571.86**
Increase/(Decrease) in trade payables	(136.09)	7.93
Increase/(Decrease) in provisions	(108.97)	111.51
Increase/(Decrease) in current liabilities	(284.75)	(577.03)
(Increase)/Decrease in trade receivables	(534.80)	469.42
(Increase)/Decrease in loans and advances	804.85	(210.78)
(Increase)/Decrease in other assets	1,906.35	(661.63)
Cash generated from/(used in) operations	**1,646.59**	**(860.58)**
Direct taxes paid (net of refunds)	(2,490.29)	(1,914.69)
Net cash flow from operating activities (A)	**9,731.88**	**7,796.59**
Cash flow from investing activities		
Purchase of fixed assets, including intangible assets, CWIP and capital advances	(1,308.73)	(1,988.04)
Proceeds from sale of fixed assets	113.53	37.98
Purchase of current investments	(57,559.39)	(96,627.04)
Sale of current investments	51,095.94	93,681.25
Interest received	54.74	32.13
Dividends received	1,371.62	1,070.88
Re-investment of dividend	(930.87)	(211.10)
Investments in bank deposits	(131.66)	(86.79)
Redemption/maturity of bank deposits	44.22	15.78
Payment for subsidiary acquisition, net of cash acquired	-	(4,091.41)
Net cash flow used in investing activities (B)	**(7,250.60)**	**(8,166.36)**

Cash Flow Statement for the year ended 31 October 2012

(₹ millions)

	Year ended 31 October 2012	Year ended 31 October 2011
Cash flow from financing activities		
Proceeds from issue of share capital	0.71	1.11
Proceeds of premium from issue of share capital	5.37	11.93
Receipts from liquidation of trust (refer note 37)	265.16	-
Repayment of vehicle loan	(1.73)	(7.74)
Repayment of unsecured loans	(7,884.83)	-
Availment of unsecured loans	8,219.14	2,299.99
Interest paid	(121.13)	(31.50)
Dividends paid (including tax on dividend)	(1,586.70)	(980.45)
Net cash flow from /(used in)in financing activities (C)	**(1,104.01)**	**1,293.34**
Net increase in cash and cash equivalents (A+B+C)	**1,377.27**	**923.57**
Effect of exchange rate changes	(15.98)	(4.54)
Cash and cash equivalents at the beginning of the year	2,691.34	1,772.31
Cash and cash equivalents at the end of the year	**4,052.63**	**2,691.34**
Components of cash and cash equivalents		
Cash on hand	0.07	0.21
Balance with banks		
- on current account	2,683.47	2,093.95
- on deposit account	1,364.77	593.47
- unclaimed dividend	4.32	3.71
Total cash and cash equivalents (note 18)	**4,052.63**	**2,691.34**

As per our report of even date.

For S.R. BATLIBOI & CO.
Firm registration number: 301003E
Chartered Accountants

For and on behalf of the Board of Directors

per Navin Agrawal
Partner
Membership No. 56102

Balu Ganesh Ayyar
Chief Executive Officer

Nawshir H Mirza
Director

Ganesh Murthy
Executive Vice President &
Chief Financial Officer

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Senior Vice President, Company Secretary
General Counsel & Ethics Officer

Bengaluru
5 December 2012

Bengaluru
5 December 2012

Management Discussion and Analysis of Financial Condition and Results of Operations

Safe Harbor

Certain statements in this document may be forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties like regulatory changes, local political or economic developments and many other factors that could cause our actual results to differ materially from those contemplated by the relevant forward-looking statements. MphasiS will not be in any way responsible for any action taken based on such statements and undertakes no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances.

The following discussion and analysis should be read in conjunction with the Company's Indian GAAP Audited Consolidated financial statements and the notes thereon. All comparisons for the purpose of this discussion and analysis are with reference to the audited financials for the year ended 31 October 2012 and 31 October 2011.

Overview

Mphasis is a global IT services Company head quartered in Bengaluru, India. It was formed in the year 2000 through the merger of two IT companies. In June 2006, Electronics Data Systems Corporation (EDS) acquired a majority holding in the equity capital of the Company. In August 2008 EDS was acquired by the Hewlett-Packard Company; consequently, the Company is now a subsidiary of Hewlett-Packard (HP).

In 2011, the Management and Board of Directors of the Company decided upon a new strategy whose key elements were:

- Accelerating growth in Direct business by offering differentiated services in Banking and Capital markets and Insurance
- Expand footprint beyond HP Enterprise Services
- Maintain a good balance of business between developed and emerging countries
- Invest in IP and Surround IP to drive non-linear growth

The results of the implementation of this strategy and the degree of success in its implementation is part of the below discussion.

Revenues

Revenues for the year grew by 8.3% from ₹ 50,677 million to ₹ 54,907 million. A segment analysis of these revenues is given below :

(₹ millions)

Segment	FY12	%	FY11	%
Banking and Capital Market	14,164	26%	13,100	26%
Insurance	6,320	11%	5,076	10%
Information Technology, Communication & Entertainment	14,550	27%	14,001	28%
Emerging Industries	19,873	36%	18,500	36%
Total	54,907	100%	50,677	100%

Though Banking and Capital markets is one of the focus areas, in both years it contributed 26% of the aggregate revenues. The continuing difficulties in the banking sector in the U.S. and Europe made it challenging to win new business at a rate greater than that for the other segments. On the other hand, the revenues from the Insurance sector have grown from 10% to 11% of the total, mainly on account of the acquisition of Wyde in August 2011. Wyde is a company with significant insurance domain expertise having its business in North America and Europe.

Though all business segments grew, the slowest growth was in the Information Technology, Communication and Entertainment segment. This is because a very significant portion of revenues from HP based business are classified in this segment and there has been a decline in that revenue.

Management Discussion and Analysis of Financial Condition and Results of Operations

Given below is the analysis of Client Concentration. This analysis shows a slight change in the dependence upon large clients. 92 new clients were added during the year of which 65 were Direct channel clients.

Client concentration based on ultimate customer

	FY12	FY11
Revenues from Top Client	9%	10%
Revenues from Top 5 Clients	31%	30%
Revenues from Top 10 Clients	43%	44%
Clients Contributing more than:		
$ 1 million Revenues	130	120
$ 5 million Revenues	39	43
$ 10 million Revenues	25	24
$ 20 million Revenues	9	12

The table below shows the revenue by channel. From it, the success of reducing dependence on the HP channel is apparent. Aggregate Direct channel revenue grew from ₹ 17,327 million to ₹ 23,906 million. On the other hand, the revenues from the HP channel declined both because of the loss of a primary client by HP and also because of shift of certain businesses to HP's captive delivery centres.

(₹ millions)

	FY12	%	FY11	%
HP channel	31,001	57%	33,350	66%
Mature Market – Direct channel	17,771	32%	13,644	27%
Emerging Market – Direct channel	6,135	11%	3,683	7%
Total	**54,907**	**100%**	**50,677**	**100%**

Revenues by Service Type

(₹ millions)

Service Type	FY12	%	FY11	%
Application Maintenance & Other Services	18,179	33%	18,082	36%
Application Development	14,528	26%	13,514	27%
Customer Service	3,039	6%	2,918	6%
Service / Technical Help Desk	2,127	4%	2,356	4%
Transaction Processing Service	2,890	5%	2,736	5%
Infrastructure Management Services	13,443	24%	10,676	21%
Knowledge Processes	332	1%	354	1%
License Income	369	1%	41	0%
Total	**54,907**	**100%**	**50,677**	**100%**

Application Maintenance involves maintenance of existing customer software and is mostly undertaken on annuity terms.

Application Development refers to customised software development services based on the requirements and specifications given by customers and documented in a Statement of Work.

Customer Services include receivables collection support, product support, enrolment etc. provided to clients through BPO operations.

Service/Technical Help Desk comprise of inbound and outbound customer interaction programs including technical product support, customer care and allied services.

Management Discussion and Analysis of Financial Condition and Results of Operations

Transaction Processing includes claims and mortgage processing, account opening and maintenance, data processing and management.

Infrastructure Management Services include end-to-end managed mobility solutions covering workplace management & other support services, hosting services which comprise of mainframe or midrange, application & web hosting services and data centre services focused on migration, automation & other software services.

Knowledge Processes refer to the outsourcing of relatively high-level processes of the customer such as HR processes.

License Income pertains to the income from license sale in the health care space of the Company's product, Javelina, developed by its foreign subsidiary and from Wynsure, a product of Wyde Corporation, acquired by the Company in 2011.

Revenues by Project Type

(₹ millions)

Project Type	FY12	%	FY11	%
Time and Material	47,519	87%	44,232	87%
Fixed Price	7,338	13%	6,445	13%
Total	**54,907**	**100%**	**50,677**	**100%**

Significant revenues are generated principally from services provided on time-and-material (T&M). Revenues from service provided on a T&M basis are recognised in the period that services are performed. Revenues from fixed price contracts are recognized using the percentage-of-completion method, calculated as the proportion of the cost of effort incurred up to the reporting date to estimated cost of total effort.

The following tables give the composition of revenues based on the location where services are performed.

Revenues by Delivery Location

(₹ millions)

Delivery Location	FY12	%	FY11	%
Onsite	17,548	32%	15,800	31%
Offshore	37,359	68%	34,877	69%
Total	**54,907**	**100%**	**50,677**	**100%**

Billing Rates

The Company charges higher billing rates and incurs higher compensation expenses for work performed by the onsite teams at a customer's premises as compared to work performed at its offshore centres.

$/hr

	FY12	FY11
Onsite		
Application Services	67	70
ITO Services	63	67
Offshore		
Application Services	20	20
ITO Services	21	20
BPO Services	6	7

Management Discussion and Analysis of Financial Condition and Results of Operations

One of the legs of the Company's strategy is to optimise the balance of business between developed and emerging countries. The table below shows a shift from 83% of revenues from developed countries down to 80%. The shift has happened because of strategic focus on emerging countries and also because of the problems besetting Europe, resulting in an absolute decline of revenues from those countries.

Revenues by Geography

(₹ millions)

Regions	FY12	%	FY11	%
AMERICAS	35,501	65%	33,229	66%
EMEA	8,146	15%	8,676	17%
INDIA	6,698	12%	4,139	8%
ROW	4,562	8%	4,633	9%
Total	**54,907**	**100%**	**50,677**	**100%**

Management has continued its focus upon delivering quality at lower cost. A very important element of this is a sharp improvement in utilization rates which has meant that the same volume of business was delivered with fewer employees. The table below clearly depicts this strategic action.

Headcount *	FY12	FY11
Onsite		
- Application Services	2,475	2,692
- ITO Services	301	314
- BPO Services	111	141
Offshore		
- Application Services	9,727	12,682
- ITO Services	6,709	7,950
- BPO Services	15,912	15,132
Sales and Marketing	369	325
General and Administration	1,025	1,190
Total	**36,629**	**40,426**

* Note: Including billable contractors

Utilization Rates	FY12	FY11
Excluding Trainees		
Onsite		
- Application Services	93%	89%
- ITO Services	84%	80%
Offshore		
- Application Services	83%	75%
- ITO Services	86%	77%
- BPO Services	79%	78%
Blended		
- Application Services	85%	77%
- ITO Services	86%	77%
- BPO Services	79%	78%

Management Discussion and Analysis of Financial Condition and Results of Operations

Utilization Rates	FY12	FY11
Including Trainees		
Onsite		
- Application Services	93%	89%
- ITO Services	84%	80%
Offshore		
- Application Services	78%	72%
- ITO Services	84%	74%
- BPO Services	70%	68%
Blended		
- Application Services	81%	75%
- ITO Services	84%	74%
- BPO Services	70%	68%

Cost of Revenues

Cost of revenues primarily comprise of direct costs to revenues and includes direct manpower, travel, facility expenses, network and technology costs.

The consolidated cost of revenues of the Company is ₹ 39,791 million in FY12 representing an increase of 3.5% over FY11. Cost of revenues were 74.3% of revenues compared to 75.4% during the previous financial year. Effective cost management has resulted in reduction of cost of revenues despite increase in manpower costs and other inflationary factors.

Selling Expenses

Selling expenses of ₹ 2,882 million for FY12 represented an increase of ₹ 549 million or 23.5% from FY11. Increase in selling expenses is on account of increased focus on Direct channel and reinvestment of the company profits for sales promotion activities in FY12. During the year the Company added a net sales headcount of 44 persons.

General and Administrative Expenses

General and administrative expenses of ₹ 2,097 million for the year FY12 represented an increase of ₹ 178 million or 9.3% from FY11. General and administrative expenses in FY12 stood at 3.9% of revenues.

Operating Profit

The operating profit in FY12 increased to ₹ 8,746 million from ₹ 8,284 million in FY11. Operating profit improved by ₹ 462 million in FY12 despite increase in manpower costs due to effective operational leverages.

Other Income

The other income for the year FY12 was ₹ 1,680 million as compared to ₹ 1,811 million in FY11. Increase in other income primarily comprises of higher dividends from investments in short-term liquid mutual funds and fixed maturity plans. The gain on foreign exchange for FY12 was ₹ 182 million as against a gain of ₹ 665 million in FY11. The lower gain is mainly on account of exchange rate fluctuation arising out of restatement of assets and liabilities.

Interest expenses

Interest expense for FY12 was ₹ 147 million as against ₹ 49 million for FY11. The interest was mainly on account of packing credit facility availed in foreign currency by the Company.

Management Discussion and Analysis of Financial Condition and Results of Operations

Income Taxes

Income taxes were ₹ 2,356 million in the year FY12 as compared to ₹ 1,828 million in the year FY11. The effective tax rate has increased to 22.9% in FY12 from 18.2% in FY11 as the STPI tax holiday benefit in India ended as at 31 March 2011.

Net Profit

The net profit after taxes was ₹ 7,923 million for the year FY12, a decrease of ₹ 295 million or 3.6% over the net profit of ₹ 8,218 million in FY11.

Key performance Indicators – Statement of Profit and Loss		FY12	FY11
STATEMENT OF PROFIT AND LOSS			
Gross margin	%	25.7%	24.6%
Selling expenses	%	5.4%	4.6%
General and administrative expenses	%	3.9%	3.8%
Operating margin	%	16.3%	16.3%
EBITDA margin	%	19.6%	19.3%
Net margin	%	14.8%	16.1%
Effective tax rate	%	22.9%	18.2%
EPS (Basic)	₹	37.71	39.14

Cash provided by financing activities

In FY12, the Company paid ₹ 1,587 million on account of dividend and dividend tax, as against ₹ 980 million in FY11.

Cash and cash equivalents

The Company's cash and bank balances are held in various locations throughout the world. Cash and bank balances comprise of investments in mutual funds and deposits of any kind with banks. These balances also include amounts that are restricted in use, either as margin monies given to banks for guarantees issued in the normal course of business or amounts held in escrow accounts attributable to acquisitions/ commitments made.

An analysis of restricted cash balances as at 31 October 2012 and 2011 is given below.

(₹ millions)

	As at 31 October 2012	As at 31 October 2011
Fixed Deposit - Escrow Account	31	55
Unclaimed dividends	4	4
TOTAL	**35**	**59**
Restricted cash as a % of total cash balances	**1%**	**2%**

Company's treasury policy

The Company's treasury policy calls for investing only in fixed deposits of highly rated banks, units of debt mutual funds and fixed maturity plans (FMP) for maturities up to 6 months. Stringent guidelines have been set for de-risking counter party exposures. The Company maintains balances both in Indian Rupee and foreign currency accounts in India and overseas. The investment philosophy of the Company is to ensure capital preservation and liquidity in preference to returns.

Off balance sheet arrangements

As part of its ongoing business, the Company does not participate in transactions that generate relationships with unconsolidated entities or financial partnerships, such entities often referred to as structured finance or Special Purpose Entities ("SPEs"), which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As of 31 October 2012 the Company was not involved in any material unconsolidated SPE transactions.

Directors' Profile

Dr. Friedrich Froeschl, Chairman

Dr. Friedrich Froeschl, Chairman of Board of Directors, joined the Board of MphasiS in March 2009. Dr. Froeschl is a Physicist with PhD and an executive MBA. He currently heads "Hi Tec Invest GmBH & Co. KG", which is a private equity management and consulting company with focus on information and communication technology Industries. Prior to founding Hi Tec Invest in October 2004, Dr. Froeschl was associated with Siemens AG as Corporate Vice President for Corporate Information and Operations (CIO) and as a member of the managing board. In 1995, he joined Siemens Business Services as the worldwide President & CEO, representing the company in over 40 countries. In 2002, he was appointed as Member of the Managing Board and Corporate Vice President for Corporate Information and Operations of the entire Siemens organization with almost half a million employees globally. During his career at Siemens, he has been in-charge of multi-billion dollar budgets and covered all ICT related aspects including procurement, cost optimization, e-business and process management. He is also a Director on the Boards of ICT Automotive, Netherlands.

Prior to Siemens, Dr. Froeschl was CEO of Computer Sciences Corporation, a major global player in IT, Outsourcing and Consulting based in Germany. Before that he held positions as Vice President and Business Head at Digital Equipment Corporation and Messerschmitt-Bölkow-Blohm (today EADS) respectively. Throughout his career, Dr. Froeschl has been actively involved in both larger multi-billion dollar deals as well as mid-size M&A projects.

Mr. Francesco Serafini, Vice-Chairman

Francesco Serafini joined the Board of MphasiS in July 2010. Mr. Serafini holds an engineering degree in electronics from Politecnico of Turin, Italy. He was an executive Vice President of Emerging Markets at HP. In this position, he headed strategy, planning, coordination and growth initiatives across Emerging Markets globally.

From 2005 until April 2010, Mr. Serafini served as Managing Director for HP Europe, the Middle East and Africa (EMEA) and as Senior Vice President for the Enterprise Business in EMEA. He chaired the regional leadership team and was responsible for the company's strategy in EMEA, developing partnerships and key stakeholder relations for HP.

Mr. Serafini joined HP in 1981 and had held several senior management positions. He has more than 30 years of experience in the IT services market.

Mr. Balu Ganesh Ayyar, Chief Executive Officer

Balu Ganesh Ayyar joined MphasiS as the CEO in January 2009. Mr. Ayyar is responsible for the overall management of the Company. He is a member of the MphasiS Board of Directors.

Mr. Ayyar joined MphasiS from HP where his last assignment was that of Vice President, Managed Services, Asia Pacific and Japan, leading selective sourcing and small and medium outsourcing deals. At HP, he held several key assignments including being the President of HP India in 1999. He was the co-lead for pre-merger Integration Planning for HP-Compaq Merger for Asia Pacific and Japan. Ganesh also held the office of Vice President of HP Services for South East Asia and lead customer support, consulting & integration and Managed Services business. With more than 25 years of experience, Mr. Ayyar's career has spanned across South East Asia (Singapore, Malaysia, Thailand, the Philippines, Indonesia, Vietnam and other Asian Emerging Countries) and India.

Mr. Ayyar is the recipient of the Asia's Viewers Choice Award in the 10th CNBC Asia Business Leader Awards 2011. He also won the India Talent Management Award at the CNBC TV 18 India Business Leader Awards (IBLA) 2012 from the then Finance Minister, Mr. Pranab Mukherjee.

Born in India, Mr. Ayyar is a Chartered Accountant from Institute of Chartered Accountants of India.

Mr. Nawshir H Mirza, Director

Nawshir Mirza joined the Board of MphasiS in January 2004. He is a fellow member of Institute of Chartered Accountants of India having qualified in the year 1973. He spent most of his career with Ernst & Young and its Indian member firm, S.R. Batliboi & Co, Chartered Accountants, being a partner from 1974 to 2003.

Directors' Profile

He served as the President of the Institute of Internal Auditors, Calcutta and the Indo-American Chamber of Commerce, Western India. He has contributed to the accounting profession, being a Speaker or the Chairperson at a large number of professional conferences in India and abroad and has authored many professional publications of the Institute of Chartered Accountants of India.

He is a Director on the boards of Tata Power Company Limited, Foodworld Supermarkets Limited, Health & Glow Retailing Private Limited, Thermax Limited, Coastal Gujarat Power Limited and Tata Power Delhi Distribution Limited. He has also joined the Advisory Board for Corporate Governance practices set-up by Hunt Partners, a search firm. As a philanthropist, he is actively involved with Childline, an all India NGO for abused & distressed children. He is also a Honarary Treasurer of Indian Red Cross Society.

Mr. Davinder Singh Brar, Director

D S Brar joined the Board of MphasiS in April 2004. Mr. Brar is a B.E. (Electrical) from Thapar Institute of Engineering & Technology, Patiala and a Masters in Management from Faculty of Management Studies, University of Delhi (Gold Medalist - 1974). He started his career with Associated Cement Companies (ACC) and later joined Ranbaxy Laboratories Limited where he rose to the position of CEO and Managing Director.

Currently, he is promoter of GVK Bio Sciences Private Limited, Inogent Laboratories Private Limited and Davix Management Services Private Limited. He is also on the boards of Maruti Suzuki India Limited, Moksha8 and Workhardt Limited apart from being a Special Advisor to Kohlberg Kravis Roberts (KKR) and to the board of Adamas Pharmaceuticals.

Mr. Brar served as a Director on the board of Reserve Bank of India (RBI) between 2000-2007.

Mr. Balu Doraisamy, Director

Balu Doraisamy joined the Board of MphasiS in July 2010. He holds a post graduate degree in Computer Science and a Master's degree in Mathematics. He has over 30 years of IT experience spanning the global market, including 25 years with HP. This includes 3 years as Managing Director of Hewlett-Packard (HP) in Asia Pacific and Japan (APJ) and 9 years as Country Managing Director for HP/Compaq in India. Under his leadership, HP has achieved nearly 20% (USD 23 Billion) of its global business in the APJ region.

His diverse international background includes hands on experience in Software, Server, Storage, PC, Printer, Network Services, M&A and Integration in the U.S. and across APJ. He led leadership teams in various countries through complex customer engagements, business transformation and growth initiatives. His experience include developing and overseeing Country subsidiaries, Manufacturing facilities, Offshore IT Delivery Services, BPO Units, Engineering Centers and Research Labs.

His expertise includes the application of technology to the benefits of business transformation across multiple industries. He has also developed significant insight in growing Enterprise, Government, SME and Consumer markets.

He currently serves as a board member of TVS Electronics (India) and Ascendas (Singapore).

Mr. Antonio Fabio Neri, Director

Antonio Neri joined the Board of MphasiS in March 2012. Mr. Neri holds a Computer Engineering Degree. He is Senior Vice President and General Manager at HP. In his current role, he is responsible for one of the largest business segments in HP ESSN and manage $10.5 Billion P&L and organization of 42,000 employees globally. In his management career at HP, Mr. Neri has established new services delivery capabilities in Europe, the Middle East and Africa and in the Americas, in support of both Imaging and Printing and Personal Computing products.

Prior to joining HP, Mr. Neri held several services management positions in Argentina, Italy and The Netherlands. He has also worked in Oil Refinery and Distribution in Latin America and held several other managerial positions in the IT Industry including service in the IT Military sector for more than 7 years.

Directors' Profile

Mr. V Ravichandran, Director

Ravichandran V joined the Board of MphasiS in March 2012. Mr. Ravi is a Commerce Graduate, FCCA (UK) and ACMA (UK). He is Senior Vice President of HP's global business. In his current role, Mr. Ravi is responsible for developing the company's shared services strategy and its global operating model. After stepping into this role in June 2011, his current scope of functions includes managing a multi function shared service covering finance & accounting, human resources, supply chain, order management (product and services), marketing and communications. He leads a team of more than 17,500 people spread across 15 major centers and co-located in 56 countries including the U.S., India, China, Mexico, Costa Rica, Argentina, Poland, Romania and Singapore, among others.

Prior to joining HP, Mr. Ravi worked with ANZ Bank's global back office where he was the Managing Director, responsible for managing a team of over 5000 in technology and operations.

Mr. Ravi is an active member of the Shared Services Online Network (SSON), London/Singapore and writes in the Outsource Magazine, UK. He also serves as a Board Member of Floretz Academy Private Limited.

Mr. Chandrakant D Patel, Director

Chandrakant Patel joined the Board of MphasiS on 5 December 2012. Mr. Patel is an HP Senior Fellow and the Chief Engineer of HP Labs, the industrial research lab. He is a pioneer in microprocessor and system thermo-mechanical architectures, end-to-end energy management in IT and applications of sustainable IT ecosystem for a net positive environmental impact. He has transcended conventional thinking in sustainability through a holistic, systemic and fundamentals based approach, in sharp contrast to the cookbook approaches that focus solely on greenhouse gas emissions. He has changed the conversation in sustainability to address lifetime resource consumption by using Joules of available energy or exergy as the currency.

Mr. Patel joined HP Labs in 1991. Through the 90s, he charted the directions in thermo-mechanical research that led to innovations in chip and system cooling solutions. In the late 90s, he initiated the research in "smart" data centers.

An advocate of return to fundamentals of science and engineering, Mr. Patel passionately shares his work by teaching in community colleges and universities. He has taught computer aided design at Chabot College in Hayward, California for 16 years. He has also taught courses in thermal and energy management at U.C. Berkeley Extension, Santa Clara University and San Jose State University. Mr. Patel has been granted more than 115 US patents, several pending. He has published more than 150 papers.

Mr. Patel holds an Associates Degree from the City College of San Francisco, Bachelor of Science in Mechanical Engineering from U.C. Berkeley, Master of Science in Mechanical Engineering from San Jose State University and is a licensed professional mechanical engineer in the State of California.

In recognition of his work in the community, Mr. Patel was profiled by ABC-KGO television in its Emmy Award winning series "Profiles of Excellence" for contributions to science, technology and education.

Directors' Report

Dear Shareholders,

We have pleasure in presenting to you the twenty first Annual Report of your Company for the financial year ended 31 October, 2012.

CONSOLIDATED FINANCIAL PERFORMANCE

Key aspects of the financial performance of MphasiS Group are tabulated below:

(₹ million)

Particulars	Year Ended 31 October 2012	Year Ended 31 October 2011
Revenues	55,254	52,790
Profit before taxation	10,279	10,046
Net Profit	7,923	8,218
Provision for Proposed Dividend	3,572	1,365
Tax on Dividend	580	222
Transfer to General Reserve	611	782

A detailed analysis of performance is available in the section headed Management Discussion and Analysis of Financial Condition and Results of Operations in this Annual Report.

DIVIDEND

Your Directors are pleased to recommend a final dividend of ₹ 17 per equity share of ₹ 10 each for the year ended 31 October 2012, subject to your approval at the ensuing Annual General Meeting.

OUTLOOK

The economic environment continues to remain uncertain. This is reflected largely in the customer expectations from their IT vendors. IT budgets, in most parts remained marginally up or flat. Customer expectations have focused on increased cost benefits and business value. Demand is shifting from traditional offerings to industry specific, high value offerings and this is coupled with higher demand towards flexible business models.

In this challenging environment your Company has remained focused on delivering value. In 2011, we put in place a new set of strategies focusing on

- Growing our direct business faster than the market
- Hyper-specialization: Building both vertical and horizontal solution sets in our focus verticals (Banking & Capital Markets (BCM) and Insurance) which is aimed at addressing the business priorities of our clients
- Investing in partnerships to grow our value propositions
- Increasing revenues from new business models such as Transaction-as-a-Service

These strategies were aimed at improving our customer-centricity through strategic partnerships and driving growth in direct business. We are happy to report that our strategies continue to deliver results. In 2012, our direct business grew by 38% Year on Year. In the area of hyperspecialization, we have launched, Digital Pen, Billing-as-a-Service and in BCM we have launched Accelon (Client onboarding solution) and Customer insight management. In the horizontal area, we have launched an Invoice processing platform, an end to end solution for procure to pay process.

We have improved our gross margins by 110 basis points despite decline in HP business and this has been possible because your Company had taken several actions to continuously improve operational efficiencies – consolidation of real estate, better workforce pyramid management and increase in utilization across all lines of business.

Directors' Report

As we look at the year ahead, we will continue to strengthen execution to drive growth. In addition, we will also focus on driving greater differentiation. Towards this, we will,

- Expand service footprint in our key clients by delivering high quality solutions;
- Increase our focus in select horizontals and emerging technologies such as Mobility and Advanced Analytics to play a more strategic role in preparing our clients for the future and drive growth; and
- Invest in building best in class Go-To-Market capabilities to drive higher sales revenue.

Your Company will focus on execution of its strategies for growth and differentiation. We will do this by aligning with our client expectations, building relevant capabilities and engaging employees. This will enable your Company deliver superior performance in FY2013.

ACQUISITION OF DIGITAL RISK LLC

Your Company has signed a definitive agreement on 2 December 2012 to acquire Digital Risk LLC (Digital Risk) and its subsidiaries. This acquisition is central to your Company's strategy of offering specialized services in chosen segments. Digital Risk provides highly specialized Risk, Compliance and Transaction Management solutions for the Mortgage Industry. Digital Risk's proprietary ***Making Mortgages Safe™*** solutions suite is deployed by over 15 blue chip clients across key mortgage constituencies – Originators, Insurers, Issuers and Investors. Digital Risk is licensed to operate in 46 states in the United States.

Digital Risk is headquartered in Florida, USA and has about 1500 employees in US. In August 2012, it has been recognized by Inc. 500 as one of the fastest growing private companies.

This investment is the first acquisition by MphasiS in the Banking and Capital Markets industry vertical. With the acquisition of Digital Risk, MphasiS can attain leadership position in the US Mortgage Services Market and enhance its onshore presence in the US.

SHARE CAPITAL

The Issued Share Capital of the Company as on 31 October 2012 stood at ₹ 2101 million and Reserves and Surplus of the Group stood at ₹ 41,946 million.

CORPORATE GOVERNANCE

The Company believes that good Corporate Governance is the foundation for sustaining and enhancing the long term shareholders value keeping in view the interest of other stakeholders. A report on Corporate Governance is annexed to this report.

EMPLOYEES

At MphasiS, the foundation for success has been our focus on the MphasiS Winning Culture. Our entire workforce is aligned under our value system which propagates and practices being open, transparent and honest, collaborative, honoring our commitments and demanding excellence of ourselves and others.

One of our key differentiators is empowerment down to the last agent on the line. We believe in our Front Line Manager (FLM) Program and have entrusted our FLMs the leadership of their respective domains. This has also enabled us to embark on a journey to reach maturity level 3 in the People Capability Maturity Model (PCMM). PCMM is a framework that helps address critical people issues in an organization and supports the improvement of people processes for managing and developing the workforce.

The MphasiS learning team won the Gold Award as the Global Learning & Development team of the year, awarded by Tata Institute of Social Sciences – Chief Learning Officers Summit.

Talent Management (TM) at MphasiS has been a jewel in the crown since its inception in 2009. Our TM programs focus on identifying, developing, engaging and deploying high potential employees with an intent to create a performance driven culture.

Our Executive Talent Pool, Leadership Talent Pool and Future Leader Programs and the Aarambh program have been designed to identify and address high potential employees at different levels of the organization. Specific learning interventions, coaching, action learning projects and enhanced roles are some examples of customized and personalized development opportunities created for these target groups.

Directors' Report

Our uniquely designed Rewards and Recognition Programs also cater to recognize values and performance at all stages and levels of the employee career cycle. From simple appreciation cards to elaborate awards ceremonies, we aim to felicitate all those who demonstrate our Winning Culture and drive for results.

Our total employee strength (inclusive of billable contractors) stands at 36,629 as on 31st October 2012.

EMPLOYEES STOCK OPTION PLANS AND RESTRICTED STOCK UNIT PLANS

Your Company's Employee Stock Option Plans are administered through the BFL Employees Equity Reward Trust and the Restricted Stock Unit Plans and Employee Stock Option Plan – 2012 are administered through MphasiS Employees Benefit Trust.

The shareholders of the Company vide postal ballot, during the year, approved institution of Employee Stock Option Plan - 2012 (ESOP 2012) with the maximum number of 2,000,000 stock options that can be granted and the number of options to be granted for the year ended 31 October 2012, out of the aforesaid aggregate limit, not exceeding 640,000 stock options. The plan has been approved by the Stock Exchanges and during the year the Company has granted 567,300 stock options under ESOP 2012.

The Restricted Stock Units granted under Restricted Stock Units Plan 2010 (RSU 2010) and Restricted Stock Units Plan 2011 (RSU 2011), had vested during the year. Pursuant to the exercise applications made by the employees, the Company has transferred, out of the MphasiS Employees Benefit Trust, 176,530 equity shares to 17,653 employees under RSU 2011 and further transferred 39,800 equity shares from the said trust towards exercise of RSUs granted under RSU 2010. The RSU 2011 has since been closed.

Your Company currently has five stock option plans in operation, namely, ESOP 1998 Plan (Version I and II), ESOP 2000 Plan, ESOP 2003 Plan, ESOP 2004 and ESOP 2012 in addition to RSU 2010. The information to be disclosed as per SEBI (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, is annexed to this report.

COMMUNITY OUTREACH

Corporate Social Responsibility

Corporate Social Responsibility (CSR) is not just philanthropic giving, but also about values of empathy and honoring commitments. It is also about setting standards where quality of service and benefit goes directly to the beneficiary especially the one that is most marginalized. MphasiS' CSR activities are being carried out through MphasiS F1 Foundation Trust. CSR at MphasiS focuses on Education, Employability and Entrepreneurship Development. The Trust has supported programs that have impacted the lives of the communities which have remained at the periphery of development.

The significant CSR initiatives of your Company involve programs aimed at training youth with disabilities, training of deaf youth in employability skills in non voice BPO, providing skill based employment opportunities to the semi educated youth in rural and urban areas and entrepreneurship program aimed at training school dropout youth in urban slums of Bengaluru.

MphasiS has hired 76 youths with disabilities and MphasiS Pune today has more than 30 deaf employees working hand in hand and enchancing inclusiveness at work place.

MphasiS F1 Foundation has been supporting Vidya Poshak's nurture merit program. Under this program, MphasiS provides scholarship for higher education to 50 SC/ST students. This is the second year of its support. In the first year, 99% of the students went to the next level of literacy with good percentages.

MphasiS through its CSR has been trying to build an equitable and inclusive society.

Prevention of Sexual Harassment

MphasiS values rely on nurturing value based organization with fairness in action, ethics and governance. Towards this, MphasiS is committed to provision of a workplace free of Sexual Harassment ("SH") and provide a redressal mechanism for all complaints of SH without fear or threat of reprisals in any form or manner whatsoever. The work place in context of SH is not restricted to the office but includes extended work areas such as cafeterias, work related travel and company sponsored events, to name a few.

Directors' Report

A SH Policy is implemented by a Complaints Committee and Executive Committee. The Chairperson and Co-Chairperson are both external eminent women representing NGO's and have experience in the area of implementing Prevention of Sexual Harassment (POSH) in the workplace.

GREEN INITIATIVE

In compliance with the Circular of the Ministry of Corporate Affairs (MCA) and to support the green initiative in Corporate Governance, the Company proposes electronic delivery of Notices for General Meetings, Annual Reports and other communication to the members through e-mail.

The e-mail addresses indicated in the respective Depository Participant (DP) accounts will be deemed to be the registered e-mail address of the members and shall be used for electronic delivery of the documents. Full text of the above said documents will also be displayed on the website of the Company, www.mphasis.com and all other requirements of the aforesaid MCA circular will be duly complied with.

Members holding shares in electronic mode are therefore requested to keep their e-mail addresses updated with the Depository Participant. Members holding shares in physical mode are also requested to participate and support the Company in this initiative by registering their e-mail IDs with the Company.

In case any member would like to receive physical copies of these documents, the same shall be forwarded upon request.

SUBSIDIARIES

As on 31 October 2012, your Company has subsidiaries in Australia, Belgium, Canada, France, Germany, India, Indonesia, Ireland, Mauritius, the Netherlands, People's Republic of China, Philippines, Poland, Singapore, Sri Lanka, Tunisia, the United Kingdom and the United States of America.

As per Section 212 of the Companies Act, 1956, companies are required to attach the directors' report, balance sheet and the statement of profit and loss of their subsidiaries. The Ministry of Corporate Affairs vide its Circular No. 2/2001 dated 8 February 2011 has exempted companies from complying with Section 212 of the Companies Act, 1956. Your Company is in compliance of the section read with the provisions of the circular and will not be attaching the accounts of the subsidiaries. Your Company has presented the consolidated financial statements of the Group. The required information regarding each of the subsidiary is annexed to this report.

The annual accounts of subsidiary companies are available for inspection of the members at the registered office of the Company. A copy of the same shall be sent to the members upon request.

DIRECTORS

The following persons were appointed on the Board of your Company as additional directors:

(a) Mr. V Ravichandran and Mr. Antonio F Neri, effective 1 March 2012; and
(b) Mr. Chandrakant D Patel effective 5 December 2012

Pursuant to the provisions of Section 260 of the Companies Act, 1956, the additional directors hold office until the date of the ensuing Annual General Meeting. The Company has received notices under Section 257 of the Companies Act, 1956, from a member along with requisite deposit proposing the candidatures of additional directors to the office of directorship. Accordingly, necessary resolutions in relation to the appointment of the directors are placed before the members at the ensuing Annual General Meeting. The Board recommends the appointment of the directors.

Mr. Gerard Brossard resigned from the Board effective 6 December 2012. Mr. Brossard joined the Board in July 2010. The Board places on record its appreciation for the valuable services rendered by Mr. Brossard during his tenure as a director.

Further, in accordance with the Articles of Association of the Company, Mr. Francesco Serafini, Mr. Nawshir Mirza and Mr. D S Brar will retire by rotation and are eligible for re-election. Mr. Mirza has expressed his desire not to seek re-election considering that he has been a director in the Company for nine years. The vacancy caused by the retirement of Mr. Mirza is not proposed to be filled up at the Annual General Meeting. The Board places on record its appreciation for the valuable services rendered by Mr. Mirza during his tenure as the Chairman of the Audit Committee and as a director on the Board.

Directors' Report

The Board of Directors recommends the re-appointment of Mr. Francesco Serafini and Mr. D. S. Brar.

The profiles of the present directors of your Company are provided in the Annual Report.

DIRECTORS' INTEREST

There was no interest of the directors in the share capital of the Company as at 31 October 2012. No Director was materially interested in any contracts or arrangements existing during or at the end of the financial year that was significant in relation to the business of the Company. No director holds any shares or stock options in the Company as on 31 October 2012 except Mr. Balu Ganesh Ayyar, Chief Executive Officer, who holds 8,510 shares and Restricted Stock Units and Stock Options aggregating to 66,500 units.

SIGNIFICANT SHARE HOLDINGS

The following shareholders held more than 5% of the Company's issued share capital as at 31 October 2012:

Name of the Shareholder	*Percentage Owned*
Hewlett Packard Corporation through its wholly owned subsidiaries *(EDS Asia Pacific Holdings, EDS World Corporation (Far East) & EDS World Corporation (Netherlands))*	60.50%
Aberdeen Asset Managers Limited A/c Aberdeen Global Indian Equity Fund Mauritius Limited	8.81%

DIRECTORS' RESPONSIBILITY STATEMENT

Information as per Section 217(2AA) of the Companies Act, 1956 is annexed and forms part of the report.

STATUTORY AUDITORS

M/s. S R Batliboi & CO. (firm registration No.3013003E), Chartered Accountants, auditors of the Company, retire at the conclusion of this Annual General Meeting but have not offered themselves for re-appointment. The Company has received notice for appointment of M/s. S R Batliboi & Associates (firm registration No.101049W) as the Statutory Auditors of the Company. Consequently, a consent letter and certificate from M/s. S R Batliboi & Associates stating that the appointment if made, will be within the limits specified under Section 224(1B) of the Companies Act, 1956, has been received. The Audit Committee in its meeting held on 4 December 2012 has recommended the appointment of M/s. S R Batliboi & Associates as Statutory Auditors of the Company. Your directors recommend their appointment. A resolution proposing their appointment at a remuneration to be fixed by the Board of Directors is submitted at the Annual General Meeting.

As regards the observation made by the Auditors, your directors would like to clarify that the Company is regular in remittance of withholding taxes and the delays in remittance of certain withholding taxes was due to the Company examining the applicability of the withholding tax on certain transactions.

PARTICULARS OF EMPLOYEES' REMUNERATION

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, forms part of this Report. However, in terms of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and Accounts are being sent to the shareholders excluding the aforesaid annexure. Any shareholder interested in obtaining a copy of the said annexure may write to the Company Secretary at the Registered Office of the Company.

In terms of the Notification No.G.S.R.212(E) dated 24 March 2004 issued by the Department of Company Affairs, Ministry of Finance, Information Technology companies have been exempted from providing the particulars of employees including their remuneration, if they have been posted / working in a country outside India.

Directors' Report

PARTICULARS REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Your Company's operations involve low energy consumption. MphasiS is committed on conserving energy. The key facilities have been awarded either 5 star or 3 star rating by Bureau of Energy Efficiency, Government of India (BEE). The rating is nationally accepted industry benchmark and MphasiS has been the twelfth Company in India to be certified by BEE. The Company has installed lighting energy savers and solar inverters at certain facilities to minimize power consumption. The carbon foot prints are monitored on a monthly basis.

Particulars relating to technology absorption are not applicable. Information relating to foreign exchange earnings or outgo during the year is as follows.

(a)	Activities relating to Export	Export of Computer Software related services to Americas, Europe, Asia and Australia
(b)	Initiatives taken to increase the exports	Marketing efforts are being made through the subsidiaries and branches to increase exports
(c)	Development of new export market for product and services	Marketing efforts are being made in emerging geographies
(d)	Total Foreign Exchange used (₹ million)	6,257
(e)	Total Foreign Exchange Earnings (₹ million)	30,026

DEPOSITS

Your Company has not accepted any deposits from the public and as such no amount of principal or interest was outstanding as on the date of the Balance Sheet.

ACKNOWLEDGMENTS

Your Directors acknowledge with thanks the continued support and valuable co-operation extended by the business constituents, investors, vendors, bankers and shareholders of the Company. Your Directors wish to thank Hewlett-Packard Corporation for their continued support. The directors place on record their appreciation for the support from the Software Technology Parks of India, the Department of Electronics, the Government of India, Governments of Karnataka, Maharashtra, Gujarat, Uttar Pradesh, Madhya Pradesh, Chattisgarh, Tamil Nadu, Pondicherry, Orissa, Andhra Pradesh, Reserve Bank of India, other governmental agencies and NASSCOM.

Your Directors would like to place on record their appreciation for the contribution made by the employees of the Company and its subsidiaries and associates who enabled the Company to perform well in the market.

For and on behalf of the Board of Directors

Bengaluru
5 December 2012

FRIEDRICH FROESCHL
Chairman

Annexure to the Directors' Report

DETAILS OF EMPLOYEES STOCK OPTIONS/RESTRICTED STOCK UNITS AS ON 31 OCTOBER 2012

The details of Employees Stock Option Plan required to be provided as per Clause 12 of the SEBI [Employees Stock Option Scheme and Employee Stock Purchase Scheme] Guidelines, 1999.

Stock Options/ Restricted Stock Units (RSUs) granted to employees of MphasiS Limited & its subsidiaries: (Figures adjusted for 1:1 Bonus Issues made in the years 2003, 2004 and 2005 for ESOP 1998, ESOP 2000, ESOP 2003 and ESOP 2004)

Particulars	ESOP 1998		ESOP 2000	ESOP 2003	ESOP 2004	RSU 2010	RSU 2011	ESOP 2012
	Version I	Version II						
Options/RSU's Granted	1,324,552	4,780,000	20,231,844	2,708,800	2,561,152	162,250	301,010	567,300
Options Vested (net of Lapsed options which are unexercised)	611,180	2,639,716	10,607,323	2,398,323	1,289,292	69,800	176,530	Nil
RSU's Unvested	Nil	Nil	Nil	Nil	Nil	62,100	Not Applicable	500,750
Options/RSUs exercised and No. of shares arising out of the exercise	562,892	2,245,074	10,607,323	2,398,323	1,276,934	39,800	176,530	Nil
Options/RSUs lapsed [options reverted due to resignations and non exercise]	713,372	2,140,284	9,624,521	310,477	1,271,860	30,350	124,480	66,550
Money realized by exercise of options / RSUs (₹) (during the FY 2011-2012)	665,047	3,839,826	1,023,335	Nil	547,259	398,000	Nil	Not Applicable
Total No. of Options/RSUs in force.	48,288	394,642	Nil	Nil	12,358	92,100	Nil	500,750
Options/RSUs granted to the Senior Managerial Personnel (during the FY 2011-2012)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	58,000
Pricing formula	Refer Table below							

Pricing Formulae for the stock option schemes:

Schemes	*Pricing Formulae*
ESOP 1998 (version I)	No options have been granted under this Scheme during the financial year 2011-2012. Earlier, under this plan the options were granted at a strike price of ₹ 275 per share. The price of ₹ 275 was arrived at based on SEBI Guidelines on Pricing for Preferential Allotment.
ESOP 1998 (version II)	No options have been granted under this Scheme during the financial year 2011-2012. Earlier, for employees in service as on 10 January 2000, the market price prevalent on the 15th day from the Board Meeting held on 10 January 2000 i.e. ₹ 795 per share and for all the recruits thereafter, market price prevalent on the date of joining, unless the ESOP Committee decides otherwise, was taken as the grant price. For options granted from September 2003, the grant price was calculated as per sub clause 10 of clause 2.1 of the amendment to SEBI (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 dated 30 June 2003, which was the average of the two weeks high and low price of share preceding the date of grant of option on the stock exchange on which the shares of the Company are listed.
ESOP 2000	No options have been granted under this Scheme during the financial year 2011-2012. Earlier, for employees in the service of the Company as on 25 July 2000, the market price prevalent on 25 July 2000 i.e. ₹ 494.20 per share was taken as the grant price and for employees joining thereafter, the market price prevalent on the last working day of the month in which they join was taken as the grant price. For options granted from September 2003, the grant was calculated as per sub clause 10 of clause 2.1 of the amendment to SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 dated 30 June 2003, which was the average of the two weeks high and low price of share preceding the date of grant of option on the stock exchange on which the shares of the Company are listed.

Annexure to the Directors' Report

Schemes	*Pricing Formulae*
ESOP 2003	No options have been granted under this Scheme during the financial year 2011-2012. Earlier, for options granted from September 2003, the grant price was calculated as per sub clause 10 of clause 2.1 of the amendment to SEBI (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 dated 30 June 2003, which is the average of the two weeks high and low price of shares preceding the date of grant of option on the stock exchange on which the shares of the Company are listed.
ESOP 2004	No options have been granted under this Scheme during the financial year 2011-2012. Program A The original exercise price per the original grant made by MsourcE Corporation while granting its options, converted at the exchange rate between USD and INR as on 12 May 2004 and as adjusted for the swap ratio of the MsourcE acquisition and the bonus shares issued by MphasiS Limited after 12 May 2004. Program B The Market Price as per the applicable guidelines prescribed by Securities Exchange Board of India (SEBI) from time to time.*
RSU 2010	No RSUs have been granted under this scheme during the financial year 2011-2012. In terms of the scheme each of the Restricted Stock Units granted, entitles the holder thereof with an option to apply for and be issued one equity share of the Company at an exercise price of ₹ 10 per share.
RSU 2011	The Plan has expired since 30 June 2012. In terms of the scheme, each of the restricted stock units granted, entitles the holder thereof with an option to apply for and be issued one equity share of the Company at an exercise price of Nil per share.
ESOP 2012	During the year 2011-2012, 567,300 stock options under this scheme have been granted. In terms of the scheme, each stock options granted, entitles the holder thereof with an option to apply for and be issued one equity share of the company at an exercise price of ₹ 410.25 per share, being the Market Price*.

* *The present Securities & Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, define 'Market Price' as the "latest available closing price, prior to the date of the meeting of the Board of Directors in which options are granted, on the stock exchange on which the shares of the company are listed, if the shares are listed on more than one stock exchange, then the stock exchange where there is highest trading volume on the said date shall be considered."*

Employee Stock Options-Summary:

1.	Options/RSUs granted	:	32,636,908
2.	Options/RSUs vested	:	17,792,164
3.	Options/RSUs unvested	:	562,850
4.	Options/RSUs exercised	:	17,306,876
5.	Options/RSUs lapsed	:	14,281,894
6.	Total No. of options/RSUs in force	:	1,048,138
7.	Money realized by exercise of options/RSUs for the financial year 2011-12	:	₹ 6,473,467

Notes:

1. *During the year under review, there has not been any variation to the ESOP Plan.*
2. *Mr. Ganesh Ayyar was granted 58,000 stock options under ESOP 2012 which account for more than 5% of the options granted during the year by the Compensation Committee.*
3. *There were no employees who were granted options equal to or exceeding 1% of the issued capital of the Company at the time of grant.*
4. *Details of stock based compensation are given in the Note 32 to the financial accounts.*
5. *Diluted Earnings Per Share [EPS] of the Group for the year, pursuant to issue of shares on exercise of options is ₹ 37.64 (Refer Note 31 of the consolidated financial statements).*
6. *The term Senior Managerial Personnel refers to the Chief Executive Officer of the Company.*

Annexure to the Directors' Report

ADDITIONAL DISCLOSURE AS PER AMENDMENT TO SEBI (EMPLOYEE STOCK OPTION SCHEME AND EMPLOYEE STOCK PURCHASE SCHEME) GUIDELINES, 1999 VIDE CIRCULAR DATED 30 JUNE 2003:

Your Company computes employee compensation cost using the intrinsic value of stock options. The impact of the difference on the profits and EPS of the Company for the financial year ended 2011-2012 using the fair value method for the grants made after the notification is given below:

1) a) **Impact on Profit:** (₹ million)

	MphasiS Limited	MphasiS Group
Audited	6,110.45	7,923.16
Adjusted	6,112.50	7,925.21

b) **Impact on EPS:** (₹)

	MphasiS Limited		MphasiS Group	
	Basic	Diluted	Basic	Diluted
Audited	29.09	29.03	37.71	37.64
Adjusted	29.10	29.04	37.72	37.65

Note: The Company has followed fair value method for computing the employee compensation cost for restricted stock units issued under RSU Plan – 2010, RSU Plan – 2011 and ESOP Plan – 2012 and accordingly, recognized the proportionate cost for the year ended 31 October 2012 in the statement of Profit and Loss. Hence, no adjustment is required for the audited profit and audited EPS in respect of restricted stock units.

2) **Weighted average exercise price and weighted average fair value of options:**

The exercise price of the stock options is determined as per clause 2.1(10) of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999, as amended.

Plan	Weighted Average Exercise Price (₹)	Weighted Average Fair Value (₹)
ESOP 1998 Version I	34.38	20.18
ESOP 1998 Version II	98.72	66.19
ESOP 2000	177.97	139.79
ESOP 2004	80.22	53.82
RSU Plan 2010	10.00	647.61
RSU Plan 2011	-	415.70

Note: Stock Options issued under ESOP Plan - 2012 is not exercisable as at 31 October 2012. Hence, the weighted average exercise price and weighted average fair value of stock options is not applicable and hence, not disclosed.

Annexure to the Directors' Report

3) **Method and significant assumptions:**

Your Company has adopted the Black Scholes option pricing model to determine the fair value of stock options.

The significant assumptions are:

1	Risk free interest rate	5.78% to 8.20%	
2	Expected life	1 to 4 years	
3	Expected volatility	40.53% to 69.48%	
4	Expected dividend yield %	0.66% to 1.98%	
5	Market price on date of grant (weighted average) (₹)	ESOP 1998 Version I	34.38
		ESOP 1998 Version II	98.72
		ESOP 2000	177.97
		ESOP 2004	80.22
		RSU Plan 2010	10.00
		RSU Plan 2011	-

Note: Stock Options issued under ESOP Plan - 2012 is not exercisable as at 31 October 2012. Hence, the weighted average exercise price and weighted average fair value of the stock options is not applicable and hence not disclosed.

DIRECTORS' RESPONSIBILITY STATEMENT

In compliance with Section 217(2AA) of the Companies Act, 1956, your directors confirm and state as follows:

1. That in preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.

2. That your Directors have selected such accounting policies and have applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the period under review.

3. That your Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

4. That your Directors have prepared the annual accounts on a going concern basis.

DECLARATION UNDER CLAUSE 49 OF THE LISTING AGREEMENT

As required under Clause 49 of the Listing Agreement with Stock Exchanges, it is hereby confirmed that for the financial year ended 31 October 2012, the Directors of MphasiS Limited have affirmed compliance with the Code of Conduct for Board Members as applicable to them and members of the senior management have also affirmed compliance with the Employee Code of Conduct as applicable to them.

Bengaluru
5 December 2012

BALU GANESH AYYAR
Chief Executive Officer

Annexure to the Directors' Report

Particulars of subsidiaries forming part of the Directors' Report for the year ended 31 October 2012.

Information under Section 212(8) of the Companies Act, 1956, and forming part of the Directors' Report for the year ended 31 October 2012

(₹ million)

Subsidiary	Additional information											
	Capital			Reserves	Total assets	Total liabilities	Details of investment	Turnover	Profit before taxation	Provision for taxation	Profit after taxation	Proposed Dividend
	Equity	Preference	Total				(Other than in subsidiaries)		Profit / (Loss)	Expense / (Credit)		
MphasiS Corporation	0.00	-	0.00	3,089.67	7,292.28	4,202.61	-	15,215.98	1,339.71	424.45	915.26	-
MphasiS Deutscheland GmbH	2.10	-	2.10	38.70	61.03	20.23	-	86.19	15.89	6.90	8.99	-
MphasiS Australia Pty Limited	0.05	-	0.05	(129.79)	926.40	1,056.14	-	3,021.86	133.36	45.61	87.75	-
MphasiS (Shanghai) Software & Services Company Ltd	238.76	-	238.76	(308.89)	189.75	259.88	-	204.98	(53.82)	-	(53.82)	-
MphasiS Consulting Limited	1.34	-	1.34	520.67	568.04	46.03	-	287.99	23.67	3.92	19.75	-
MphasiS Belgium BVBA	0.43	-	0.43	23.26	200.00	176.31	-	488.28	21.79	6.96	14.83	-
MphasiS FinsourcE Limited	0.50	-	0.50	3.71	148.41	144.20	-	337.86	28.38	6.30	22.08	-
MphasiS Europe BV	343.22	-	343.22	5,681.42	6,034.03	9.39	-	318.25	575.55	14.82	560.73	-
MphasiS Pte Ltd	152.86	-	152.86	(161.67)	196.20	205.01	-	403.05	(50.07)	-	(50.07)	-
MphasiS UK Limited	0.13	-	0.13	4,735.48	5,326.94	591.33	-	1,912.08	73.31	16.46	56.85	-
MphasiS Software & Services (India) Private Limited	100.00	-	100.00	869.59	1,031.91	62.32	721.59	189.50	108.53	23.73	84.80	-
MsourcE Mauritius Inc.	581.68	-	581.68	39.94	627.03	5.41	-	-	41.19	-	41.19	-
MsourcE (India) Private Limited	66.85	-	66.85	4,289.57	5,520.93	1,164.51	3,288.96	3,583.75	1,198.54	289.51	909.03	-
MphasiS Ireland Limited	0.56	-	0.56	15.75	20.70	4.39	-	73.20	7.06	0.94	6.12	-
MphasiS Lanka (Private) Limited	6.55	-	6.55	(60.46)	54.35	108.26	-	36.33	(25.90)	-	(25.90)	-
MphasiS Infrastructure Services Inc.	0.04	-	0.04	(320.24)	366.73	686.93	-	899.25	(91.85)	0.32	(92.17)	-
MphasiS Poland s.p.z.o.o.	-	-	-	(2.56)	0.56	3.12	-	-	(1.87)	-	(1.87)	-
PT. MphasiS Indonesia	4.60	-	4.60	2.16	11.31	4.55	-	7.40	1.72	0.49	1.23	-
MphasiS Wyde Inc. (formerly Seine Acquisition Inc.)	0.00	-	0.00	4,403.35	4,421.07	17.72	-	-	(2.94)	-	(2.94)	-
Wyde Corporation	3.11	-	3.11	(343.90)	381.25	722.04	-	464.38	164.59	101.17	63.42	-
Wyde Inc., S.A	2.53	-	2.53	186.52	510.17	321.12	-	468.73	(178.03)	(5.50)	(172.53)	-
Wyde Solutions Canada Inc.	0.00	-	0.00	(39.07)	178.48	217.55	-	197.71	(23.43)	(1.88)	(21.55)	-
Wyde Tunisie SARL	5.04	-	5.04	(0.40)	9.80	5.16	-	4.03	(3.59)	-	(3.59)	-
MphasiS Philippines Inc	11.34	-	11.34	(0.23)	11.38	0.27	-	-	0.01	-	0.01	-
MsourcE India BPO Private Limited	-	-	-	-	-	-	-	-	-	-	-	-
Total	**1,521.69**	**-**	**1,521.69**	**22,532.58**	**34,088.75**	**10,034.48**	**4,010.55**	**28,200.80**	**3,301.80**	**934.20**	**2,367.60**	**-**

1) The exchange rate applied on the respective overseas entity balances as at 31 October 2012 was INR 53.805/USD, 44.115/SGD, 86.7225/GBP, 55.925/AUD, 69.9975/EUR, 0.6739/JPY, 8.6226/CNY, 53.975/CAD, 0.0056/IDR, 0.4136/LKR, 16.9198/PLN, 8.145/SEK and 44.2575/NZD.
2) MsourcE India BPO private Limited is under the process of being wound up under Section 560 of the Companies Act, 1956.

Corporate Governance

I. COMPANY'S POLICY ON CORPORATE GOVERNANCE

MphasiS is committed to the highest standards of Corporate Governance in all its activities and processes and is directed towards enhancement of longterm shareholder value, keeping in view the interests of other stakeholders, viz, Clients, Society, Employees, Suppliers, and Regulatory Bodies. At MphasiS, the principles of Corporate Governance are structured keeping in view ethics, transparency, delivering on commitments and fairness in action. The principles of the governance are well articulated in the Company's Code of Business Ethics. The Company's Corporate Social Responsibility activities also enunciate the spirits of Corporate Governance.

The Board recognizes this governance expectations are constantly evolving and is committed to keep its standards of transparency and dissemination of information under review.

The following is a report on the status and progress on major aspects of Corporate Governance for the year ended 31 October 2012.

II. BOARD OF DIRECTORS

The basic responsibility of the Board is to provide effective governance over the Company's affairs. The Company's business is conducted by its employees under the overall supervision of the Chief Executive Officer, who is assisted by a council of Senior Managerial Personnel in different functions.

(a) Composition of the Board:

As at 31 October 2012, the Board comprises of 9 directors of whom, one is an executive director, five are nominated by Hewlett Packard Corporation (HP), USA and three are Independent Directors. The composition of the Board is in conformity with the requirements of the Corporate Governance norms under the Listing Agreement.

Dr. Friedrich Froeschl, Non Executive Independent Director, is the Chairman of the Board and Mr. Francesco Serafini, Non Executive Director, is the Vice Chairman of the Board.

(b) Board Procedure:

The Board meets at regular intervals with an annual calendar and formal schedule of matters specifically reserved for its consideration to ensure that the matters in relation to Strategy, Operations, Finance and Compliances are reviewed and monitored regularly. The calendar of meetings is communicated to the directors annually to ensure maximum participation. The Board is regularly apprised of the performances of the Company at meetings and is provided with necessary information and presentations on the matters concerning the business, compliances and quarterly financials to ensure effective discharge of its responsibility. The Directors of the Company, through their participation in board meetings either in person or through technology enabled conferences, provide inputs to management from their relevant fields of knowledge and expertise, viz. Information Technology, Business Process Outsourcing, Finance, Accounting, Marketing and Management Sciences.

The important decisions taken at the meetings are promptly communicated to the respective functionaries for their action. Further, the action items, arising out of the decisions of the Board are followed up and reviewed.

Primarily, the Board of Directors oversees and provides policy guidance on the business and affairs of MphasiS, while balancing the interests of different stakeholders. Among other things, the Board undertakes the following:

1. reviews and assesses the business strategy developed by management;
2. reviews and assesses the operational strategy and plans developed by management;
3. is responsible for CEO succession, evaluation & compensation;
4. satisfies itself that the Company is governed effectively in accordance with good Corporate Governance practices;
5. monitors management performance and directs corrections;
6. balances the interests of different stakeholders;
7. reviews and assesses risks facing MphasiS and management approach to addressing such risks;
8. discharges statutory or contractual responsibilities;
9. oversees the reliability of external communications, especially to shareholders; and
10. oversees the process for compliance with laws and regulations.

Corporate Governance

(c) Board Meetings held during the year, attendance of directors and particulars of the Directorships, Committee Membership/ Chairmanship:

During the financial year 2011-2012, five meetings of the Board were held on 30 November 2011, 1 March 2012, 1 June 2012, 29 August 2012 and 20 & 21 September 2012. The details of the attendance at the meetings of the Board and at the last AGM together with the particulars of the other directorship, committee membership/chairmanship, are given below:

Name	Category	Attendance During 2011-12			Particulars of other Directorship, Committee Membership / Chairmanship		
		Board Meetings		Last AGM	Other Directorships[1]	Committee Memberships[2]	Committee Chairmanships[2]
		Number of meetings held during tenure	No. of meetings attended				
Executive Director							
Mr. Balu Ganesh Ayyar	Chief Executive Officer	5	5	Yes	-	1	-
Non-Executive Directors							
Dr. Friedrich Froeschl	Chairman, Independent Director	5	5	Yes	-	1	-
Mr. Francesco Serafini	Vice Chairman, Non-Independent Director	5	5	Yes	-	1	-
Mr. Nawshir Mirza	Independent Director	5	4	Yes	5	1	3
Mr. Davinder Singh Brar	Independent Director	5	5	Yes	3	4	1
Mr. Balu Doraisamy	Non-Independent Director	5	4	Yes	1	-	-
Mr. Antonio Fabio Neri[4]	Non-Independent Director	3	1	NA	-	-	-
Mr. V Ravichandran[4]	Non-Independent Director	3	-	NA	-	-	-
Ceased to be a Director							
Mr. Prakash Jothee[5]	Non-Independent Director	NA	NA	NA	-	-	-
Mr. Gerard Brossard[6]	Non-Independent Director	5	3	No	-	-	-

NA – Not Applicable

Notes:

1. *Does not include directorships in foreign companies, alternate directorships, directorships in private companies and membership in governing councils, chambers and other bodies.*
2. *Includes membership/Chairmanship in Audit Committee and Shareholder Grievance Committee of public limited companies, including MphasiS Limited.*
3. *There are no relationships inter-se directors as on 31 October 2012.*
4. *Appointed as additional director during the year with effect from 1 March 2012.*
5. *Resigned as a director with effect from 14 November 2011.*
6. *Resigned as a director with effect from 6 December 2012.*
7. *Mr. Chandrakant D Patel was appointed as an additional director effective 5 December 2012.*

Corporate Governance

III. COMMITTEES

(a) Audit Committee

The primary function of the Audit Committee, as per its Charter, is to provide assistance to the Board of Directors in fulfilling their oversight responsibility to the shareholders and others relating to:

- overseeing the processes of ensuring the integrity of the Company's financial statements;
- overseeing the processes for compliance with laws and regulations;
- overseeing the process by which anonymous complaints pertaining to financial or commercial matters are received and acted upon;
- enquiring into reasons for default in honoring obligations to creditors and members;
- reviewing the process for entering into related party transactions and related disclosures; and
- satisfying itself regarding the conformance of CEO's remuneration, expense reimbursements and use of Company assets with terms of his employment and Company's rules and policies.

During the financial year 2011-2012, four meetings of the Audit Committee were held on 29 November 2011, 29 February 2012, 31 May 2012 and 28 August 2012.

The composition of the Committee and the attendance at each of the meetings held during the financial year 2011-2012 are given below:

Member	No. of Meetings held during tenure	No. of Meetings attended
Mr. Nawshir Mirza, Chairman	4	4
Mr. Davinder Singh Brar	4	3
Dr. Friedrich Froeschl	4	4
Mr. Francesco Serafini	4	4

(b) Share Transfer Committee

In order to expedite the requests of the shareholders, in connection with transfers, demats and other related process, the Board constituted a Share Transfer Committee. The Share Transfer Committee of the Board is authorized, inter-alia, to approve physical transfers/transmissions/transpositions/dematerialization/re-materialization requests, issue of duplicate share certificates, issue of fresh share certificates, release of stop transfer cases etc.

The composition of the Committee is as follows:

Mr. Balu Ganesh Ayyar	-	Chairman
Mr. Nawshir Mirza	-	Member
Mr. Davinder Singh Brar	-	Member

During the financial year 2011-2012, the Share Transfer Committee passed resolutions approving transfers and other related matters on 14 December 2011, 15 February 2012, 16 April 2012, 16 July 2012, 22 August 2012 and 28 September 2012.

The Company ensures that the transfer of physical shares is effected within one month of their due lodgment. The Company has appointed Integrated Enterprises (India) Limited, a SEBI registered Registrar and Transfer Agent, as its Share Transfer Agent.

(c) Compensation Committee

i. Brief description of terms of reference of the Committee, composition and attendance:

In order to provide an oversight of the functioning of the compensation and benefits plans for the employees and directors of the Company, the Board has constituted a Compensation Committee. The Compensation Committee is authorized to review the compensation policies and programs of the Company, approve the compensation matters for the Chief Executive Officer and Senior Management of the Company.

Corporate Governance

The composition of the Committee is as follows:

Mr. Davinder Singh Brar	-	Chairman
Dr. Friedrich Froeschl	-	Member
Mr. Gerard Brossard	-	Member

The Committee meets based on the business to be transacted. During the year the Committee met twice on 29 November 2011 and 29 February 2012. The attendance at each of the meetings held during the financial year 2011-2012 is given below:

Member	No. of Meetings held during tenure	No. of Meetings attended
Mr. Davinder Singh Brar, Chairman	2	2
Dr. Friedrich Froeschl	2	2
Mr. Gerard Brossard	2	1

Mr. Gerard Brossard was a member of the Committee till 5 December 2012 and Mr. Chandrakant D Patel was appointed as a member of the Committee on the same day.

During the year, the Compensation Committee vide its Circular Resolution dated 16 February 2012 approved exercise of 19,750 stock units under Restricted Stock Units Plan 2010. The Committee had further vide its Circular Resolution dated 14 March 2012 approved grant of 5,67,300 stock options to the eligible employees under the MphasiS Employees Stock Option Plan 2012 (ESOP – 2012).

During the year, the 10 Restricted Stock Units (RSUs), granted to each of the eligible employees, on account of Company achieving 1 billion revenue mark in the FY 2010, under Restricted Stock Units Plan 2011 (RSU 2011), was eligible for exercise till 30 June 2012. Considering the operational convenience, the Committee delegated its powers to approve exercise of RSU 2011 to certain Senior Executives of the Company. During the year, pursuant to the delegation, exercises of RSUs by the eligible employees aggregating to 176,530 shares were approved.

The Committee also delegated powers to approve the exercise of RSUs under Restricted Stock Units Plan 2010 to certain Senior Executives of the Company. During the year, exercises of RSUs by the eligible employees for 39,800 equity shares were approved.

ii. Board of Directors Remuneration Policy

The remuneration policy of the Company is aligned towards rewarding participation in and outside of meetings and is in consonance with Industry benchmarks. The objective of the Policy is to attract and retain excellent talent while delivering optimal value to the business.

The Company pays commission to its Independent Non-Executive Directors as per the following remuneration matrix approved by the shareholders of the Company. The amount of such commission, taken together for all Independent Non-Executive Directors, does not exceed 1% of the net profits of the Company in any financial year.

Particulars	Factor	Max Remuneration (₹ Lacs)
Fixed Remuneration	Flat Fee p.a.	28.00
Variable Remuneration determined based on the following:		
– Board Chairmanship	Flat Fee p.a.	7.00
– Board Meeting Attendance	Per Meeting	0.75
– AGM Attendance	Per Meeting	0.50
– Audit Committee Chairmanship	Flat Fee p.a.	2.50
– Audit Committee Attendance	Per Meeting	0.25
– Compensation Committee Chairmanship	Flat Fee p.a.	0.75
– Compensation Committee Attendance	Per Meeting	0.15
– Strategy Committee Chairmanship	Flat Fee p.a.	0.75
– Strategy Committee Attendance	Per Meeting	0.15

Note : The portions of the remuneration denominated as “Per Meeting” are applicable in respect of the meetings actually held and participated in person by the Independent Directors.

Corporate Governance

None of the directors are paid any sitting fees for attending the meetings of the Board and Committees thereof on which they are members. The Non Executive Directors other than the Independent Directors do not receive any remuneration from the Company. There was no pecuniary relationship or transaction with any director other than that reported above.

iii. Details of Remuneration to the Directors for the financial year 2011-2012

(₹ '000)

Name of Director	Salary	Bonus	Benefits / Perquisite	Commission	PF & other Funds	Total
Mr. Balu Ganesh Ayyar[1]	33,046	28,122	12,263	-	1,123	74,554
Dr. Friedrich Froeschl[2]	-	-	-	4,160	-	4,160
Mr. Nawshir Mirza[2]	-	-	-	3,500	-	3,500
Mr. Davinder Singh Brar[2]	-	-	-	3,405	-	3,405
Total	**33,046**	**28,122**	**12,263**	**11,065**	**1,123**	**85,619**

[1] *As per contract executed with Mr. Balu Ganesh Ayyar.*

[2] *Commission paid/payable to Non-Executive Directors is in terms of the approval of the shareholders accorded at the annual general meeting held on 24 February 2011.*

Mr. Balu Ganesh Ayyar, Chief Executive Officer, holds 8,500 Restricted Stock Units and 58,000 stock options, which are yet to be exercised. In terms of the schemes, upon exercise, each of the restricted stock units and stock options is eligible for issuance of one equity share of ₹ 10 each. In addition to this, Mr. Ganesh Ayyar holds Restricted Stock Units of the parent company, Hewlett Packard Corporation.

None of the other directors were granted any stock options of MphasiS Limited during the financial year 2011-2012.

iv. Details of shares held by the directors

As on 31 October 2012, none of the directors, except Mr. Balu Ganesh Ayyar, Chief Executive Officer, holds any shares of the Company. As at 31 October 2012, Mr. Balu Ganesh Ayyar holds 8,510 equity shares of the Company.

(d) ESOP Committee

As required under the provisions of the SEBI (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, the Board of Directors of the Company has constituted an ESOP Committee. The primary function of the Committee is to administer Stock Options Plans of the Company including the grants made thereunder. The Committee comprises the following members:

Mr. Balu Ganesh Ayyar	-	Chairman
Mr. Davinder Singh Brar	-	Member
Mr. Nawshir Mirza	-	Member

During the financial year 2011-2012, the ESOP Committee has, on a periodic basis, approved exercise of 70,812 equity shares of ₹ 10 each under the ESOP Schemes - 1998, 2000 and 2004. The said shares have been duly credited to the employees and have been listed with the Stock Exchanges.

(e) Investor Grievance Committee

The Company attaches importance to the investor relations and is committed on redressal of grievances on a timely manner. The Board of Directors of the Company has constituted an Investor Grievance Committee for this purpose. The details of the correspondence with the shareholders including the details of the Investor Grievances, if any, are placed before the committee members on a monthly basis.

Corporate Governance

The status of Investor Complaints during 2011-2012 is as under:

Complaints as on 1 November 2011	:	Nil
Received during the year	:	4
Resolved during the year	:	4
Pending as on 31 October 2012	:	Nil

The Committee comprises the following members:

Mr. Davinder Singh Brar	-	Chairman
Mr. Balu Ganesh Ayyar	-	Member

Name, Designation and address of Compliance Officer

Mr. A Sivaram Nair
Senior Vice President, Company Secretary, General Counsel & Ethics Officer
MphasiS Limited
Bagmane Technology Park,
Byrasandra, C V Raman Nagar,
Bengaluru-560 093.

(f) Treasury and Operations Committee

Considering the desired focus on the treasury and business operations, the Board has constituted a “Treasury and Operations Committee”. The powers and functions of the Committee include, oversight of liquidity management and banking operations, forex risk management, investment portfolio/interest rate risk management, approval for capital expenditure/hardware resale beyond certain limits and settlement of legal cases beyond certain limits. The present composition of this Committee is as follows:

Mr. Davinder Singh Brar	-	Chairman
Mr. Gerard Brossard	-	Member

Mr. Gerard Brossard was a member of the Committee till 5 December 2012 and Mr. V. Ravichandran was appointed as a member of the Committee on the same day.

During the financial year 2011-2012, the Committee passed resolutions on 5 December 2011, 3 February 2012, 29 May 2012, 7 June 2012, 14 June 2012 and 11 October 2012.

(g) Strategy Committee

The primary function of the Committee is to have an oversight to the Company’s strategic planning process, review and advice on strategic proposals, evaluate the potentials for the growth opportunities of the Company etc. and make appropriate recommendations to the Board. The present composition of this Committee is as follows:

Dr. Friedrich Froeschl	-	Chairman
Mr. Balu Doraisamy	-	Member
Mr. Francesco Serafini	-	Member
Mr. Antonio Fabio Neri	-	Member

During the year, the Strategy Committee met twice on 29 November 2011 and 28 August 2012.The attendance at each of the meetings held during the financial year 2011-2012 are given below:

Member	No. of Meetings held during tenure	No. of Meetings attended
Dr. Friedrich Froeschl, Chairman	2	2
Mr. Balu Doraisamy	2	1
Mr. Francesco Serafini	2	2
Mr. Antonio Fabio Neri [1]	-	-

[1] appointed as a member at the Board Meeting held on 29 August 2012

Corporate Governance

IV. MEETINGS OF THE SHAREHOLDERS

(a) Location and time of last three AGM

The following is the summary of the Annual General Meetings (AGM) of the Company held during the last three years:

AGM	Date & Time	Venue
Eighteenth Annual General Meeting	24 February 2010 10.00 AM	Taj Residency(Vivanta), 41/3, M G Road, Bengaluru – 560 001
Nineteenth Annual General Meeting	24 Februrary 2011 10.00 AM	Taj Gateway Hotel, No.66, Residency Road, Bengaluru -560 025
Twentieth Annual General Meeting	1 March 2012 10.00 AM	Taj Gateway Hotel, No.66, Residency Road, Bengaluru -560 025

(b) Special Resolutions transacted at the Annual General Meetings held in the last three years with Voting Pattern:

(i) Payment of remuneration by way of commission to Dr. Friedrich Froeschl, passed unanimously at the Eighteenth Annual General Meeting held on 24 February 2010.

(ii) Approval of Restricted Stock Unit 2011 Plan, passed unanimously at the Nineteenth Annual General Meeting held on 24 February 2011.

(iii) Extension of "Restricted Stock Unit 2011 Plan" to the subsidiary companies, passed unanimously at the Nineteenth Annual General Meeting held on 24 February 2011.

(c) Resolutions passed through Postal Ballot :

1. Special Resolutions passed through postal ballot on 18 August 2010:

   i. Amendments to the Articles of Association of the Company by insertion of Article 54A relating to Buy-Back of Shares. The resolution was declared as passed with a majority of 99.99% of shares voted under the postal ballot being in favour.

   ii. Grant of Restricted Stock Units under the new plan "Restricted Stock Unit Plan – "RSU-2010" to the eligible employees of the Company. The resolution was declared as passed with a majority of 98.63% of shares voted under the postal ballot being in favour.

   iii. Grant of Restricted Stock Units under the new Restricted Stock Unit Plan- "RSU-2010" to eligible employees of the subsidiary companies. The resolution was declared as passed with a majority of 98.63% of shares voted under the postal ballot being in favour.

   The above postal ballot was scrutinized by Ms. Aarthi G Krishna (CP No.5645), a practicing Company Secretary at Bengaluru, as required under the provisions of Section 192A of the Companies Act, 1956.

2. Special Resolutions passed through postal ballot on 20 January 2012 :

   i. Formulation of MphasiS Employees Stock Option Plan – 2012. The resolution was declared as passed with a majority of 99.99% of shares voted under the postal ballot being in favour.

   ii. Grant of stock options under the new plan "Employees Stock Option Plan – 2012" to the eligible employees of the subsidiary company. The resolution was declared as passed with a majority of 99.99% of shares voted under the postal ballot being in favour.

   The above postal ballot was scrutinized by Mr. K Rajshekar (CP No.2468), a practicing Company Secretary at Bengaluru, as required under the provisions of Section 192A of the Companies Act, 1956.

Corporate Governance

V. DISCLOSURES

There are no materially significant related party transactions which have potential conflict with the interests of the Company at large. The Company's major revenues are earned from the Company's Parent, Hewlett Packard Corporation (HP) and its subsidiaries and associate companies. The contractual terms for these businesses are negotiated at arms length.

Related party transactions i.e. material transactions between the Company and its promoters, directors, the management, their relatives, etc. are reported in Note 28 to the financial statements of the Company.

No penalty has been imposed on the Company on any matter relating to Capital Markets by the Stock Exchanges or Securities & Exchange Board of India or any other statutory authority from the date of inception of the Company.

At MphasiS we have a free and fair channel of communication for concerns about integrity. The objective of the Whistleblower Policy is to provide anyone observing an illegal or unethical practice within the organization, secure means to raise that concern, without fear of retaliation. All companies of MphasiS Group and people associated with the Company viz., Customers, Vendors etc. can raise such concerns through written complaints deposited in drop-boxes at any of our offices, through emails or through the whistleblower hotline numbers.

The Company has complied with all mandatory requirements of the Clause 49 of the Listing Agreement. As regards the non-mandatory requirements, the Company has constituted a Remuneration (Compensation) Committee and established the Whistleblower Policy.

The Company focuses on reflecting the spirit of Corporate Governance in its activities and to that extent recognizes the substance of the Voluntary Corporate Governance Guidelines recommended by the Ministry of Corporate Affairs. As at the date of the report, the Company has complied with recommendations of the Ministry of Corporate Affairs, in the areas of Remuneration to the Directors, Whistle Blowers, Internal Controls etc. The basic principles of the guidelines are incorporated into the practices of the Company.

VI. INTERNAL CONTROLS

Management is of the opinion that the internal controls in place are sufficient considering the complexity, size and nature of operations of the Company. In addition, the Company uses the services of an external firm to periodically review various aspects of the internal control system to ensure that such controls are operating in the way expected and whether any modification is required. The internal audit function is also reviewed by the Audit Committee of the Board.

VII. MEANS OF COMMUNICATION

The Board of Directors of the Company approves and takes on record the audited financial quarterly results and the results are announced to all the Stock Exchanges where the shares of the Company are listed and also to various news agencies pan India. Further, the quarterly and annual audited financial results are also published in leading newspapers within 48 hours of the conclusion of the meetings of the Board in which they are taken on record. Generally, the quarterly results are published in various editions of The Business Standard and Samyukta Karnataka-Kannada. The quarterly and annual results are hosted on the Company's website www.mphasis.com. The website also contains a copy of presentations on the financial results of the Company. The Company's website has in it a separate page for investor's relations, wherein the financial results, shareholding pattern, share price information, are hosted for the knowledge of the Investors.

In addition to the above, the Company participates in the earnings call with various Investors, Analysts and Broking Houses. The transcripts of the earnings call are hosted on the website of the Company for the information of other Investors as required under the provisions of the Listing Agreement.

Press briefings are held after important occasions viz., announcement of quarterly results, acquisition of new entity etc. The press releases issued from time to time are informed to the Stock Exchanges where the equity shares of the Company are listed and are also hosted on the Company's website .

The Annual Reports of the Company are available at the website of the Stock Exchanges, in accordance with the provisions of the Circular No. CIR\CFD\DCR\5\2010 dated 7 May 2010.

Corporate Governance

In line with the circulars of the Ministry of Corporate Affairs (MCA) on 'Green Initiative' allowing paperless compliances by companies, the Company will serve documents like Notices, Annual Reports and other statutory communications to its shareholders through e-mail at the registered e-mail addresses. The physical copies of the Annual Report for such shareholders would be sent upon request. Members are requested to note that documents sent through the electronic mode will also be available on the Company's website – www.mphasis.com . The Company would like to urge the shareholders to support this initiative of the MCA and contribute towards a greater sustainability by registering their e-mail addresses, if not already registered.

VIII. GENERAL SHAREHOLDERS INFORMATION

(a) Details of the AGM

Date
1 February 2013
Time
3:30 pm
Venue
Hotel Park Plaza, No. 90/4, Marathahalli Outer Ring Road, Bengaluru - 560 037

Procedure at the AGM

ATTENDANCE

Every member shall have a right to attend, speak and vote at the Annual General Meeting. A person is considered to be a member of the Company if his/her name appears on the Register of Members or a beneficiary holder in the books of National Securities Depositories Limited or the Central Depository Services (India) Limited.

If you intend coming to the meeting:

If you intend coming to the meeting in person, please do complete and bring the Attendance Slip and the copy of your Annual Report. Copies of the Annual Report will not be distributed at the meeting. Kindly note that every joint shareholder can attend and speak at the meeting.

If you do not intend coming in person but would like to appoint someone to act on your behalf:

If you do not wish or are unable to attend the meeting, your vote is still important. We would urge you, regardless of the number of shares you own, to appoint someone to act on your behalf and to vote in the event of a poll. The person so appointed by you is known as a proxy. In case you wish to appoint a proxy, we call upon you to complete, sign and return the accompanying proxy form. However, it may be noted that appointment of a proxy will not preclude yourself from attending the meeting in person. In case you attend the meeting after appointing a proxy, then the proxy shall be deemed to have been revoked.

The accompanying proxy appointment form enables you to appoint either the Chairman of the meeting or someone else of your choice to act as a proxy on your behalf.

Before completing the form please read the following explanatory notes.

You may appoint more than one proxy. However, only one proxy may attend the meeting. Please date, sign and affix a revenue stamp of Re. 1/- on the proxy form. In case of joint shareholders any one of the holders can sign.

Where the person appointing the proxy is a corporation, the form must be either under its Common Seal or under the hand of a duly authorized officer or attorney and the appropriate power of attorney or other authority must be lodged along with the proxy form.

The proxy to be valid, the proxy form together with any authority must be received at the Registered Office of the Company not later than 3:30 pm on Wednesday, 30 January 2013.

Corporate Governance

Attendance Slips

The Members and Proxies are requested to bring their Attendance Slips sent herewith duly completed in all respects. The persons representing the Body Corporate should additionally produce necessary authority executed by the Body Corporate in their favour along with the attendance slip.

PROCEEDINGS AT THE MEETING

Voting By Show of Hands

You should raise your hand, so that the Chairman could see and take count of votes, indicating you are voting either for or against each resolution as the Chairman puts the resolutions to vote. Only shareholders or authorized representatives of corporate shareholders may vote on a show of hands. Proxies cannot vote on show of hands and can do so only in a poll.

Voting on a Poll

As per Article 74 of the Articles of Association, before or on the declaration of the results of the voting on any resolution by a show of hands, a poll may be ordered to be taken by the Chairman of the meeting on his own motion or shall be ordered to be taken by him on a demand made in that behalf by any member or members present in person or by proxy and holding shares in the Company:

1. which confer a power to vote on the resolution not being less than one-tenth of the total voting power in respect of the resolution; or
2. on which an aggregate sum of not less than ₹ 50,000 has been paid up.

For the purpose of voting, staff volunteers would distribute the ballot papers. Please complete the same as per the instructions contained therein and drop it in the ballot boxes kept for the purpose. Valid Proxies can also participate in the poll and cast their ballots.

Voting Rights

Article 76 of the Articles of Association provides as follows with respect to voting rights:

1. Save as hereinafter provided, on a show of hands every member present in person and being a holder of equity shares shall have one vote.
2. Save as otherwise provided, on a poll, the voting rights of a holder of equity shares shall be as specified in Section 87 of the Companies Act, 1956, i.e. one vote for each share held by the member.
3. No company or body corporate shall vote by proxy so long as a resolution of its Board of Directors under the provisions of Section 187 of the Act is in force and the representatives named in such resolution is present at the general meeting at which the vote by proxy is tendered.

As per Article 86 (1), any objection as to the admission or rejection of a vote, either on a show of hands or on a poll made in due time, shall be referred to the Chairman who shall forthwith determine the same, and such determination made in good faith shall be final and conclusive. As per Article 86 (2), no objection shall be raised as to the qualification of any vote except at the meeting or adjourned meeting at which the vote objected to is given or tendered and every vote not disallowed to such meeting shall be valid for all purposes.

(b) Financial year

The financial year of the Company is from November to October of every year.

Corporate Governance

(c) Financial Calendar

Results Announced	5 December 2012
Book Closure Dates	21 January 2013 to 1 February 2013 (both days inclusive)
Posting of Annual Reports	on or before 10 January 2013
Annual General Meeting	1 February 2013
Dividend Payment Date	on or before 28 February 2013

(d) Listing

Equity shares of the Company are listed for trading on the following Stock Exchanges:

Exchange	Address	Scrip Code
Bombay Stock Exchange Limited	Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001. Telephone: 022-22721233/34, Fax No.: 022-22721062	526299
The National Stock Exchange of India Limited	Exchange Plaza, Plot No. C/1, G Block, Bandra- Kurla Complex, Bandra (E) Mumbai - 400 051. Telephone: 022-26598100-8114. Fax Nos. 022-26598237-38	MPHASIS

The Company has paid the listing fee for the year ending 31 March 2013.

(e) Dematerialization of Equity Shares

The Equity Shares of the Company are admitted in the following depositories of the country under the International Securities Identification Number (ISIN) INE356A01018. This number is required to be quoted in each transaction relating to the dematerialized equity shares of the Company.

Name of the Depository	Address
National Securities Depository Limited	Trade World, A wing, 4th & 5th Floors, Kamala Mills Compound, Senapathi Bapat Marg, Lower Parel, Mumbai - 400 013.
Central Depository Services (India) Limited	Phiroze Jeejeebhoy Towers, 16th Floor, Dalal Street, Mumbai - 400 001

The Company has paid the custodial charges to the respective depository participant for the year ending 31 March 2013.

The Securities & Exchange Board of India has specified that the shares of the Company would be traded only in demat form effective 29 November 1999. Considering the benefits embedded in holding the shares in electronic form, it is recommended that the shares be held in the dematerialized form. As on 31 October 2012, 99.21% shareholders held 99.92% of shares in demat form.

(f) Corporate Identity Number

The Corporate Identity Number (CIN), allotted by the Ministry of Corporate Affairs, Government of India, is L30007KA1992PLC025294 and the Company's Registration Number is 25294.

The Company's Master Data and details of the compliance filings by the Company with the Ministry of Corporate Affairs, Government of India, may be viewed by the members and other stakeholders at www.mca.gov.in (MCA21eServices) using the abovementioned CIN.

Corporate Governance

(g) Permanent Account Number

The Securities Exchange Board of India (SEBI) vide its circulars has made the Permanent Account Number (PAN) as the sole identification number for all participants transacting in the securities market, irrespective the amount of the transaction and further had directed that for securities market transactions and off market transactions involving transfer of shares of listed companies in physical form, it shall be mandatory for the transferee(s) to furnish a copy of the PAN card to the Company/RTA, as the case may be for registration of transfer of shares. SEBI has also clarified that it shall be mandatory to furnish a copy of PAN in the following cases –

1. Deletion of name(s) of the deceased shareholder(s), where the shares are held in the name of two or more shareholders.
2. Transmission of shares to the legal heir(s), where deceased shareholder(s) were the sole holder(s) of shares.
3. Transposition of shares – when there is a change in the order of names in which physical shares are held jointly in the names of two or more shareholders.

In case of mismatch in PAN card details as well as difference in maiden name and current name (in case of married women) of the investors, the PAN card as submitted by the transferee(s) can be provided by furnishing sufficient evidence in support of the identity of the transferees like passport, Voter Card ID, Driving License, Photo Identity cards issued by Statutory Bodies, Banks, Public Sector Undertakings etc.

(h) Market Quotation

The month wise high low and closing prices and the volume of shares of the Company traded for the period 1 November 2011 to 31 October 2012 on The National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE) are given below:

Month	NSE				BSE			
	High (₹)	Low (₹)	Close (₹)	Volume for the month (Shares)	High (₹)	Low (₹)	Close (₹)	Volume for the month (Shares)
November 2011	358	278	325	6,689,364	349	277	325	787,217
December 2011	355	295	301	5,814,026	353	295	300	661,481
January 2012	388	299	377	4,994,142	387	299	377	605,216
February 2012	439	364	433	10,994,773	439	364	434	1,215,849
March 2012	440	359	405	5,828,903	437	382	404	733,362
April 2012	420	357	369	2,168,677	416	356	368	202,036
May 2012	409	364	375	2,268,270	408	366	375	226,881
June 2012	380	317	370	4,665,870	378	317	372	758,437
July 2012	406	366	398	5,347,979	406	367	397	533,851
August 2012	416	358	385	2,164,110	414	358	383	207,492
September 2012	411	369	402	2,223,555	411	374	402	217,111
October 2012	430	378	387	4,933,109	423	376	387	470,993

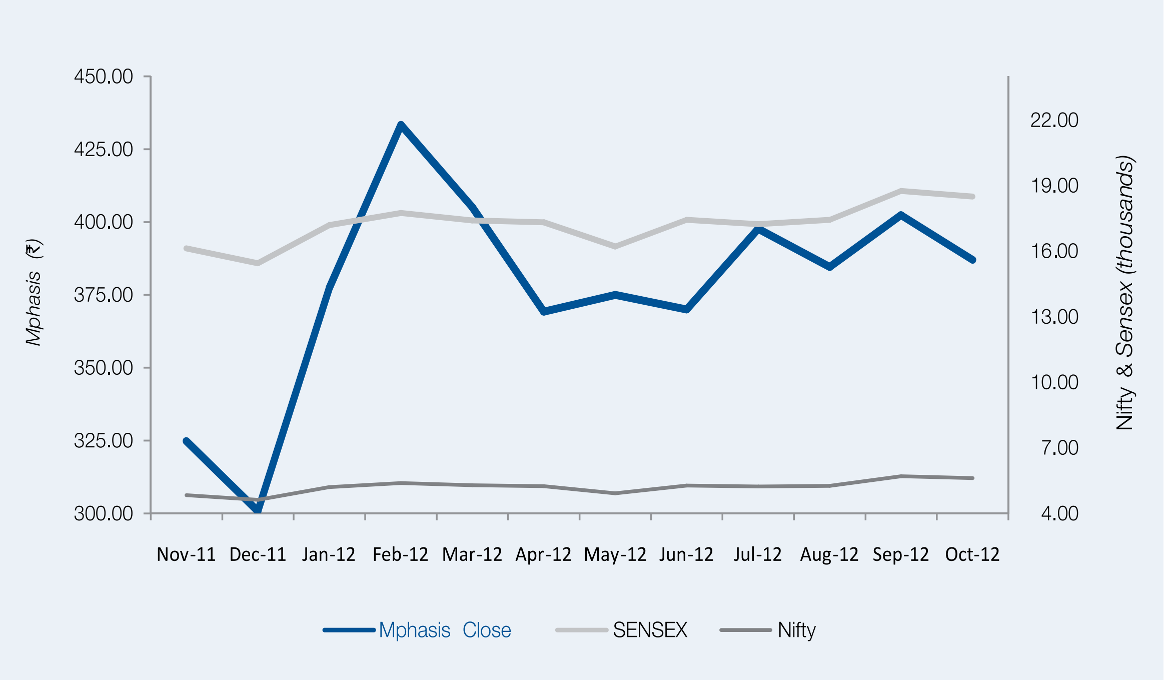
The prices have been rounded off to the nearest rupee

Corporate Governance

Based on the closing quotation of ₹ 387 per share as at 31 October 2012 at the National Stock Exchange, the market capitalization of the Company is ₹ 8,131 crores.

Performance of MphasiS Stock vis-à-vis Market Indices

(i) **Members' Profile**



The shareholding pattern of the members of the Company as on 31 October 2012 is as follows:

Category	Total No.of Shareholders	Total No.of Shares	% to total capital	Physical Shares	Demat Shares
Promoter	3	127,106,266	60.50	-	127,106,266
Foreign Institutional Investors	100	50,860,419	24.21	3,200	50,857,219
Financial Institutions and Banks	21	7,041,086	3.35	-	7,041,086
Mutual Funds	19	3,931,125	1.87	1,600	3,929,525
Bodies Corporate	642	11,954,602	5.69	5,000	11,949,602
Non Resident Indians	786	1,937,362	0.92	800	1,936,562
Resident Indians	33,214	6,827,786	3.25	162,780	6,665,006
Trust	4	362,548	0.17	-	362,548
Clearing Members	195	77,153	0.04	-	77,153
Director	1	8,510	0.00	-	8,510
Total	**34,985**	**210,106,857**	**100.00**	**173,380**	**209,933,477**

Corporate Governance

Distribution of Shareholding as on 31 October 2012

Range	Shareholders		Shares	
No. of Shares	**Number**	**% to total**	**Number**	**% to total**
1-100	27,922	79.81	901,417	0.43
101-500	4,814	13.76	1,185,906	0.56
501-1000	1,059	3.03	824,146	0.39
1001-5000	840	2.40	1,911,965	0.91
5001-10000	144	0.41	1,026,505	0.49
10001-100000	152	0.43	4,460,289	2.12
100001 & above	54	0.16	199,796,629	95.10
TOTAL	**34,985**	**100.00**	**210,106,857**	**100.00**

Details regarding the shares in the Unclaimed Suspense Account:

Sl. No.	Particulars	No. of shareholders	No. of Shares
1	Aggregate number of shareholders and the outstanding shares lying in the unclaimed suspense account at the beginning of the year	44	21,950
2	Number of shareholders who approached the issuer for transfer of shares from the unclaimed suspense account during the year*	2	1,200
3	Aggregate number of shareholders and the outstanding shares lying in the unclaimed suspense account at the end of the year	42	20,750

* Also represents the shareholders to whom shares were transferred.

(j) Address for Communication

Company Contact	RTA Contact
Mr. A Sivaram Nair	Integrated Enterprises (India) Limited
Senior Vice President, Company Secretary,	(Unit: MphasiS Limited)
General Counsel & Ethics Officer	30, Ramana Residency
MphasiS Limited	4th Cross, Sampige Road
Bagmane Technology Park, Byrasandra	Malleswaram, Bengaluru – 560 003
C V Raman Nagar, Bengaluru – 560 093	Phone: +91 (080) 2346 0815 - 818
Phone : +91 (080) 4004 4444	Fax: +91 (080) 2346 0819
Fax : +91 (080) 4004 4003	

Auditor's Certificate on Corporate Governance

To
The Members of MphasiS Limited

We have examined the compliance of conditions of corporate governance by MphasiS Limited ("the Company"), for the year ended on 31 October 2012, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For S. R. BATLIBOI & CO.
Firm registration number : 301003E
Chartered Accountants

per Navin Agrawal
Partner
Membership No. 56102

Place : Bengaluru
Date : 5 December 2012

Auditors' Report

To

The Members of MphasiS Limited

1. We have audited the attached balance sheet of MphasiS Limited ('the Company') as at 31 October 2012 and also the statement of profit and loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to above, we report that:

   i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

   ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

   iii. The balance sheet, statement of profit and loss and cash flow statement dealt with by this report are in agreement with the books of account;

   iv. In our opinion, the balance sheet, statement of profit and loss and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;

   v. On the basis of the written representations received from the directors, as on 31 October 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 October 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956; and

   vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;

      a) in the case of the balance sheet, of the state of affairs of the Company as at 31 October 2012;
      b) in the case of the statement of profit and loss, of the profit for the year ended on that date; and
      c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For S.R. BATLIBOI & CO.
Firm registration number : 301003E
Chartered Accountants

per Navin Agrawal
Partner
Membership No. 56102

Place : Bengaluru
Date : 05 December 2012

Auditors' Report

Annexure referred to in paragraph 3 of our report of even date
Re: MphasiS Limited ('the Company')

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The Company has regular programme of physical verification of fixed assets which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. In accordance with this programme, certain fixed assets were physically verified by the management during the year and we are informed that no material discrepancies were noticed on such verification.

(c) There was no disposal of a substantial part of fixed assets during the year.

(ii) The Company does not physically hold inventories and hence in our opinion, clause (ii)(a), (ii)(b) and (ii)(c) of the Order are not applicable to the Company and hence not commented upon.

(iii) (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii)(a) to (d) of the Order are not applicable to the Company and hence not commented upon.

(b) According to information and explanations given to us, the Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii)(e) to (g) of the Order are not applicable to the Company and hence not commented upon.

(iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the Company in respect of these areas.

(v) In our opinion, there are no contracts or arrangements that need to be entered in the register maintained under Section 301 of the Companies Act, 1956.

(vi) The Company has not accepted any deposits from the public.

(vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

(viii) To the best of our knowledge and as explained, the Central Government has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956, for the products of the Company.

(ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues have generally been regularly deposited with the appropriate authorities *though there have been delay in remittance of withholding tax in few cases.* With regard to service tax dues, we also draw reference to Note 12 to the financial statements.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

(c) According to the records of the Company, there are no dues of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute except the following:

Name of the statute	Nature of dues	Disputed Amount (₹)	Amount Paid under protest (₹)	Period to which the amount relates (financial year)	Forum where dispute is pending
Income Tax Act, 1961	Adjustment for transfer pricing and other disallowances	1,015,902,466	188,520,888	2007-08	Commissioner of Income Tax (Appeals)
		841,689,500	215,431,046	2006-07	Income Tax Appellate Tribunal
		245,934,507	Nil	2005-06	Income Tax Appellate Tribunal
		338,722,065	80,746,526	2004-05	Income Tax Appellate Tribunal
		224,719,119	Nil	2004-05	Deputy Commissioner of Income Tax
		120,900,000	Nil	2003-04	Income Tax Appellate Tribunal

Auditors' Report

Name of the statute	Nature of dues	Disputed Amount (₹)	Amount Paid under protest (₹)	Period to which the amount relates (financial year)	Forum where dispute is pending
Income Tax Act, 1961	Disallowances under Section 10A	15,488,663	Nil	2007-08	Income Tax Appellate Tribunal
		12,865,193	6,500,000	2005-06	Income Tax Appellate Tribunal
		58,613,515	14,653,380	2003-04	Commissioner of Income Tax (Appeals)
		101,010,675	Nil	2002-03	Deputy Commissioner of Income Tax
		18,194,392	10,000,000	2001-02	
Finance Act, 1994	Service tax	21,926,611	Nil	2005 -2007	CESTAT, Karnataka

(x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.

(xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders. As at year end, the Company did not have any outstanding dues to any financial institution or debenture holders.

(xii) According to the information and explanations given to us and based on the documents and records produced before us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.

(xvi) Based on the information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.

(xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.

(xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.

(xix) The Company did not have any outstanding debentures during the year.

(xx) The Company has not raised any money through a public issue during the year.

(xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the year.

For S.R. BATLIBOI & CO.
Firm registration number: 301003E
Chartered Accountants

per Navin Agrawal
Partner
Membership No. 56102

Place : Bengaluru
Date : 05 December 2012

Balance Sheet as at 31 October 2012

(₹ millions)

	Notes	31 October 2012	31 October 2011
Equity and liabilities			
Shareholders' funds			
Share capital	3	2,101.14	2,100.43
Reserves and surplus	4	34,220.05	31,979.12
		36,321.19	**34,079.55**
Non-current liabilities			
Other long-term liabilities	7	21.55	19.84
Long-term provisions	8	127.90	217.90
		149.45	**237.74**
Current liabilities			
Short-term borrowing	5	2,690.25	2,434.75
Trade payables	6	5,825.50	5,207.72
Other current liabilities	7	522.08	944.05
Short-term provisions	8	5,414.38	2,886.34
		14,452.21	**11,472.86**
TOTAL		**50,922.85**	**45,790.15**
Assets			
Non-current assets			
Fixed assets			
Tangible assets	9	1,103.37	1,577.33
Intangible assets	9	103.66	111.13
Capital work-in-progress		0.02	63.62
Intangible assets under development		119.25	13.33
Non-current investments	10	8,602.82	8,602.82
Deferred tax assets (net)	11	833.91	763.74
Long-term loans and advances	12	2,883.28	3,678.13
Other non-current assets	13	171.87	4.26
		13,818.18	**14,814.36**
Current assets			
Current investments	14	21,181.75	15,187.88
Trade receivables	15	6,212.85	5,255.42
Cash and bank balances	16	1,562.97	836.51
Short-term loans and advances	12	4,039.41	4,751.73
Other current assets	13	4,107.69	4,944.25
		37,104.67	**30,975.79**
TOTAL		**50,922.85**	**45,790.15**

Summary of significant accounting policies. 1

The accompanying notes are an integral part of the financial statements.
As per our report of even date.

For S.R. BATLIBOI & CO.
Firm registration number: 301003E
Chartered Accountants

per Navin Agrawal
Partner
Membership No. 56102

Bengaluru
5 December 2012

For and on behalf of the Board of Directors

Balu Ganesh Ayyar
Chief Executive Officer

Nawshir H Mirza
Director

Ganesh Murthy
Executive Vice President &
Chief Financial Officer

A. Sivaram Nair
Senior Vice President, Company Secretary
General Counsel & Ethics Officer

Bengaluru
5 December 2012

Statement of profit and loss for the year ended 31 October 2012

(₹ millions)

	Notes	Year ended 31 October 2012	Year ended 31 October 2011
Income			
Revenue from operations	17	34,208.39	34,041.29
Other income	18	1,471.84	1,618.77
Total revenue (I)		**35,680.23**	**35,660.06**
Expenses			
Purchase of traded goods	19	428.16	218.91
Employee benefits expense	20	15,062.20	15,414.98
Finance costs	21	119.44	22.25
Depreciation and amortization expense	9	1,143.82	1,066.07
Other expenses	22	11,394.21	9,822.04
Total expenses (II)		**28,147.83**	**26,544.25**
Profit before tax (I) - (II)		**7,532.40**	**9,115.81**
Tax expenses			
Current tax (refer note 39)		1,519.02	1,925.72
Deferred tax credit		(70.17)	(141.60)
Minimum alternative tax credit entitlement		(26.90)	(488.38)
Total tax expense		**1,421.95**	**1,295.74**
Profit for the year		**6,110.45**	**7,820.07**
Earnings per equity share [nominal value of shares ₹ 10	31		
(31 October 2011 : ₹ 10)]			
Basic (₹)		29.09	37.24
Diluted (₹)		29.03	37.13

Summary of significant accounting policies. 1

The accompanying notes are an integral part of the financial statements.
As per our report of even date.

For S.R. BATLIBOI & CO.
Firm registration number: 301003E
Chartered Accountants

per Navin Agrawal
Partner
Membership No. 56102

Bengaluru
5 December 2012

For and on behalf of the Board of Directors

Balu Ganesh Ayyar
Chief Executive Officer

Nawshir H Mirza
Director

Ganesh Murthy
Executive Vice President &
Chief Financial Officer

A. Sivaram Nair
Senior Vice President, Company Secretary
General Counsel & Ethics Officer

Bengaluru
5 December 2012

Notes to the Financial Statements for the year ended 31 October 2012

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting, unless stated otherwise and comply with the mandatory Accounting Standards ('AS') prescribed in the Companies (Accounting Standards) Rules, 2006 (as amended) and other pronouncements of the Institute of Chartered Accountants of India ('ICAI') and the related provisions of the Companies Act 1956. The accounting policies adopted in the preparation of financial statements are consistent with those of the previous year except for the changes explained below.

Use of estimates

The preparation of financial statements requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses for the year. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in current and future years.

Change in accounting policies and estimates

a. Presentation and disclosure of financial statements

During the year ended 31 October 2012, the revised Schedule VI notified under the Companies Act 1956 has become applicable to the Company for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However it has significant impact on presentation and disclosures made in them. The Company has also reclassified the previous year's figures in accordance with the requirements applicable in the current year.

b. Provision for aged receivables

During the year, the Company has revised the basis of estimation of providing for aged receivables. Had the Company continued the earlier basis, the receivables would have been lower by ₹ 350.15 millions and profit for the year ended 31 October 2012 would have been lower by ₹ 350.15 millions.

Revenue recognition

The Company derives its revenues primarily from software services & projects, call centre & business process outsourcing operations, infrastructure outsourcing services, licensing arrangement, application services and trading of goods.

Revenues from software services & projects comprise income from time-and-material and fixed price contracts. Revenue from time and material contracts is recognized when the services are rendered in accordance with the terms of contracts with clients. Revenue from fixed price contracts is recognized using the percentage-of-completion method, calculated as the proportion of the cost of effort incurred up to the reporting date to estimated cost of total effort.

Revenues from call centre & business process outsourcing operations arise from both time-based and unit-priced client contracts. Such revenue is recognized when the services are rendered in accordance with the terms of the contracts with clients.

Revenues from infrastructure outsourcing services arise from time-based, unit-priced and fixed price contracts. Revenue from time based and unit-priced is recognized when the services are rendered in accordance with the terms of the contracts with clients. Revenue from fixed price contracts is recognized using the percentage-of-completion method, calculated as the proportion of the cost of effort incurred up to the reporting date to estimated cost of total effort.

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

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

Revenue from sale of goods is recognized on transfer of significant risks and rewards in accordance with the terms of contract. Revenue is shown as net of sales tax, value added tax and applicable discounts.

Notes to the Financial Statements for the year ended 31 October 2012

Provisions for estimated losses on incomplete contracts are recorded in the period in which such losses become probable based on the current contract estimates. 'Unbilled revenues' included in the current assets represent revenues in excess of amounts billed to clients as at the balance sheet date. 'Unearned receivables' included in the current liabilities represent billings in excess of revenues recognized.

Advances received for services are reported as liabilities until all conditions for revenue recognition are met.

Interest on the deployment of surplus funds is recognized using the time-proportion method, based on underlying interest rates.

Dividend income is recognized when the right to receive the dividend is established.

Fixed assets and capital work-in-progress

Fixed assets are stated at the cost of acquisition or construction less accumulated depreciation and write down for impairment if any. Direct costs are capitalised until the assets are ready to be put to use. Borrowing costs directly attributable to acquisition or construction of those fixed assets which necessarily take a substantial period of time to get ready for their intended use, are capitalised. Fixed assets purchased in foreign currency are recorded at cost, based on the exchange rate on the date of purchase.

Acquired intangible assets are capitalised at the acquisition price. Internally generated intangible assets are stated at cost that can be measured reliably during the development phase and capitalised when it is probable that future economic benefits that are attributable to the asset will flow to the Company.

Leases under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets acquired are capitalised at the fair value of the asset or the present value of the minimum lease payments at the inception of the lease, whichever is lower.

Cost of assets not ready for use at the balance sheet date are disclosed under capital work- in- progress.

Depreciation and amortization

Depreciation on fixed assets is provided using the straight-line method over the estimated useful lives of assets. Depreciation is charged on a proportionate basis for all assets purchased and sold during the year. Individual assets costing less than ₹ 5,000 are depreciated in full in the year of purchase. The estimated useful lives of assets are as follows:

For assets used in call center services	
	Years
Buildings	10
Plant and machinery (including telecom equipments)	5
Computer equipment	5
Office equipment	5
Furniture and fixtures	5
Vehicles	3 to 5

For assets used in other services	
	Years
Buildings	10
Plant and machinery	4
Computer equipment	2
Office equipment	3
Furniture and fixtures	4
Vehicles	3 to 5

Assets used for Unique Identification (UID) services have been depreciated over a period of 2 years.

Freehold land is not depreciated. Leasehold improvements are amortized over the remaining lease term or 3 years (5 years for call centre services), whichever is shorter. Significant purchased application software and internally generated software that is an integral part of the Company's computer systems and expected to provide lasting benefits, is capitalised at cost and amortized on the straight-line method over its estimated useful life or 3 years, whichever is shorter. Internally generated software for sale expected to provide lasting benefits is amortized on the straight-line method over its estimated life or 7 years, whichever is shorter.

Leases

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items, are classified as operating leases.

Notes to the Financial Statements for the year ended 31 October 2012

Where the Company is lessee, operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

Where the Company is lessor, lease income is recognized in the statement of profit and loss on straight-line basis over the lease term. Costs are recognized as an expense in the statement of profit and loss. Initial direct costs such as legal costs, brokerage costs etc, are recognized immediately in the statement of profit and loss.

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

Borrowing costs

Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that a fixed asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using the pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the assets. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the statement of profit and loss. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis.

Long-term investments are carried at cost. Provision for diminution in the value of investments is made if the impairment is not temporary in nature.

Employee benefits

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

The cost of short term compensated absences are provided for based on estimates. Long term compensated absence costs are provided for based on actuarial valuation using the project unit credit method. The company presents the entire leave as a current liability in the balance sheet, since it does not have an unconditional right to defer its settlement for 12 months after the reporting date.

Contributions payable to recognized provident funds, which are defined contribution schemes, are charged to the statement of profit and loss. The Company's liability is limited to the contribution made to the fund.

Notes to the Financial Statements for the year ended 31 October 2012

Stock-based compensation (Equity settled)

Measurement and disclosure of the employee share-based payment plans is done in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India. The Company measures compensation cost relating to employee stock options using the intrinsic value method except for RSU plan 2010 and RSU plan 2011 and Employees Stock Option Plan - 2012 wherein compensation cost is measured based on fair valuation. Compensation expense is amortized over the vesting period of the option on a straight line basis.

Foreign currency

Foreign exchange transactions are recorded at the rates of exchange prevailing on the dates of the respective transactions. Exchange differences arising on foreign exchange transactions settled during the year are recognized in the statement of profit and loss of that year.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the exchange rates on that date. The resultant exchange differences are recognized in the statement of profit and loss. Non-monetary items which are carried in terms of historical cost denominated in foreign currency are reported using the exchange rate at the date of the transaction.

The financial statements of an integral foreign operation are translated as if the transactions of the foreign operation have been those of the Company itself.

Forward contracts are entered into, to hedge the foreign currency risk of the underlying outstanding at the balance sheet date and also to hedge the foreign currency risk of firm commitment or highly probable forecast transactions. The premium or discount on forward contracts that are entered into, to hedge the foreign currency risk of the underlying outstanding at the balance sheet date arising at the inception of each contract is amortized as income or expense over the life of the contract. Any profit or loss arising on the cancellation or renewal of forward contracts is recognized as income or as expense for the year.

In relation to the forward contracts entered into, to hedge the foreign currency risk of the underlying outstanding at the balance sheet date, the exchange difference is calculated and recorded in accordance with paragraphs 36 and 37 of AS 11. The exchange difference on such a forward exchange contract is calculated as the difference between the foreign currency amount of the contract translated at the exchange rate at the reporting date or the settlement date where the transaction is settled during the reporting year, and the corresponding foreign currency amount translated at the later of the date of inception of the forward exchange contract and the last reporting date. Such exchange differences are recognized in the statement of profit and loss in the reporting period in which the exchange rates change.

The Company has adopted the principles of AS 30 “Financial Instruments: Recognition and Measurement” in respect of its derivative financial instruments (excluding embedded derivative) that are not covered by AS 11 “The Effects of Changes in Foreign Exchange Rates” and that relate to a firm commitment or a highly probable forecast transaction. In accordance with AS 30, such derivative financial instruments, which qualify for cash flow hedge accounting and where the Company has met all the conditions of AS 30, are fair valued at the balance sheet date and the resultant gain / loss is credited / debited to the hedging reserve included in the Reserves and Surplus. This gain / loss is recorded in the statement of profit and loss when the underlying transactions affect earnings. Other derivative instruments that relate to a firm commitment or a highly probable forecast transaction and that do not qualify for hedge accounting, have been recorded at fair value at the reporting date and the resultant gain / loss has been credited / debited to the statement of profit and loss for the year.

Income taxes

The current charge for income taxes is calculated in accordance with the relevant tax regulations. Minimum Alternative Tax (‘MAT’) paid in accordance with the tax laws, which gives rise to future economic benefits in the form of adjustments of future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal tax after the tax holiday period. MAT credit entitlement can be carried forward and utilised for a period as specified in the tax laws of the respective countries.

Notes to the Financial Statements for the year ended 31 October 2012

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to timing differences that result between taxable profits and accounting profits. Deferred tax in respect of timing differences which originate during the tax holiday period but reverse after the tax holiday period, is recognized in the period in which the timing differences originate. For this purpose the timing difference which originates first is considered to reverse first. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date. Deferred tax assets on timing differences are recognized only if there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. However, deferred tax assets on the timing differences when unabsorbed depreciation and losses carried forward exist, are recognized only to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets are reassessed for the appropriateness of their respective carrying values at each balance sheet date.

Provisions and contingent liabilities

A provision is recognized when an enterprise has a present obligation as result of past event and it is probable that an outflow of resources will be required to settle a reliably estimable obligation. Provisions are not discounted to present value and are determined based on best estimate required to settle each obligation at each balance sheet date.

Provisions for onerous contracts, i.e. contracts where the expected unavoidable costs of meeting obligations under a contract exceed the economic benefits expected to be received, are recognized when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event, based on a reliable estimate of such obligation. Provisions are not discounted to their present value and are determined based on best estimate required to settle the obligation at each balance sheet date.

Earnings per share

The basic earnings per share is computed by dividing the net profit attributable to equity shareholders for the year by the weighted average number of equity shares outstanding during the year. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share, and also the weighted average number of equity shares could be issued on the conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the year, unless they have been issued at a later date. The diluted potential equity shares have been arrived at, assuming that the proceeds receivable were based on shares having been issued at the average market value of the outstanding shares. In computing dilutive earnings per share, only potential equity shares that are dilutive and that would, if issued, either reduce future earnings per share or increase loss per share, are included.

Inventories

Inventory comprises of traded goods and is measured at lower of cost and net realisable value. Cost includes direct materials and related direct expenses. Cost is determined on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated cost necessary to make the sale.

Cash and cash equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

2. DESCRIPTION OF THE COMPANY

MphasiS Limited ('The Company' or 'MphasiS') is a global, multicultural organisation headquartered in Bengaluru, India, specialising in providing a suite of application development and maintenance services, infrastructure outsourcing services and business process outsourcing solutions to clients around the world.

The Company is registered under the Indian Companies Act, 1956 with it's Registered Office in Bengaluru. The Company is listed on the principal stock exchanges of India.

Notes to the Financial Statements for the year ended 31 October 2012

(₹ millions)

		31 October 2012	31 October 2011
3.	**SHARE CAPITAL**		
	Authorised shares		
	245,000,000 (31 October 2011: 245,000,000) equity shares of ₹ 10 each	2,450.00	2,450.00
	Issued, subscribed and fully paid-up shares		
	210,106,857 (31 October 2011: 210,036,045) equity shares of ₹ 10 each fully paid-up	2,101.07	2,100.36
	Add: Amount originally paid-up on forfeited shares	0.07	0.07
	Total issued, subscribed and fully paid-up share capital	**2,101.14**	**2,100.43**

(a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

	31 October 2012		31 October 2011	
	Number	₹ millions	Number	₹ millions
At the beginning of the year	210,036,045	2,100.36	209,924,713	2,099.25
Issued during the period – Bonus issue	-	-	700	-
Issued during the period – Employee stock option plans	70,812	0.71	110,632	1.11
Outstanding at the end of the year	**210,106,857**	**2,101.07**	**210,036,045**	**2,100.36**

(b) Terms/rights attached to equity shares

The Company has only one class of equity shares having par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

During the year ended 31 October 2012, the amount of per share dividend recognized as distributions to equity shareholders was ₹ 17.00 (31 October 2011: ₹ 6.50).

In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

(c) Shares held by holding/ultimate holding company and/or their subsidiaries/ associates (₹ millions)

	31 October 2012	31 October 2011
EDS Asia Pacific Holdings, Mauritius (Subsidiary of the ultimate holding company)	830.02	830.02
83,002,201 (31 October 2011: 83,002,201) equity shares of ₹ 10 each fully paid		
EDS World Corporation (Far East) (Subsidiary of the ultimate holding company)	441.04	441.04
44,104,064 (31 October 2011: 44,104,064) equity shares of ₹ 10 each fully paid		
EDS World Corporation (Netherlands) (Subsidiary of ultimate holding company)	0.00	0.00
1 (31 October 2011:1) equity shares of ₹ 10 each fully paid		

The ultimate holding company is Hewlett-Packard Company, USA.

(d) Aggregate number of bonus shares issued and shares issued for consideration other than cash during the period of five years immediately preceding the reporting date:

Equity shares allotted as fully paid bonus shares by capitalization of securities premium/ statement of profit and loss	7,400	16,800
Equity shares allotted as fully paid up pursuant to contracts for considerations other than cash*	-	44,104,065

* represents shares issued to shareholders of EDS India on account of merger with the Company during the year ended 31 March 2007.

In addition, the Company has issued total 1,487,068 shares (31 October 2011: 3,800,060) during the period of five years immediately preceding the reporting date on exercise of options granted under the employee stock option plan (ESOP) wherein part consideration was received in form of employee services.

Notes to the Financial Statements for the year ended 31 October 2012

(e) **Details of shareholders holding more than 5% shares in the Company**

Name of the shareholder	31 October 2012	
	Number	% of holding
EDS Asia Pacific Holdings, Mauritius	83,002,201	39.50
EDS World Corporation (Far East)	44,104,064	20.99
Aberdeen Asset Managers Limited A/C Aberdeen Global Indian Equity Fund Mauritius Limited	18,500,000	8.81

Name of the shareholder	31 October 2011	
	Number	% of holding
EDS Asia Pacific Holdings, Mauritius	83,002,201	39.52
EDS World Corporation (Far East)	44,104,064	21.00
Aberdeen Asset Managers Limited A/C Aberdeen Global Indian Equity Fund Mauritius Limited	16,431,000	7.82

As per records of the company, including its register of shareholders/ members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

(f) **Shares reserved for issue under options**

For details of shares reserved for issue under the ESOP plan of the Company, please refer note 4.

(₹ millions)

	31 October 2012	31 October 2011
4. RESERVES & SURPLUS		
Capital reserve		
Balance as per last financial statements	-	-
Receipts from liquidation of trust (refer note 36)	265.16	-
Closing Balance	**265.16**	**-**
Securities premium account		
Balance as per last financial statements	1,546.44	1,534.36
Add: Premium on issue of shares	5.37	11.93
Add: Transferred from stock options outstanding	1.55	0.15
Closing Balance	**1,553.36**	**1,546.44**
Employee stock options outstanding		
Balance as per last financial statements	201.99	5.40
Add: Gross compensation for options granted during the year	53.13	228.74
Less: Transferred to securities premium on exercise of stock options	1.55	0.15
Less: Exercise of stock options	92.29	-
Less: Reversal on forfeiture/ lapse of options	45.95	32.00
	115.33	**201.99**
Less: Deferred employee stock compensation expense		
Balance as per last financial statements	85.05	-
Add: Gross compensation for options granted during the year	53.13	228.74
Less: Expense for the year including cross-charge to subsidiaries	61.02	111.79
Less: Reversal on forfeiture/lapse of options	45.95	31.90
	31.21	**85.05**
Closing Balance	**84.12**	**116.94**

Notes to the Financial Statements for the year ended 31 October 2012

(₹ millions)

		31 October 2012	31 October 2011
4.	**RESERVES & SURPLUS (Contd...)**		
	General reserve		
	Balance as per last financial statements	3,552.92	2,770.91
	Add: Amount transferred from surplus balance in the statement of profit and loss	611.05	782.01
	Less: Loss on exercise of restricted stock units	1.57	-
	Closing Balance	**4,162.40**	**3,552.92**
	Hedging reserve		
	Balance as per last financial statements	(707.08)	656.78
	Add / (Less): Transaction during the year	(1,229.24)	(1,055.51)
	Add/ (Less): Transfer to revenue	1,273.89	(308.35)
	Closing Balance	**(662.43)**	**(707.08)**
	Surplus in the statement of profit and loss		
	Balance as per last financial statements	27,469.90	22,018.85
	Profit for the year	6,110.45	7,820.07
	Less: Appropriations		
	Final dividend for earlier years	0.51	0.26
	Proposed final equity dividend (amount per share ₹ 17.00 (31 October 2011: ₹ 6.50))	3,571.82	1,365.23
	Tax on proposed equity dividend	579.53	221.51
	Issue of Bonus shares	-	0.01
	Transfer to general reserve	611.05	782.01
	Total appropriations	**4,762.91**	**2,369.02**
	Net surplus in the statement of profit and loss	**28,817.44**	**27,469.90**
	Total reserves and surplus	**34,220.05**	**31,979.12**

Employee Stock Option Plans ('ESOP') – Equity settled

All the ESOPs are in respect of the Company's shares where each stock option is equivalent to one share. In accordance with the Guidance Note on "Accounting for Employee Share-based Payments" issued by the ICAI with effect from 1 April 2005, the necessary disclosures have been made for the years ended 31 October 2012 and 31 October 2011 for grants outstanding on and made on or after that date for each of the plans described below (Also refer note 32).

Employees Stock Option Plan - 1998 (the 1998 Plan) : The Company instituted the 1998 Plan for all eligible employees in pursuance of the special resolution approved by the shareholders in the Annual General Meeting held on 31 July 1998. The 1998 Plan provides for the issuance of 3,720,000 options to eligible employees as recommended by the ESOP Committee constituted for this purpose.

In accordance with the 1998 Plan, the Committee has formulated 1998 Plan - (Version I) and 1998 Plan - (Version II) during the years 1998 - 1999 and 1999 - 2000 respectively.

1998 Plan - (Version I) : Each option granted under the 1998 Plan - (Version I), entitles the holder thereof with an option to apply for and be issued one equity share of the Company at an exercise price of ₹ 34.38 per share. The equity shares covered under these options vest at various dates over a period ranging from six to sixty-six months from the date of grant based on the length of service completed by the employee to the date of grant. The options are exercisable any time after their vesting period.

Notes to the Financial Statements for the year ended 31 October 2012

The movements in the options granted under the 1998 Plan – (Version I) for the years ended 31 October 2012 and 31 October 2011 are set out below:

	Year ended 31 October 2012		Year ended 31 October 2011	
	No. of Options	Weighted Average Exercise Price	No. of Options	Weighted Average Exercise Price
Options outstanding at the beginning	67,632	34.38	69,280	34.38
Granted	-	-	-	-
Forfeited	-	-	-	-
Exercised	19,344	34.38	1,648	34.38
Options outstanding at the end	48,288	34.38	67,632	34.38
Exercisable at the end	48,288	34.38	67,632	34.38

The weighted average share price as at the date of exercise for stock options was ₹ 386.97 (31 October 2011: ₹ 522.00). The options outstanding as at 31 October 2012 had an exercise price of ₹ 34.38 (31 October 2011: ₹ 34.38).

1998 Plan - (Version II): Commencing January 2000, the Company decided to grant all future options at the market price immediately preceding the date of grant. The equity shares covered under these options vest at various dates over a period ranging from twelve to forty-eight months from the date of grant based on the grade of the employee. However, in the case of options granted to the then Managing Director or Chief Executive Officer, the vesting period of the options, subject to minimum period of one year from the date of grant, is determined by the ESOP Committee and approved by the Board. The options are to be exercised within a period of ten years from their date of vesting.

The movements in the options granted under the 1998 Plan - (Version II) for the years ended 31 October 2012 and 31 October 2011 are set out below:

	Year ended 31 October 2012		Year ended 31 October 2011	
	No. of Options	Weighted Average Exercise Price	No. of Options	Weighted Average Exercise Price
Options outstanding at the beginning	515,974	88.91	700,338	91.71
Granted	-	-	-	-
Forfeited	-	-	-	-
Lapsed	82,436	103.55	136,724	102.31
Exercised	38,896	98.72	47,640	91.70
Options outstanding at the end	394,642	84.88	515,974	88.91
Exercisable at the end	394,642	84.88	515,974	88.91

The weighted average share price as at the date of exercise for stock options was ₹ 347.71 (31 October 2011: ₹ 533.21). The options outstanding as at 31 October 2012 had an exercise price ranging from ₹ 23.21 to ₹ 258.00 (31 October 2011: ₹ 23.21 to ₹ 258.00) and weighted average remaining contractual life of 1.93 years (31 October 2011: 2.33 years).

Employees Stock Option Plan - 2000 (the 2000 Plan): Effective 25 July 2000, the Company instituted the 2000 Plan. The shareholders and ESOP Committee approved the 2000 Plan in July 2000. The 2000 Plan provides for the issue of equity shares to employees and directors of the Company and its subsidiaries.

The 2000 Plan is administered by the ESOP Committee appointed by the Board. Under the 2000 Plan, options will be issued to employees at an exercise price, which shall not be less than the market price immediately preceding the date of grant. The equity shares covered under these options vest over a period ranging from twelve to forty-eight months from the date of grant. The exercise period is one to two years from the date of vesting.

Notes to the Financial Statements for the year ended 31 October 2012

The movements in the options under the 2000 Plan for the years ended 31 October 2012 and 31 October 2011 are set out below:

	Year ended 31 October 2012		Year ended 31 October 2011	
	No. of Options	Weighted Average Exercise Price	No. of Options	Weighted Average Exercise Price
Options outstanding at the beginning	26,576	171.66	117,394	152.24
Granted	-	-	-	-
Forfeited	-	-	2,675	164.92
Lapsed	20,826	169.92	51,364	147.04
Exercised	5,750	177.97	36,779	144.55
Options outstanding at the end	-	-	26,576	171.66
Exercisable at the end	-	-	26,576	171.66

The weighted average share price as at the date of exercise for stock options was ₹ 362.46 (31 October 2011: ₹ 521.83). No options are outstanding as on 31 October 2012. The option outstanding as at 31 October 2011 had an exercise price ranging from ₹ 129.95 to ₹ 208.45 and weighted average remaining contractual life of 0.27 years.

Employees Stock Option Plan - 2003 (the 2003 Plan): The shareholders at the Annual General Meeting on 2 June 2003 approved a new Employee Stock Option Plan. The 2003 Plan provides for the issue of equity shares to employees and directors of the Company and its subsidiaries and is administered by the ESOP Committee appointed by the Board. Options shall be issued to employees at an exercise price which shall not be less than the market price immediately preceding the date of grant. The equity shares covered under these options vest over a period ranging from twelve to forty-eight months from the date of grant. However, certain options were granted to executive directors having a target stock price condition and a one year service condition as vesting conditions. The exercise period is two years from the date of vesting.

The movements in the options under the 2003 Plan for the years ended 31 October 2012 and 31 October 2011 are set out below:

	Year ended 31 October 2012		Year ended 31 October 2011	
	No. of Options	Weighted Average Exercise Price	No. of Options	Weighted Average Exercise Price
Options outstanding at the beginning	-	-	12,450	130.60
Granted	-	-	-	-
Forfeited	-	-	-	-
Lapsed	-	-	2,250	130.60
Exercised	-	-	10,200	130.60
Options outstanding at the end	-	-	-	-
Exercisable at the end	-	-	-	-

The weighted average share price as at the date of exercise for stock options was ₹ Nil (31 October 2011: ₹ 455.08). There are no options outstanding as on 31 October 2012 and 31 October 2011.

Employees Stock Option Plan - 2004 (the 2004 Plan): At the Extraordinary General Meeting on 12 May 2004, the shareholders approved a new Employee Stock Option Plan. The 2004 Plan provides for the issuance of equity shares to employees and directors of the Company and its subsidiaries and for the exchange of outstanding stock options of MsourcE Corporation as on 20 September 2004, pursuant to its merger with MphasiS Corporation and the assumption of the MsourcE stock options by the Company.

Notes to the Financial Statements for the year ended 31 October 2012

The 2004 Plan is administered through the ESOP Committee appointed by the Board and comprises two programs. Under Program A, outstanding options of MsourcE Corporation were exchanged for options in the Company on the agreed exchange ratio of 0.14028 stock options with underlying equity shares of the Company for each stock option in the MsourcE 2001 plan, the exercise price being the equivalent amount payable by the option holder under the MsourcE 2001 plan. The equity shares underlying these options vest over a period up to forty-eight months from the date of assumption by the Company and shall be exercisable within a period of ten years from the original date of grant under the MsourcE 2001 plan.

Options under Program B represent fresh grants and shall be issued to employees at an exercise price which will be equal to the fair value of the underlying shares at the date of grant. The equity shares covered under these options vest over a period ranging from twelve to forty-eight months from the date of grant. The exercise period is two years from the date of vesting.

The movements in the options under the 2004 Plan for the years ended 31 October 2012 and 31 October 2011 are set out below:

	Year ended 31 October 2012		Year ended 31 October 2011	
	No. of Options	Weighted Average Exercise Price	No. of Options	Weighted Average Exercise Price
Options outstanding at the beginning	21,506	113.15	56,774	127.87
Granted	-	-	-	-
Forfeited	-	-	1,269	178.26
Lapsed	2,326	184.50	19,634	134.50
Exercised	6,822	80.22	14,365	136.38
Options outstanding at the end	12,358	117.91	21,506	113.15
Exercisable at the end	12,358	117.91	21,506	113.15

The weighted average share price as at the date of exercise for stock options was ₹ 405.29 (31 October 2011: ₹ 473.40). The options outstanding as at 31 October 2012 had an exercise price ranging from ₹ 50.34 to ₹ 148.07 (31 October 2011: ₹ 50.34 to ₹ 184.50) and weighted average remaining contractual life of 3.80 years (31 October 2011: 4.25 years).

Employees Stock Option Plan - 2012 (the 2012 Plan): Effective 14 March 2012, the Company instituted the 2012 Plan. The Board and the shareholders of the Company approved 2012 plan on 20 January 2012. The 2012 plan provides for the issue of restricted options to certain employees of the Company and its subsidiaries.

The 2012 plan is administered by the MphasiS Employees Benefit Trust which is created for this purpose. Each option, granted under this plan, entitles the holder thereof with an option to apply for and be issued one equity share of the Company at an exercise price of ₹ 410.25 per share. The equity shares covered under these options vest over a period ranging from twelve to twenty-four months from the date of grant. The exercise period is three years from the date of vesting.

The movements in the options under the 2012 plan for the years ended 31 October 2012 is set out below :

	Year ended 31 October 2012		Year ended 31 October 2011	
	No. of Options	Weighted Average Exercise Price	No. of Options	Weighted Average Exercise Price
Options outstanding at the beginning	-	-	-	-
Granted	567,300	410.25	-	-
Forfeited	66,550	410.25	-	-
Lapsed	-	-	-	-
Exercised	-	-	-	-
Options outstanding at the end	500,750	410.25	-	-
Exercisable at the end	-	-	-	-

Notes to the Financial Statements for the year ended 31 October 2012

The options outstanding as at 31 October 2012 has an exercise price ₹ 410.25 and weighted average remaining contractual life of 3.84 years.

The weighted average fair value of stock options granted during the year was ₹ 93.65. The Black-Scholes valuation model has been used for computing the weighted average fair value considering the following inputs:

	31 October 2012
Weighted average share price on the date of grant	410.25
Exercise Price	410.25
Expected Volatility*	40.53%
Life of the options granted in years	1 -2 Years
Average risk-free interest rate	8.20%
Expected dividend rate	1.50%

* The expected volatility was determined based on historical volatility data.

Total Employee Compensation Cost pertaining to 2012 plan during the year is ₹ 16.87 millions, net off cross charge to subsidiaries.

Restricted Stock Units

EDS, the holding Company, had issued Restricted Stock Units ('RSU') to certain employees of the Company. These have been replaced by RSUs of HP, pursuant to the merger. Subsequent to the merger, HP had also issued RSUs to certain employees of the Company. The total cost incurred towards RSUs for the year ended 31 October 2012 and 31 October 2011 amounted to ₹ 15.74 millions and ₹ 42.62 millions respectively. However, the cost has been borne by HP and accordingly this has not been accounted as an expense by the Company.

Restricted Stock Unit Plan-2010 ('RSU Plan-2010')

Effective 1 August 2010, the Company instituted the Restricted Stock Unit Plan-2010. The Board and the shareholders of the Company approved RSU Plan-2010 on 29 June 2010 and 17 August 2010 respectively. The RSU Plan-2010 provides for the issue of restricted options to certain employees of the Company and its subsidiaries.

The RSU Plan-2010 is administered by the MphasiS Employees Benefit Trust which was created for this purpose. Each option, granted under the RSU Plan-2010, entitles the holder thereof with an option to apply for and be issued one equity share of the Company at an exercise price of ₹ 10.00 per share. The equity shares covered under these options vest over a period ranging from twelve to twenty-four months from the date of grant. The exercise period is one to three years from the date of vesting.

The movements in the options under the RSU Plan -2010 for the years ended 31 October 2012 and 31 October 2011 are set out below:

	Year ended 31 October 2012		Year ended 31 October 2011	
	No. of Options	Weighted Average Exercise Price	No. of Options	Weighted Average Exercise Price
Options outstanding at the beginning	145,700	10.00	-	-
Granted	-	-	162,250	10.00
Forfeited	12,750	10.00	16,550	10.00
Lapsed	1,050	10.00	-	-
Exercised	39,800	10.00	-	-
Options outstanding at the end	92,100	10.00	145,700	10.00
Exercisable at the end	30,000	10.00	-	-

Notes to the Financial Statements for the year ended 31 October 2012

The options outstanding as at 31 October 2012 had an exercise price of ₹ 10.00 (31 October 2011: ₹ 10.00) and the weighted average remaining contractual life of 2.89 years (31 October 2011: 3.78 years).

The weighted average fair value of stock options granted during the year is ₹ Nil (31 October 2011: ₹ 404.44 to ₹ 658.42).

Total Employee Compensation Cost pertaining to RSU Plan-2010 during the year is ₹ 21.64 millions (31 October 2011: ₹ 43.52 millions), net of cross charge to subsidiary companies.

Restricted Stock Unit Plan-2011 ('RSU Plan-2011')

Effective 1 April 2011, the Company instituted the Restricted Stock Unit Plan-2011. The Board and the shareholders of the Company approved RSU Plan-2011 on 22 November 2010 and 24 February 2011 respectively. The RSU Plan-2011 provides for the issue of restricted options to employees and directors of the Company and its subsidiaries.

The RSU Plan-2011 is administered by the MphasiS Employees Benefit Trust which was created for this purpose. Each option, granted under the RSU Plan-2011, entitles the holder thereof with an option to apply for and be issued one equity share of the Company at an exercise price of Nil per share. The equity shares covered under these options vest over a period of twelve months from the date of grant. The exercise period is three months from the date of vesting.

The movements in the options under the RSU Plan -2011 for the years ended 31 October 2012 and 31 October 2011 are set out below:

	Year ended 31 October 2012		Year ended 31 October 2011	
	No. of Options	Weighted Average Exercise Price	No. of Options	Weighted Average Exercise Price
Options outstanding at the beginning	250,420	-	-	-
Granted	-	-	301,010	-
Forfeited	38,290	-	50,590	-
Lapsed	35,600	-	-	-
Exercised	176,530	-	-	-
Options outstanding at the end	-	-	250,420	-
Exercisable at the end	-	-	-	-

The weighted average share price as at the date of exercise of stock options was ₹ 373.34 (31 October 2011: ₹ Nil). No options are outstanding as on 31 October 2012.

The weighted average fair value of stock options granted during the year is ₹ Nil (31 October 2011: ₹ 415.70).

Total Employee Compensation Cost pertaining to RSU Plan-2011 during the year is ₹ 9.32 millions (31 October 2011: ₹ 44.24 millions), net of cross charge to subsidiary companies.

The Company has advanced an amount of ₹ 162.65 millions (31 October 2011: ₹ 214.86 millions) to the MphasiS Employees Benefit Trust.

(₹ millions)

	31 October 2012	31 October 2011
5. SHORT TERM BORROWING		
Pre-shipment loan in Foreign currency	2,690.25	2,434.75
	2,690.25	**2,434.75**

Pre-shipment loan carries interest @ 0.9385% p.a (31 October 2011: 1.203%). The loan is repayable along with interest after 3 months from the date of loan. The loan is unsecured.

Notes to the Financial Statements for the year ended 31 October 2012

(₹ millions)

		31 October 2012	31 October 2011
6.	**TRADE PAYABLES**		
	Trade payables	4,525.30	3,840.72
	Salary related costs	1,300.20	1,367.00
		5,825.50	**5,207.72**

The Company has amounts due to Micro and Small Enterprises under The Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act) as at 31 October 2012.

Particulars	31 October 2012	31 October 2011
The principal amount and the interest due thereon remaining unpaid to any supplier	7.18	1.99
The amount of interest paid by the Company along with the amount of the payments made to the supplier beyond the appointed day.	Nil	Nil
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year).	3.52	0.08
The amount of interest accrued and remaining unpaid at the end of the year.	Nil	Nil
The amount of further interest remaining due and payable for the earlier years.	1.99	Nil

		Non Current		Current	
		31 October 2012	31 October 2011	31 October 2012	31 October 2011
7.	**OTHER LIABILITIES**				
	Advances from clients	-	-	10.11	10.41
	Unearned receivables	-	-	52.55	89.95
	Rent equalisation reserve	21.55	19.84	8.32	50.83
	Statutory dues	-	-	208.72	231.61
	Capital creditors	-	-	18.34	28.11
	Other payables *	-	-	117.73	527.86
	Unpaid dividend **	-	-	4.32	3.71
	Current maturities of long-term borrowings ***	-	-	-	1.57
	Restatement of forward cover	-	-	101.99	-
		21.55	**19.84**	**522.08**	**944.05**

* The above amount includes ₹ 17.06 millions (31 October 2011: ₹17.06 millions) which represents the remaining consideration payable for the acquisition of Kshema Technologies Limited [refer note 37].

** Investor Protection and Education Fund shall be credited for unclaimed dividends amount when due.

*** Vehicle loans from bank carries interest ranging from 11.5% to 13.5% p.a. The loan was repayable in 36 monthly instalments. The loan was secured by hypothecation of vehicles.

		Non Current		Current	
		31 October 2012	31 October 2011	31 October 2012	31 October 2011
8.	**PROVISIONS**				
	Provision for employee benefits				
	Provision for gratuity (refer note 33)	63.90	-	100.00	85.74
	Provision for employee compensated absences	-	-	136.84	141.27
		63.90	**-**	**236.84**	**227.01**
	Other provisions				
	Proposed equity dividend	-	-	3,571.82	1,365.23
	Provision for tax on proposed equity dividend	-	-	579.44	221.48
	Provision for taxation	-	-	249.97	574.97
	Provision for Mark to Market loss on derivative contracts	64.00	217.90	776.31	497.65
		64.00	**217.90**	**5,177.54**	**2,659.33**
		127.90	**217.90**	**5,414.38**	**2,886.34**

Notes to the Financial Statements for the year ended 31 October 2012

9. TANGIBLE AND INTANGIBLE ASSETS

(₹ millions)

	Tangible Assets									Intangible Assets			
	Freehold Land	Buildings	Plant and equipment	Computer equipment	Office equipment	Furniture and fixtures	Vehicles	Leasehold improve-ments	Total of Tangible Assets	Computer Software	Purchase goodwill	Total of Intangible Assets	Total
Cost													
At 1 November 2010	27.38	1.23	924.70	1,668.17	874.41	889.71	88.91	1,261.02	**5,735.53**	396.54	30.01	**426.55**	**6,162.08**
Additions	-	-	211.45	637.74	150.55	47.00	47.40	191.54	**1,285.68**	74.80	-	**74.80**	**1,360.48**
Disposals	-	-	(14.67)	(249.33)	(22.14)	(32.61)	(25.85)	(7.68)	**(352.28)**	(61.61)	-	**(61.61)**	**(413.89)**
At 31 October 2011	**27.38**	**1.23**	**1,121.48**	**2,056.58**	**1,002.82**	**904.10**	**110.46**	**1,444.88**	**6,668.93**	**409.73**	**30.01**	**439.74**	**7,108.67**
Additions	-	-	73.83	178.14	91.48	47.22	39.94	204.72	**635.33**	62.24	-	**62.24**	**697.57**
Disposals	-	(1.23)	(145.19)	(191.32)	(47.27)	(413.13)	(40.73)	(298.19)	**(1,137.06)**	(0.17)	-	**(0.17)**	**(1,137.23)**
At 31 October 2012	**27.38**	**-**	**1,050.12**	**2,043.40**	**1,047.03**	**538.19**	**109.67**	**1,351.41**	**6,167.20**	**471.80**	**30.01**	**501.81**	**6,669.01**
Depreciation													
At 1 November 2010	-	1.18	532.57	1,436.72	722.23	688.28	36.93	982.75	**4,400.66**	298.01	30.01	**328.02**	**4,728.68**
Charge for the year	-	0.05	239.91	278.61	131.61	119.27	20.57	213.86	**1,003.88**	62.19	-	**62.19**	**1,066.07**
Disposals	-	-	(11.65)	(219.65)	(22.13)	(32.57)	(19.47)	(7.47)	**(312.94)**	(61.60)	-	**(61.60)**	**(374.54)**
At 31 October 2011	**-**	**1.23**	**760.83**	**1,495.68**	**831.71**	**774.98**	**38.03**	**1,189.14**	**5,091.60**	**298.60**	**30.01**	**328.61**	**5,420.21**
Charge for the year	-	-	192.20	443.94	153.08	96.26	21.24	167.48	**1,074.20**	69.62	-	**69.62**	**1,143.82**
Disposals	-	(1.23)	(135.25)	(188.60)	(47.11)	(406.61)	(26.03)	(297.14)	**(1,101.97)**	(0.08)	-	**(0.08)**	**(1,102.05)**
At 31 October 2012	**-**	**-**	**817.78**	**1,751.02**	**937.68**	**464.63**	**33.24**	**1,059.48**	**5,063.83**	**368.14**	**30.01**	**398.15**	**5,461.98**
Net Block													
At 31 October 2011	**27.38**	**-**	**360.65**	**560.90**	**171.11**	**129.12**	**72.43**	**255.74**	**1,577.33**	**111.13**	**-**	**111.13**	**1,688.46**
At 31 October 2012	**27.38**	**-**	**232.34**	**292.38**	**109.35**	**73.56**	**76.43**	**291.93**	**1,103.37**	**103.66**	**-**	**103.66**	**1,207.03**

Notes to the Financial Statements for the year ended 31 October 2012

(₹ millions)

		31 October 2012	31 October 2011
10.	**NON-CURRENT INVESTMENTS**		
	Long Term - Unquoted (trade), at cost		
	In subsidiaries		
	MphasiS USA	3,724.46	3,724.46
	3,187 (31 October 2011: 3,187) shares of common stock of US $ 0.01 each fully paid-up		
	MphasiS Australia	0.05	0.05
	2,000 (31 October 2011: 2,000) shares of common stock of Australian $ 1 each fully paid-up		
	MphasiS GmbH	2.52	2.52
	Nominal capital 91,000 Deutsche Mark (31 October 2011: 91,000 Deutsche Mark)		
	Less: Provision for diminution in value of investment	(2.52)	(2.52)
	MphasiS China	105.35	105.35
	100% (31 October 2011: 100%) equity interest		
	MphasiS FinsourcE	0.50	0.50
	50,000 (31 October 2011: 50,000) equity shares of ₹ 10 each fully paid-up		
	MphasiS Consulting	685.65	685.65
	7,953,393 (31 October 2011: 7,953,393) ordinary shares of £ 0.002 each fully paid-up		
	MphasiS Ireland	0.59	0.59
	10,000 (31 October 2011: 10,000) shares of common stock of € 1 each fully paid-up		
	MphasiS Belgium	0.39	0.39
	62 (31 October 2011: 62) shares of common stock of € 100 each fully paid-up		
	MphasiS Lanka	6.65	6.65
	150,000 (31 October 2011: 150,000) shares of common stock of LKR 112.10 each fully paid-up		
	PT MphasiS Indonesia	4.38	4.38
	99,000 (31 October 2011: 99,000) shares of common stock of US $ 1 each fully paid-up		
	MphasiS Europe BV	4,074.80	4,074.80
	1,471,769 (31 October 2011: 1,471,769) shares of common stock of € 1 each fully paid-up		
		8,602.82	**8,602.82**
	Aggregate provision for diminution in value of investment	2.52	2.52

		31 October 2012	31 October 2011
11.	**DEFERRED TAX ASSETS (NET)**		
	Fixed assets: Impact of difference between tax depreciation and depreciation / amortization charged for the financial reporting	638.84	641.98
	Provision for doubtful debts and advances	24.76	25.18
	Provision for employee benefits	167.88	73.65
	Others	2.43	22.93
		833.91	**763.74**

Notes to the Financial Statements for the year ended 31 October 2012

(₹ millions)

	Non Current		Current	
	31 October 2012	31 October 2011	31 October 2012	31 October 2011
12. LOANS AND ADVANCES				
Unsecured - considered good				
Capital advances	30.54	6.10	-	-
Security deposit				
- Premises	630.74	613.69	19.79	103.45
- With government authorities	9.34	15.54	4.21	-
- Others	119.31	15.60	0.62	61.42
Loan to ESOP trust	6.35	62.45	156.30	152.41
Advances recoverable in cash or kind				
- Prepaid expenses	55.91	-	122.26	45.16
- Employee advances	-	-	14.49	21.62
- Advance to supplier	-	-	150.58	81.84
Balance with statutory/government authorities *	423.93	1,095.60	1,518.33	1,521.51
Advance income-tax (net of provision for taxation)	747.75	500.60	-	-
MAT Credit entitlement **	859.41	1,319.86	425.96	419.00
Recoverable from subsidiaries	-	-	1,573.07	2,318.96
Loans given to MphasiS Lanka Private Limited	-	48.69	53.80	26.36
	2,883.28	**3,678.13**	**4,039.41**	**4,751.73**

* Balances with statutory/government authorities include service tax input credit receivable, (net) of ₹ 1,941.02 millions (31 October 2011: ₹ 2,615.71 millions). Based on legal opinion obtained by the Company, service tax liability on imported services under 'Import of Services Rules' have been discharged using accumulated balance available in CENVAT Credit Account for the period 01 December 2010 to 31 March 2011. Effective 1 April 2011 such position is reversed and service tax liability on select imported services under 'Import of Services Rules' have been discharged in cash. Further, the Company has obtained legal opinions in support of its position on non applicability of Sec 66A of the Finance Act 1994 read with 'Import of Services Rules' on onsite services provided by foreign vendors (including group companies).

The management, per the legal opinions, is confident that the legal positions taken by the Company are tenable and defendable under law.

** net of MAT credit utilisation of ₹ 480.39 millions (31 October 2011: ₹ 183.48 millions).

	Non Current		Current	
	31 October 2012	31 October 2011	31 October 2012	31 October 2011
13. OTHER ASSETS				
Non-current bank balances	86.39	0.05	-	-
Unbilled revenue	-	-	3,890.84	4,765.74
Accrued interest	-	0.02	5.93	1.03
Recoverable on sale of assets	-	-	-	43.88
Restatement of forward cover	-	-	-	4.07
Mark to market gains on forward cover	85.48	4.19	92.39	-
Expense incurred on behalf of customers	-	-	118.53	129.53
	171.87	**4.26**	**4,107.69**	**4,944.25**

Notes to the Financial Statements for the year ended 31 October 2012

(₹ millions)

	31 October 2012	31 October 2011
14. CURRENT INVESTMENTS		
Unquoted mutual funds		
ICICI Prudential LTP - Prem Plus 16,705,786 units at ₹ 11.9719 (31 October 2011: Nil units)	200.00	-
ICICI Prudential Short Term Plan 62,645,158 units at ₹ 12.2473 (31 October 2011: Nil units)	767.24	-
B321MD Birla Sun Life Dynamic Bond Fund - Retail Plan 47,562,878 units at ₹ 10.4912 (31 October 2011: Nil units)	498.99	-
Birla sun Life Short Term Fund 42,928,036 units at ₹ 11.6313 (31 October 2011: Nil units)	499.31	-
Birla Sun Life Savings Fund - Retail 22,104,200 units at ₹ 100.0804 (31 October 2011: Nil units)	2,212.20	-
IDFC - SSIF - Shorterm 74,620,235 units at ₹ 10.2048 (31 October 2011: Nil units)	761.48	-
IDFC Money Manager Fund - Investment Plan 101,685,834.51 units at ₹ 10.1023 (31 October 2011: Nil units)	1,027.26	-
JP Morgan India Short Term Income Fund 51,708,666 units at ₹ 10.0291 (31 October 2011: Nil units)	518.59	-
Kotak Flexi Debt Fund 68,763,590 units at ₹ 10.0475 (31 October 2011: Nil units)	690.90	-
Religare Short Term Plan 47,478,872 units at ₹ 10.4683 (31 October 2011: Nil units)	497.02	-
L&T Ultra STF Installment 24,990,018 units at ₹ 10.1583 (31 October 2011: Nil units)	253.86	-
Reliance Money Manager Fund 100,870 units at ₹ 1001.3715 (31 October 2011: Nil units)	101.01	-
ICICI Prudential FMP series 60 20,000,000 units at ₹ 10.0000 (31 October 2011: Nil units)	200.00	-
HDFC High Interest Fund 59,980,840.98 units at ₹ 10.5744 (31 October 2011: Nil units)	634.26	-
Birla Sun Life Cash Plus 3,047,527 units at ₹ 100.1950 (31 October 2011: 20,419,499.65 units at ₹ 100.1950)	305.35	2,045.93
ICICI Prudential Blended Plan B Institutional Nil (31 October 2011:128,479,560.11 units at ₹ 10.0075)	-	1,285.76
ICICI Prudential Flexible Income Plan Premium 35,505,633 units at ₹ 105.7350 (31 October 2011: 16,768,587.23 units at ₹ 105.7350)	3,754.19	1,773.03
ICICI Prudential Banking & PSU Debt Fund Nil (31 October 2011: 50,068,047.24 units at ₹ 10.0715)	-	504.26
ICICI Prudential Long Term Floating Rate Plan C Nil (31 October 2011: 50,199,689.04 units at ₹ 10.0607)	-	505.04
IDFC Ultra Short term Nil (31 October 2011: 152,407,093.92 units at ₹ 10.0125)	-	1,525.98
Kotak Bond (Short Term) 99,256,589.48 units at ₹ 10.0749 (31 October 2011: 99,256,589.48 units at ₹ 10.0794)	1,000.00	1,000.00
Kotak FMP Series 59 Nil (31 October 2011: 25,000,000.00 units at ₹ 10.0000)	-	250.00
UTI Treasury Advantage Fund - Institutional Plan 4,746,728 units at ₹ 1000.2141 (31 October 2011: 4,068,899.84 units at ₹ 1000.2141)	4,747.74	4,069.77
Templeton India Low Duration Fund 193,098,163 units at ₹ 10.3268 (31 October 2011: 167,109,727.16 units at ₹ 10.3263)	1,994.10	1,725.63
Fidelity Short Term Income Fund 51,554,224 units at ₹ 10.0525 (31 October 2011: 49,982,191.23 units at ₹ 10.0532)	518.25	502.48
	21,181.75	**15,187.88**

Notes to the Financial Statements for the year ended 31 October 2012

(₹ millions)

	Non Current		Current	
	31 October 2012	31 October 2011	31 October 2012	31 October 2011
15. TRADE RECEIVABLES				
Outstanding for a period exceeding six months from the date they are due for payment, unsecured				
- Considered good	-	-	267.14	350.47
- Considered doubtful	110.37	77.39	-	-
Less: Provision for doubtful receivables	(110.37)	(77.39)	-	-
Other receivables				
- Considered good	-	-	5,945.71	4,904.95
- Considered doubtful	-	0.20	-	-
Less: Provision for doubtful receivables	-	(0.20)	-	-
	-	**-**	**6,212.85**	**5,255.42**

	Non Current		Current	
	31 October 2012	31 October 2011	31 October 2012	31 October 2011
16. CASH AND BANK BALANCES				
Cash and cash equivalents				
Cash on hand	-	-	0.04	0.11
Balances with banks:				
– On current accounts	-	-	1,099.63	652.97
– Deposits with maturity less than 3 months	-	-	398.31	120.07
– Unclaimed dividend	-	-	4.32	3.71
	-	**-**	**1,502.30**	**776.86**
Other bank balances*				
– Deposits with original maturity for more than 12 months	86.39	0.05	24.40	15.43
– Deposits with original maturity for more than 3 months but less than 12 months	-	-	36.27	44.22
	86.39	**0.05**	**60.67**	**59.65**
Amount disclosed under non-current assets	(86.39)	(0.05)	-	-
	-	**-**	**60.67**	**59.65**
	-	**-**	**1,562.97**	**836.51**

* Includes restricted deposits of ₹ 20.11 millions (31 October 2011: ₹ 44.22 millions).

Notes to the Financial Statements for the year ended 31 October 2012

(₹ millions)

	Year ended 31 October 2012	Year ended 31 October 2011
17. REVENUE FROM OPERATIONS *		
Sale of services	35,019.82	33,497.70
Sale of traded products	462.46	235.24
Gain/(loss) on cashflow hedges	(1,273.89)	308.35
	34,208.39	**34,041.29**

* net of reversal of credit notes pertaining to earlier period which are no longer required amounting to ₹ Nil (31 October 2011: ₹ 665.61 millions).

17.1 Details of services rendered:		
Application maintenance & other services	12,134.87	13,109.58
Application development	7,785.55	7,599.14
Infrastructure management services	11,111.19	8,994.17
Others	3,988.21	3,794.81
	35,019.82	**33,497.70**
17.2 Details of product sold:		
Biometric devices	462.46	235.24
	462.46	**235.24**
18. OTHER INCOME		
Interest income on		
Bank deposits	39.34	11.40
Others	1.09	5.68
Dividend income on long-term investments	1,180.94	927.17
Profit on sale of current investment	-	7.75
Foreign exchange gain / (loss), net	171.71	610.58
Profit /(loss) on sale of fixed assets, net	24.65	16.47
Miscellaneous income	1.28	2.41
Sublease Income	52.83	37.31
	1,471.84	**1,618.77**
19. PURCHASE OF TRADED GOODS		
Biometric devices	428.16	218.91
	428.16	**218.91**
20. EMPLOYEE BENEFITS EXPENSE		
Salaries and bonus *	13,830.88	14,018.90
Contribution to provident and other funds	625.77	628.07
Employee stock option compensation cost (net)	47.43	82.84
Gratuity expense (refer note 33)	167.44	102.67
Staff welfare expenses	390.68	582.50
	15,062.20	**15,414.98**

* net of reversals of provisions which were no longer required amounting to ₹ Nil (31 October 2011: ₹ 438.68 millions)

Notes to the Financial Statements for the year ended 31 October 2012

(₹ millions)

		Year ended 31 October 2012	Year ended 31 October 2011
21.	**FINANCE COST**		
	Interest	45.24	22.25
	Exchange difference to the extent considered as an adjustment to borrowing costs	74.20	-
		119.44	**22.25**
22.	**OTHER EXPENSES**		
	Travel	476.73	661.63
	Recruitment expenses	127.47	255.34
	Communication expenses *	330.81	191.56
	Rent	1,275.81	1,252.18
	Professional charges	126.21	93.50
	Payment to auditor (refer details below)	13.26	13.65
	Provision for doubtful debts	32.51	0.26
	Software development expenses	6,446.78	4,682.20
	Power and fuel	364.76	466.01
	Selling commission	219.48	315.17
	Software support & annual maintenance charges **	1,201.57	1,116.24
	Insurance	18.82	10.41
	Rates & taxes	262.25	60.07
	Repairs & maintenance		
	- Plant & machinery	1.76	5.20
	- Building	3.66	3.35
	- Others	10.71	8.12
	Miscellaneous expenses ***	481.62	687.15
		11,394.21	**9,822.04**

* net of reversals of provisions which were no longer required amounting to ₹ Nil (31 October 2011: ₹ 236.68 millions).

** net of reversals of provisions which were no longer required amounting to ₹ Nil (31 October 2011: ₹ 265.50 millions).

*** net of reversals of provisions which were no longer required amounting to ₹ Nil (31 October 2011: ₹ 84.03 millions).

Payment to Auditor *		
As auditor:		
Statutory Audit fee	8.47	7.88
Tax audit fee	1.02	0.95
Other services (certification fees)	3.77	4.82
	13.26	**13.65**

* excluding service tax of ₹ 1.60 millions (31 October 2011: ₹ 1.41 millions).

Notes to the Financial Statements for the year ended 31 October 2012

23. The Company's software development centres in India include 100% Export Oriented ('EOU'), Special Economic Zone ('SEZ') under Special Economic Zone Ordinance and Software Technology Park ('STP') Units under the Software Technology Park guidelines issued by the Government of India. They are exempted from customs and central excise duties and levies on imported and indigenous capital goods and stores and spares. The Company has executed legal undertakings to pay customs duty, central excise duty, levies and liquidated damages, if any, in respect of imported and indigenous capital goods and stores and spares consumed duty free, in the event that certain terms and conditions are not fulfilled. Bank guarantees aggregating to ₹ 44.53 millions as at 31 October 2012 (31 October 2011: ₹ 115.03 millions) have been furnished to the Customs authorities in this regard.

24. Contingent liabilities and commitments

(a) The Company has received assessment orders for the financial years ended 31 March 2004, 31 March 2005, 31 March 2006, 31 March 2007 and 31 March 2008, wherein certain adjustments in respect of transfer pricing under Section 92CA of the Income Tax Act, 1961 have been made to the taxable income and demand orders for ₹ 1,503.02 millions (31 October 2011: ₹ 1,518.48 millions) have been raised on the Company. The above demands are disputed by the management and the Company has filed appeals against the aforesaid orders with appellate authorities. The management is of the view that the prices determined by it are at arm's length and is confident that the demands raised by the assessing officer are not tenable under law. Pending outcome of the aforesaid matters under litigation, no provision has been made in the books of account for the above mentioned tax demands.

(b) Other claims against the Company not acknowledged as debts amount to ₹ 1,110.80 millions (31 October 2011: ₹ 613.04 millions).

(c) Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for as at 31 October 2012: ₹ 90.61 millions (31 October 2011: ₹ 183.91 millions).

(d) Outstanding guarantees as at 31 October 2012: ₹ 619.30 millions (31 October 2011: ₹ 257.41 millions) including those furnished on account of jointly controlled operations ₹ 235.74 millions (31 October 2011: ₹ Nil).

(e) Forward contracts outstanding against receivables/highly probable forecast transactions as at 31 October 2012 and 31 October 2011 are as below:

Currency	31 October 2012		31 October 2011	
	Amount (millions)	Amount in ₹ (millions)	Amount (millions)	Amount in ₹ (millions)
USD	329.50	17,728.75	436.00	21,231.20
GBP	18.28	1,584.93	21.40	1,669.90
CAD	2.46	132.73	-	-
AUD	10.40	581.62	47.30	2,438.91
EUR	12.57	880.04	7.30	498.15

Forward contracts outstanding against payables as at 31 October 2012 and 31 October 2011 are as below:

Currency	31 October 2012		31 October 2011	
	Amount (millions)	Amount in ₹ (millions)	Amount (millions)	Amount in ₹ (millions)
USD	50.00	2,690.25	50.00	2,434.75
SGD	1.60	70.75	13.00	507.46

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

Unamortised premium as at 31 October 2012 on forward exchange contracts to hedge the foreign currency risk of the underlying outstanding at the balance sheet date is ₹ 53.91 millions (31 October 2011: ₹ 52.92 millions). Net foreign currency exposure of the Company that is not hedged by a derivative instrument or otherwise as at 31 October 2012: ₹ 9,999.80 millions (31 October 2011: ₹ 8,739.08 millions).

(f) The Company has issued performance guarantees on behalf of its subsidiaries for any future liabilities which may arise out of contracts and to certain clients for executed contracts.

Notes to the Financial Statements for the year ended 31 October 2012

25. Operating Leases

(a) The Company is obligated under non-cancellable leases for computer equipment, office and residential space that are renewable on a periodic basis at the option of both the lessor and lessee. The total rental expenses under non-cancellable operating leases amounted to ₹ 421.38 millions for the year ended 31 October 2012 (31 October 2011: ₹ 586.79 millions).

Future minimum lease payments under non-cancellable operating lease as at 31 October 2012 are as follows:

(₹ millions)

Period	31 October 2012	31 October 2011
Not later than 1 year	190.11	416.87
Later than 1 year and not later than 5 years	255.14	420.13
More than 5 years	-	-

The Company has also occupied office facilities and residential facilities under cancellable operating lease agreements. The Company intends to renew such leases in the normal course of its business. Total rental expense under cancellable operating leases was ₹ 854.43 millions for the year ended 31 October 2012 (31 October 2011: ₹ 665.39 millions).Office premises are obtained on operating lease for terms ranging from 1-7 years and are renewable at the option of the Company/lessor.

(b) The Company has subleased office space under non-cancellable operating lease agreements that are renewable on a periodic basis at the option of both the lessor and lessee. The total sub lease rental Income under non-cancellable operating leases amounted to ₹ 34.14 millions for the year ended 31 October 2012 (31 October 2011: ₹ 27.99 millions).

Future minimum lease payments receivable under non-cancellable operating lease as at 31 October 2012 are as follows:

Period	31 October 2012	31 October 2011
Not later than 1 year	-	34.14
Later than 1 year and not later than 5 years	-	-
More than 5 years	-	-

The Company has subleased office space under cancellable operating lease agreements. The total sub lease rental Income under cancellable operating leases amounted to ₹ 18.69 millions for the year ended 31 October 2012 (31 October 2011: ₹ 9.32 millions).

26. Related Party Transactions

(a) Entities where control exists:

- Hewlett-Packard Company, USA (ultimate holding Company)
- Hewlett Packard Eagle Corporation, USA (100% subsidiary of Hewlett Packard Company, USA)
- Electronic Data Systems LLC, USA (formerly Electronic Data Systems Corporation, USA), (100% subsidiary of Hewlett Packard Eagle Corporation, USA)*

* EDS Asia Pacific Holdings, Mauritius (formerly TH Holding, Mauritius), EDS World Corporation (Far East) and EDS World Corporation (Netherlands), the subsidiaries of Electronic Data Systems LLC, USA (formerly Electronic Data Systems Corporation, USA) hold 60.50% (31 October 2011: 60.52%) of the equity capital of the Company.

(b) The related parties where control exists also includes BFL Employees Equity Reward Trust, Kshema Employees Welfare Trust, MphasiS Employee Benefit Trust and the following subsidiaries.

- MphasiS Corporation ('MphasiS USA')
- MphasiS Australia Pty Limited ('MphasiS Australia')
- MphasiS Consulting Limited ('MphasiS Consulting')
- MphasiS Ireland Limited ('MphasiS Ireland')
- MphasiS Lanka Private Limited ('MphasiS Lanka')
- MphasiS Deutschland GmbH ('MphasiS GmbH')
- MphasiS (Shanghai) Software & Services Company Limited ('MphasiS China')
- MphasiS FinsourcE Limited ('MphasiS FinsourcE')
- MphasiS Belgium BVBA ('MphasiS Belgium')
- MphasiS Poland s.p.z.o.o

Notes to the Financial Statements for the year ended 31 October 2012

- PT. MphasiS Indonesia
- MphasiS Pte Limited ('MphasiS Singapore')
- MphasiS UK Limited ('MphasiS UK')
- MphasiS Wyde Inc.
- Wyde Corporation
- Wyde Solutions Canada Inc.
- MphasiS Philippines Inc.
- Wyde Tunisie SARL
- MphasiS Europe BV ('MphasiS Europe')
- MphasiS Infrastructure Services Inc.
- MsourcE (India) Private Limited ('MsourcE India')
- MphasiS Software and Services (India) Private Limited ('MphasiS India')
- MsourcE Mauritius Inc. ('MsourcE Mauritius')
- MphasiS Wyde SAS
- MsourcE India BPO Private Limited

(c) Key management personnel:

The key management personnel of the Company are as mentioned below:

Executive key management personnel represented on the Board of the Company

Balu Ganesh Ayyar	Chief Executive Officer

Non-executive / independent directors on the Board of the Company

Friedrich Froeschl	Director - Non Executive Chairman of the Board
Francesco Serafini	Director & Vice Chairman
Nawshir H Mirza	Director
Davinder Singh Brar	Director
Balu Doraisamy	Director
Gerard Brossard	Director
Antonio F Neri	Additional Director – Appointed w.e.f. 1 March 2012
V Ravichandran	Additional Director – Appointed w.e.f. 1 March 2012
Juergen Reiners	Director - Expired on 07 May 2011
Prakash Jothee	Director - Resigned w.e.f. 14 November 2011

(d) Direct or indirect subsidiaries of ultimate holding company with which transactions have taken place:

- Hewlett-Packard UK Enterprise (I) Ltd.
- P.T. Hewlett-Packard Berca Servisindo
- Autonomy Inc
- HP India Software Operation Pvt Ltd
- Hewlett-Packard Australia Pty Limited.
- HP Enterprise Services BPA Pty Ltd
- Hewlett-Packard Brasil Ltda
- Hewlett-Packard (Schweiz) GmbH
- Shanghai Hewlett-Packard Co, Ltd
- Hewlett-Packard GmbH
- Hewlett Packard Europe Finance Ltd
- HP Centre de Competence France SAS
- Hewlett-Packard Ltd
- HP Enterprise Services UK Ltd
- Hewlett-Packard Bracknell (Holdings) Limited
- Hewlett-Packard Galway Ltd
- Hewlett-Packard Financial Services (India) Private Ltd
- Hewlett-Packard Globalsoft Limited
- HP Enterprise Services Energy Italia S.r.l
- Hewlett-Packard Korea Limited
- Hewlett-Packard Servizi ICT S.r.l.
- Hewlett Packard Company
- China Hewlett-Packard Ltd.
- Hewlett-Packard Gesellschaft m.b.H.
- HP Enterprise Services Australia Pty Ltd
- Hewlett-Packard Belgium B.V.B.A/S.P.R.L
- Hewlett-Packard (Canada) Co.
- Hewlett-Packard Technology (Shanghai) Co., Ltd
- Hewlett-Packard Colombia Ltda
- Hewlett-Packard Aps
- Hewlett-Packard OY
- Hewlett-Packard France SaS
- Hewlett-Packard CDS Limited
- HP Enterprise Services (Hong Kong) Ltd
- Hewlett-Packard Ireland, Ltd.
- Hewlett-Packard India Sales Private Limited
- Hewlett-Packard AP (Hong Kong) Limited
- HP Enterprise Services Italia S.r.l
- Hewlett-Packard Japan Limited
- Hewlett-Packard Services Kuwait Company W.L.L

Notes to the Financial Statements for the year ended 31 October 2012

- Hewlett-Packard de Mexico S. De R.L. De CV
- Hewlett-Packard Nigeria Ltd
- Hewlett-Packard International Trade B.V.
- Hewlett-Packard New Zealand
- Hewlett-Packard Singapore (Sales) Pte. Ltd
- HP Services (Singapore) Pte Ltd
- HP Software, LLC
- Hewlett-Packard State & Local Enterprise Services, Inc.
- Hewlett-Packard Chile, Comerical Limitada
- Hewlett-Packard Polska Sp. z.o.o.
- HP Enterprises Services Bahrain W.L.L
- Hewlett-Packard Inter-Americas
- UAB Hewlett-Packard
- BPO Hewlett Packard Finance Operations
- Hewlett-Packard Deventer B.V.
- Hewlett-Packard Company Financial services Center
- Hewlett-Packard Multimedia SDN BHD
- Hewlett-Packard Nederland B.V.
- Hewlett-Packard Norge A/S
- Hewlett-Packard Sverige A.B.
- Hewlett-Packard Asia Pacific PTE LTD
- Hewlett-Packard (Thailand) Ltd
- Hewlett-Packard Enterprises LLC
- HP Enterprise Services, LLC
- Hewlett-Packard South Africa (Proprietary) Limited
- Hewlett-Packard World Services Corporation.
- Hewlett-Packard Holding Iberia, S.L
- Hewlett Packard Europe Finance Limited, Israel Branch
- Hewlett Packard Development Company, L.P.
- Hewlett Packard (M) Sdn.Bhd.
- Excellerate HRO JV

(e) The following is the summary of significant transactions with related parties by the Company:

(₹ millions)

	Year ended 31 October 2012	Year ended 31 October 2011
Rendering of services to entities where control exists	**5,151.59**	**4,533.79**
- MphasiS USA	1,793.74	1,232.58
- MphasiS Australia	1,298.53	1,358.05
- Hewlett-Packard Company [net of credit note reversal of ₹ Nil (31 October 2011: ₹ 665.61)]	1,650.10	1,398.41
- Others	409.22	544.75
Rendering of services to other related parties	**17,632.53**	**20,878.99**
- HP Enterprise Services, LLC	10,929.63	14,296.06
- Others	6,702.90	6,582.93
Purchase of fixed assets from entities where control exists	**7.83**	**132.56**
- MphasiS USA	0.53	-
- MphasiS UK	4.64	-
- MsourcE India	2.66	132.56
Purchase of fixed assets from other related parties	**102.36**	**512.43**
- Hewlett-Packard Singapore (Sales) Pte. Limited	68.75	417.30
- Hewlett-Packard India Sales Private Limited	33.47	95.13
- Others	0.14	-
Lease Rental paid to other related parties	**97.70**	**55.70**
- Hewlett-Packard Financial Services (India) Private Limited	97.70	55.70
Sale of fixed assets to other related parties	**1.36**	**42.85**
- Hewlett-Packard India Sales Private Limited	-	41.79
- MsourcE India	1.36	-
- Others	-	1.06

Notes to the Financial Statements for the year ended 31 October 2012

(₹ millions)

	Year ended 31 October 2012	Year ended 31 October 2011
Software development charges paid to entities where control exist	**3,587.15**	**2,789.03**
- MphasiS USA	3,008.07	2,210.49
- MphasiS UK	225.71	221.77
- Others	353.37	356.77
Software development charges paid to other related parties	**42.77**	**78.27**
- Hewlett-Packard Globalsoft Private Limited	-	24.82
- HP Services (Singapore) Pte Limited	42.77	53.45
Software support and annual maintenance charges paid to other related parties *	**841.88**	**792.52**
- HP Services (Singapore) Pte Limited [net of reversal ₹ Nil, (31 October 2011 : ₹ 265.50)]	841.88	792.52
Other expenses paid to other related parties	**-**	**(84.03)**
- HP Services (Singapore) Pte Limited [net of reversal ₹ Nil (31 October 2011 : ₹ 84.03)]	-	(84.03)
Communication charges paid to other related parties	**65.86**	**(156.50)**
- HP Services (Singapore) Pte Limited [net of reversal ₹ Nil (31 October 2011 : ₹ 236.68)]	65.86	(156.50)
Commission paid to entities where control exists	**219.48**	**315.17**
- MphasiS GmbH	14.61	31.67
- MphasiS Europe BV	57.20	51.79
- MphasiS Belgium-Sweden branch	39.02	40.11
- MphasiS UK	-	80.85
- MphasiS Consulting	67.71	60.32
- MphasiS Pte Ltd	26.28	15.21
- Others	14.66	35.22
Dividend paid (on cash basis)	**826.19**	**508.43**
- EDS Asia Pacific Holdings,Mauritius	539.51	332.01
- EDS World Corporation (Far East)	286.68	176.42
Remuneration to executive key management personnel	**74.55**	**67.23**
- Balu Ganesh Ayyar	74.55	67.23
Commission to non-executive directors **	**11.07**	**11.24**
- Davinder Singh Brar	3.41	3.45
- Nawshir H Mirza	3.50	3.65
- Friedrich Froeschl	4.16	4.14
Interest income from deposits made to entities where control exists	**0.56**	**5.73**
- MphasiS FinsourcE	-	5.32
- MphasiS Lanka	0.56	0.41
Investment in entities where control exists	**-**	**4,079.18**
- MphasiS Europe	-	4,074.80
- PT MphasiS Indonesia	-	4.38
Advance/Loan given to MphasiS Employee Benefit Trust	**42.05**	**194.09**
Loan refunded by MphasiS Employee Benefit Trust	**0.40**	**0.10**
Advance adjusted against issue of RSU	**93.86**	**-**
Deposits placed with entities where control exists	**-**	**70.06**
- MphasiS Lanka	-	47.06
- MphasiS FinsourcE	-	23.00

Notes to the Financial Statements for the year ended 31 October 2012

(₹ millions)

	Year ended 31 October 2012	Year ended 31 October 2011
Deposits refunded by entities where control exists	**26.52**	**178.45**
- MphasiS FinsourcE	-	142.50
- MphasiS Lanka	26.52	35.95
Sub-Lease Rent received from entities where control exists	**52.83**	**37.31**
- MsourcE India	42.08	32.92
- MphasiS FinsourcE	10.75	4.39
Sub-Lease Rent paid to entities where control exists	**48.17**	**-**
- MsourcE India	46.41	-
- MphasiS FinsourcE	1.76	-

* The Company has accrued expenses for certain services received from a related party where significant influence exists for which the Master Service Agreement ("MSA") has been signed and the statement of work is expected to be signed upon completion of the ongoing negotiation of terms. As at 31 October 2012, the provisioning for such services has been made based on the MSA and best estimate basis.

** This does not include remuneration paid to certain non-executive directors who are paid by the ultimate parent company and its affiliates as they are employees of the said companies.

Due to changes in the business environment and changes in the manner in which business is conducted, the Company has revised its transfer pricing policy with regard to certain transactions with its subsidiaries with effect from 1 April 2011 and the effect of the same has been accounted for in the previous year.

Further, in addition to the above, the Company and its subsidiaries incur reimbursable expenses on behalf of each other in the normal course of business.

	Year ended 31 October 2012	Year ended 31 October 2011
Expenses incurred on behalf of related parties	**1,182.19**	**1,509.77**
- MphasiS USA	83.61	817.47
- MsourcE India	973.91	568.29
- MphasiS India	32.44	19.38
- Others	92.23	104.63
Expenses incurred by related parties on Company's behalf	**477.12**	**691.72**
- MphasiS USA	35.23	47.18
- MphasiS India	1.45	0.64
- MsourcE India	429.40	643.53
- Others	11.04	0.37

(f) Managerial remuneration*

Expenses include the following remuneration to the key management personnel:

	Year ended 31 October 2012	Year ended 31 October 2011
Salaries and allowances	61.17	61.08
Provident and other funds **	1.12	1.07
Monetary value of perquisites	12.26	5.08
	74.55	**67.23**

* This does not include remuneration to certain non-executive directors, as the same is paid by the ultimate parent company and its affiliates as they are employees of the said companies.

** As the liability for gratuity and leave encashment is provided on an actuarial basis for the Company as whole, the amount pertaining to the directors are not included above.

Notes to the Financial Statements for the year ended 31 October 2012

(g) **The balances receivable from and payable to related parties are as follows:**

(₹ millions)

	31 October 2012	31 October 2011
Trade receivables and unbilled revenue- entities where control exists	**2,674.58**	**2,477.87**
- MphasiS USA	1,020.95	1,174.00
- MphasiS Australia	797.54	442.11
- MphasiS Infrastructure Services Inc.	282.60	173.20
- Hewlett-Packard Company	405.77	309.87
-Others	167.72	378.69
Trade receivable and unbilled revenue- other related parties	**3,567.88**	**5,719.51**
- HP Enterprises Services, LLC	2,046.62	3,617.08
- HP Enterprise Services UK Ltd	230.81	552.88
- Others	1290.45	1549.55
Trade payables - entities where control exists	**1,435.78**	**1,620.17**
- MphasiS USA	839.60	1,250.78
- MsourcE India	283.75	89.84
- Others	312.43	279.55
Other liabilities - entities where control exists	**20.03**	**330.88**
- MphasiS USA	6.20	304.74
- MsourcE India	12.50	12.16
- Others	1.33	13.98
Trade payables - other related parties	**705.33**	**845.94**
- HP Services (Singapore) Pte Limited	698.60	833.01
- Others	6.73	12.93
Remuneration payable to executive key managerial personnel	**1.53**	**1.51**
- Balu Ganesh Ayyar	1.53	1.51
Commission payable to non-executive directors	**2.99**	**4.73**
- Davinder Singh Brar	1.03	1.57
- Nawshir H Mirza	1.00	1.69
- Friedrich Froeschl	0.96	1.47
Loans and Advances to entities where control exists*	**1,573.07**	**2,318.96**
- MphasiS USA	537.61	1,693.82
- MsourcE India	777.74	322.63
- Others	257.72	302.51
Advances/Loan to MphasiS Employee Benefit Trust	**162.65**	**214.86**
Interest receivable on deposit made to entities, where control exists	**0.89**	**0.50**
- MphasiS Lanka	0.89	0.50
Inter-corporate deposits placed with – entities where control exists	**53.80**	**75.05**
- MphasiS Lanka	53.80	75.05

* includes collection on behalf of the Company.

27. C.I.F. value of imports

	Year ended 31 October 2012	Year ended 31 October 2011
Capital goods	73.79	588.94
Purchase of traded goods	290.02	109.57

Notes to the Financial Statements for the year ended 31 October 2012

28. Earnings in foreign currency

(₹ millions)

	Year ended 31 October 2012	Year ended 31 October 2011
Revenues	30,026.34	30,056.69

29. Expenditure in foreign currency

Software development charges	4,035.27	3,836.27
Travel	269.47	333.51
Professional charges	16.90	23.75
Software support and annual maintenance charges	866.62	981.37
Commission	219.48	315.17
Salary	602.02	643.00
Others	247.59	372.21
	6,257.35	**6,505.28**

Additionally, during the year, the Company has remitted dividend in foreign currency of ₹ 829.47 millions (31 October 2011: ₹ 510.54 millions) to non-residents holding 127,610,321 (31 October 2011: 127,633,963) equity shares of the Company.

	Year ended 31 October 2012	Year ended 31 October 2011
Number of shareholders	15	15
Number of shares held	127,610,321	127,633,963
Amount remitted (₹ millions)	829.47	510.54
Year to which the dividend relates	Year ended 31 October 2011	Year ended 31 October 2010

In addition to the above, please refer note 36 for the remittances received from MphasiS Employee Welfare Trust, Mauritius ('MEWT').

30. Segment reporting

The Company has identified Banking and Capital Market, Insurance, Information Technology, Communication and Entertainment and Emerging Industries as primary business segments of the Company.

The accounting policies consistently used in the preparation of the financial statements are also applied to record revenue and expenditure in individual segments. Assets, liabilities, revenues and direct expenses in relation to segments are categorised based on items that are individually identifiable to that segment, while other items, wherever allocable, are apportioned to the segments on an appropriate basis. Certain items are not specifically allocable to individual segments as the underlying services are used interchangeably. The Company therefore believes that it is not practical to provide segment disclosures relating to such items, and accordingly such items are separately disclosed as 'unallocated'.

Client relationships are driven based on client domicile. The geographical segments include United States of America (USA), Asia Pacific (APAC), India and Europe, Middle East & Africa (EMEA). Secondary segment information for previous year has been regrouped based on geographical segments of current year.

Notes to the Financial Statements for the year ended 31 October 2012

Primary segment information

(₹ millions)

	Year ended 31 October 2012	Year ended 31 October 2011
Segment revenue		
Banking and Capital Market	6,861.40	6,864.12
Insurance	4,179.60	3,925.17
Information Technology, Communication and Entertainment	10,077.59	9,427.31
Emerging Industries	14,363.69	13,516.34
Unallocated - Hedge	(1,273.89)	308.35
	34,208.39	**34,041.29**
Segment profit		
Banking and Capital Market	1,822.93	1,072.39
Insurance	1,202.64	1,094.36
Information Technology, Communication and Entertainment	2,482.76	3,067.37
Emerging Industries	4,226.44	3,985.30
Unallocated - Hedge	(1,273.89)	308.35
	8,460.88	**9,527.77**
Interest income	40.43	17.08
Interest expenses	(119.44)	(22.25)
Other income	1,431.41	1,601.69
Other unallocable expenditure	(2,280.88)	(2,008.48)
Profit before taxation	**7,532.40**	**9,115.81**
Income taxes	1,421.95	1,295.74
Profit after taxation	**6,110.45**	**7,820.07**

	31 October 2012	31 October 2011
Segment assets		
Banking and Capital Market	2,050.73	3,020.58
Insurance	2,168.49	1,497.31
Information Technology, Communication and Entertainment	3,862.03	4,650.06
Emerging Industries	6,392.09	6,329.52
Unallocated	36,449.51	30,292.68
	50,922.85	**45,790.15**
Segment liabilities		
Banking and Capital Market	1,197.94	1,497.61
Insurance	916.08	733.98
Information Technology, Communication and Entertainment	1,805.80	1,657.56
Emerging Industries	2,698.03	2,480.44
Unallocated	7,983.81	5,341.01
	14,601.66	**11,710.60**
Capital Employed		
Banking and Capital Market	852.79	1,522.97
Insurance	1,252.41	763.33
Information Technology, Communication and Entertainment	2,056.23	2,992.50
Emerging Industries	3,694.06	3,849.08
Unallocated	28,465.70	24,951.67
	36,321.19	**34,079.55**

Notes to the Financial Statements for the year ended 31 October 2012

(₹ millions)

	Year ended 31 October 2012	Year ended 31 October 2011
Capital Expenditure		
Banking and Capital Market	147.80	280.01
Insurance	90.03	160.12
Information Technology, Communication and Entertainment	217.08	384.57
Emerging Industries	309.42	551.75
	764.33	**1,376.45**
Depreciation and amortization		
Banking and Capital Market	416.99	411.06
Insurance	52.78	64.86
Information Technology, Communication and Entertainment	277.56	283.09
Emerging Industries	396.49	307.06
	1,143.82	**1,066.07**
Secondary segment information (revenues)		
USA	22,166.64	22,372.67
APAC	2,170.01	2,450.63
India	5,566.74	2,885.66
EMEA	5,578.89	6,023.98
Unallocated - Hedge	(1,273.89)	308.35
	34,208.39	**34,041.29**

	31 October 2012	31 October 2011
Secondary segment information (segment assets)		
USA	5,680.90	6,603.48
APAC	1,115.19	997.40
India	42,863.92	36,627.49
EMEA	1,262.84	1,561.78
	50,922.85	**45,790.15**

	Year ended 31 October 2012	Year ended 31 October 2011
Secondary segment information (capital expenditure)		
India	764.33	1,376.45
	764.33	**1,376.45**

Notes to the Financial Statements for the year ended 31 October 2012

31. Earnings Per Share ('EPS')

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

	Year ended 31 October 2012	Year ended 31 October 2011
Profit after taxation (₹ millions)	6,110.45	7,820.07
Number of weighted average shares considered for calculation of basic earnings per share	210,085,495	209,995,945
Add: Dilutive effect of stock options	390,419	596,511
Number of weighted average shares considered for calculation of diluted earnings per share	210,475,914	210,592,456

The above does not include 21,700 (31 October 2011: 21,700) bonus shares held in abeyance by the Company.

32. Stock Based Compensation

The Company uses the intrinsic value method of accounting for its employee stock options except for RSU Plan 2010 and RSU Plan 2011 wherein compensation cost is measured based on fair value method. The Company has therefore adopted the pro-forma disclosure provisions as required by the Guidance Note on "Accounting for Employee Share-based Payments" issued by the ICAI with effect from 1 April 2005.

Had the compensation cost been determined in a manner consistent with the fair value approach described in the aforesaid Guidance Note, the Company's net profit and EPS as reported would have been adjusted to the pro-forma amounts indicated below:

(₹ millions)

	Year ended 31 October 2012	Year ended 31 October 2011
Net profit as reported	6,110.45	7,820.07
Add: Stock based employee compensation expense determined under the intrinsic value method	-	-
Add: Stock based employee compensation income determined under the fair value method	2.05	5.18
Pro-forma net profit	6,112.50	7,825.25
Earnings per share: Basic		
As reported	29.09	37.24
Pro-forma	29.10	37.26
Earnings per share: Diluted		
As reported	29.03	37.13
Pro-forma	29.04	37.16

The fair value of each stock option has been estimated by management on the respective grant date using the Black-Scholes option pricing model with the following assumptions:

Dividend yield %	1.44% to 1.98%
Expected life	1 to 4 years
Risk free interest rates	5.78% to 8.00%
Expected volatility (annualised) *	67.12% to 69.48%

* Expected volatility (annualised) is computed based on historical share price movement since April 2001.

Notes to the Financial Statements for the year ended 31 October 2012

33. Employee Benefits

a. Gratuity Plan

The following tables set out the status of the gratuity plan as required under revised AS 15.

Reconciliation of the projected benefit obligations

(₹ millions)

	31 October 2012	31 October 2011
Change in projected benefit obligation		
Obligations at year beginning	471.74	378.86
Service cost	171.26	104.62
Transfer	-	5.72
Interest cost	35.72	30.20
Benefits paid	(103.02)	(47.03)
Actuarial (gain)/loss	(0.64)	(0.64)
Obligations at year end	**575.06**	**471.74**
Change in plan assets		
Plan assets at year beginning, at fair value	386.00	260.57
Expected return on plan assets (estimated)	37.77	30.58
Actuarial gain / (loss)	1.13	0.94
Contributions	70.00	140.81
Transfer	19.28	0.13
Benefits paid	(103.02)	(47.04)
Plan assets at year end, at fair value	**411.16**	**386.00**
Reconciliation of present value of obligation and fair value of plan assets		
Fair value of plan assets as at the year end	411.16	386.00
Present value of defined benefit obligation as at the year end	575.06	471.74
Liability recognized in the balance sheet	**(163.90)**	**(85.74)**
Assumptions		
Interest rate	8.50%	8.50%
Discount rate	8.50%	8.50%
Expected rate of return on plan assets	8.50%	8.50%
Attrition rate	20.00%	5.00%
Expected contribution over next one year	100.00	125.00

Gratuity cost	Year ended 31 October 2012	Year ended 31 October 2011
Service cost	171.26	104.62
Interest cost	35.72	30.20
Expected return on plan assets	(37.77)	(30.58)
Actuarial (gain)/ loss	(1.77)	(1.57)
Net gratuity cost	**167.44**	**102.67**

Notes to the Financial Statements for the year ended 31 October 2012

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market. Expected return on plan assets is computed based on prevailing market rate.

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	31 October 2012	31 October 2011
Investments with insurer	100%	100%

Amounts for the current and previous four periods are as follows:

	Year ended 31 October 2012	Year ended 31 October 2011	Year ended 31 October 2010	Year ended 31 October 2009	Seven months ended 31 October 2008
Fair value of plan assets as at the year end	411.16	386.00	260.58	250.36	67.38
Present value of defined benefit obligation as at the year end	575.06	471.74	378.87	309.00	179.92
Liability recognized in the balance sheet	(163.90)	(85.74)	(118.29)	(58.64)	(112.54)
Experience Adjustment					
Experience gain/ (loss) on planned liability	0.64	0.64	3.87	0.84	0.43
Experience gain/ (loss) on planned assets	1.13	0.94	0.76	0.48	0.12

b. Provident Fund

The Company contributed ₹ 542.83 millions during the year ended 31 October 2012 (31 October 2011:₹ 509.10 millions)

34. The details in respect of the jointly controlled operations entered into by the Company as on 31 October 2012 are as follows:

Sl. No.	Name of Joint Ventures	Nature of Project	Capital Commitments
1	TechSmart India Private Limited	The principal activity of this project is setting up enrolment stations, supply/installation of hardware, maintenance and biometric data entry for National Population Register project of India.	MphasiS Limited is committed to procure the required fixed assets to service the customers and also provide performance bank guarantees / earnest money deposits, wherever required.
2	Swathy Smart Cards Hi-tech Private Limited		
3	Swathy Smart Cards Hi-tech Private Limited	The principal activity of this project is to deploy equipment/ manpower, and give technology support for collection of door to door data entry for Social Economic Caste Census project in India.	
4	JMK Infosoft Limited		
5	E - Governance Private Limited	The principal activity of this project is to supply equipment conduct enrollment operations and collect demographic data for issuance of Unique Identification cards in India.	
6	Stretegic Outsourcing Services Private Limited		
7	CSS Techenergy Limited		

In respect of the above activities, the Company has advanced ₹ 41.84 millions (31 October 2011: ₹ 27.92 millions) to the said joint venturers.

Notes to the Financial Statements for the year ended 31 October 2012

35. The movement in provisions (figures in bracket represent previous year numbers) during the year is as below:

(₹ millions)

	1 November 2011	Additions	Amounts used	31 October 2012
Claims	48.03 (91.53)	- (-)	- (43.50)	48.03 (48.03)

36. MphasiS Employee Welfare Trust, Mauritius ('MEWT'), was formed in year 2000 to administer the options granted to the employees of MphasiS Corporation when it was acquired by MphasiS Limited. At the time of acquisition, 1,288,787 shares of MphasiS Limited were issued to MEWT to be granted to the employees of MphasiS Corporation in lieu of the options on its shares held by them. The options that were not exercised lapsed on 11 April 2011. MEWT no longer has a purpose hence, the cash balance to the extent of ₹ 181.69 millions with MEWT and the sale proceeds of 216,783 shares amounting to ₹ 83.47 millions representing the lapsed options was remitted back during the year ended 31 October 2012. The remittance received has been credited to Capital Reserve. The Company has agreed to indemnify the trustees of MEWT towards any future claims.

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

The balance consideration payable to the erstwhile shareholders amounting to ₹ 17.06 millions (31 October 2011: ₹ 17.06 millions) is carried as a liability which will be paid after necessary regulatory approvals are obtained (refer note 7).

38. MsourcE India BPO Private Limited had filed an application under section 560 of the Companies Act 1956, for striking its name off the register with the Registrar of Companies, Ministry of Corporate Affairs under Fast Track Exit mode which is under progress with Ministry of Corporate Affairs.

39. Income tax – current tax for the year ended 31 October 2012 is net of reversal of provision for earlier years amounting to ₹ 180.00 millions (31 October 2011: ₹ Nil).

40. During the year ended 31 October 2012, the revised Schedule VI notified under the Companies Act, 1956 became applicable to the Company. Hence, previous year's figures have been reclassified to conform to this year's classification.

For S.R. BATLIBOI & CO.
Firm registration number: 301003E
Chartered Accountants

per Navin Agrawal
Partner
Membership No. 56102

Bengaluru
5 December 2012

For and on behalf of the Board of Directors

Balu Ganesh Ayyar
Chief Executive Officer

Nawshir H Mirza
Director

Ganesh Murthy
Executive Vice President &
Chief Financial Officer

A. Sivaram Nair
Senior Vice President, Company Secretary
General Counsel & Ethics Officer

Bengaluru
5 December 2012

Cash Flow Statement for the year ended 31 October 2012

(₹ millions)

	Year ended 31 October 2012	Year ended 31 October 2011
Cash flow from operating activities		
Profit before tax	7,532.40	9,115.81
Non-Cash adjustment to reconcile profit before tax to net cashflows:		
Depreciation/amortization	1,143.82	1,066.07
Loss/(profit) on sale of fixed assets	(24.65)	(16.47)
Employee stock option compensation cost	47.43	82.84
Provision for bad and doubtful debts	32.51	0.26
Interest expenses	119.44	22.25
Interest income	(40.43)	(17.08)
Dividend income	(1,180.94)	(927.17)
Profit on sale of current investments	-	(7.75)
Effect of exchange rate changes (gain)/loss	(87.97)	139.68
Operating profit before working capital changes	**7,541.61**	**9,458.44**
Movements in working capital:		
Increase/(Decrease) in trade payables	617.78	259.71
Increase/(Decrease) in provisions	75.75	7.88
Increase/(Decrease) in other liabilities	(409.53)	1,215.62
(Increase)/Decrease in trade receivables	(989.94)	78.15
(Increase)/Decrease in loans and advances	1,218.10	(2,066.11)
(Increase)/Decrease in other assets	890.06	90.71
Cash generated from/(used in) operations	1,402.22	(414.04)
Direct taxes paid (net of refund)	(1,610.78)	(2,794.73)
Net cash flow from operating activities (A)	**7,333.05**	**6,249.67**
Cash flow from investing activities		
Purchase of fixed assets, including intangible assets, CWIP and capital advances	(774.10)	(1,411.44)
Proceeds from sale of fixed assets	101.62	14.03
Payment for subsidiary acquisition	-	(4,079.18)
Purchase of current investments	(46,338.10)	(86,932.00)
Sale of current investments	41,120.73	84,283.98
Intercompany deposits placed	-	(70.06)
Intercompany deposits refunded	26.52	178.45
Investments in bank deposits	(131.58)	(15.38)
Redemption/maturity of bank deposits	44.22	15.78
Dividend income	1,180.94	927.18
Re investment of dividend income	(776.50)	(158.22)
Interest received	35.55	17.69
Net cash flow used in investing activities (B)	**(5,510.70)**	**(7,229.17)**

Cash Flow Statement for the year ended 31 October 2012

(₹ millions)

	Year ended 31 October 2012	Year ended 31 October 2011
Cash flow from financing activities		
Proceeds from issue of share capital	0.71	1.11
Proceeds of premium from issue of share capital	5.37	11.93
Proceeds from liquidation of trust (refer note 36)	265.16	-
Repayment of vehicle loan	(1.57)	(7.08)
Repayment of unsecured loans	(7,884.83)	-
Availment of unsecured loans	8,219.14	2,299.99
Interest paid	(114.19)	(22.25)
Dividend paid (including tax on dividend)	(1,586.70)	(980.46)
Net cash flow from/(used in) in financing activities (C)	**(1,096.91)**	**1,303.24**
Net increase in cash and cash equivalents (A+B+C)	**725.44**	**323.74**
Cash and cash equivalents at the beginning of the year	776.86	453.12
Cash and cash equivalents at the end of the year	**1,502.30**	**776.86**
Components of cash and cash equivalents		
Cash on hand	0.04	0.11
Balance with banks		
- on current account	1,099.63	652.97
- deposit account	398.31	120.07
- unclaimed dividend	4.32	3.71
Total cash and cash equivalents (refer note 16)	**1,502.30**	**776.86**

As per our report of even date.

For S.R. BATLIBOI & CO.
Firm registration number: 301003E
Chartered Accountants

per Navin Agrawal
Partner
Membership No. 56102

Bengaluru
5 December 2012

For and on behalf of the Board of Directors

Balu Ganesh Ayyar
Chief Executive Officer

Nawshir H Mirza
Director

Ganesh Murthy
Executive Vice President &
Chief Financial Officer

A. Sivaram Nair
Senior Vice President, Company Secretary
General Counsel & Ethics Officer

Bengaluru
5 December 2012

NOTES

Group Office Locations

INDIA

Bengaluru

- MphasiS Limited
  Balaji Mansion
  8/1, Bannerghatta Main Road
  J P Nagar Industrial Estate
  Bengaluru - 560 076
  Tel: 080 - 4153 7505
  Fax: 080 - 2658 1142
- Bagmane Laurel
  No 65/2, Block - A
  Bagmane Technology Park
  Byrasandra Village, C V Raman Nagar
  Bengaluru - 560 093
  Tel: 080 - 4004 4444
  Fax: 080 - 4004 9998
- Bagmane Parin, No 65/2, Block A
  Bagmane Technology Park
  Byrasandra Village, C V Raman Nagar
  Bengaluru - 560 093
  Tel: 080 - 4004 4444
  Fax: 080 - 4004 9999
- Global Technology Village SEZ
  Survey Nos. 12/1, 12/2, 29 & 30
  Mylasandra & Patanegere Villages
  RVCE post, Kengeri Hobli
  Bengaluru - 560 059
  Tel: 080 - 4355 6677
- Kshema Dhama
  #1, Global Village, Mylasandra
  Mysore Road, Bengaluru - 560 059
  Tel: 080 - 4003 0303
  Fax: 080 - 2860 3372
- Texas Instruments Building
  Survey No. 12/1, Mylasandra
  Global Village, Mysore Road
  Bengaluru - 560 059
  Tel: 080 - 4003 8000
- Mereside Heights
  No. 1, Old Madras Road
  Pai Layout, Bengaluru - 560 016
  Tel: 080 - 4176 5500
  Fax: 080 - 4176 5506
- Bagmane World Technology Center
  W.T.C.2, K.R.Puram
  Marathalli Ring Road, Mahadevapura
  Bengaluru - 560 048 India
- Bagmane World Technology Center
  W.T.C.3, Special Economic Zone
  Block A & B , Level 1, K.R.Puram
  Marathalli Ring Road, Mahadevapura
  Bengaluru - 560 048 India
- Mascot 90, EPIP Industrial Area
  No. 80, Block II, Whitefield
  Bengaluru - 560 066

Bhubaneshwar

- 3rd, 4th, 5th & 6th Floor
  SM Tower, Plot No 130
  Mancheswar Industrial estate
  Bhubaneswar

Chennai

- DLF IT PARK, Block 10
  6th & 8th Floor 1/124, Sivaji Gardens
  Moonlight Stop
  Mount Poonamalle Road
  Chennai - 600 089
- DLF SEZ IT Park, Tower 1B
  Level 1-5, 1/124, Shivaji Garden
  Manapakkam,Mount Poonamalle Road
  Chennai - 600 089
  Tel: 080 - 6637 0000
  Fax: 080 - 6637 4000
- RMZ Millenia Business Park
  Campus 1C, 143, Dr. MGR Road
  Perungadi, Chennai - 600 096
  Tel: 044 - 6612 0000
  Fax: 044 - 6612 2390, 6612 3001

Indore

- Westside Building, No. 17
  Race Course Road
  Indore - 452 001 (Madhya Pradesh)
  Tel: 0731 - 3099 000
  Fax: 0731 - 3099 034

Mangalore

- Techbay, PL Compound,
  Morgan's Gate, 22-5-750, Jeppu Ferry
  Road, Mangalore - 575 001
  Tel: 0824 - 241 3000
  Fax: 0824 - 241 9800
- Ferry Hill Bungalow
  Sy No 821/1 and 2
  PL Compound,Village 92
  Mangalore Thota - 575001

Mumbai

- Infinity IT Park, Unit No. 101
  Building No. 4, 239
  General A K Vaidya Marg
  Dindoshi, Malad (East)
  Mumbai - 400 097
  Tel: 022 - 6788 4000
  Fax: 022 - 6788 4888

Pondicherry

- Om Shakthi Complex, No. 173/3
  1st Floor, Karuvadikuppam
  East Coast Main Road
  Puducherry - 605 008
  Tel: 0413 - 2263 621
  Fax: 0413 - 2263 623

Pune

- Cybercity, Tower IV Magarpatta
  Hadapsar, Pune - 411 013
  Tel: 020 - 4014 1000
  Fax: 020 - 6606 9010, 4014 1432
- Level 2, Wing A & B
  Tower Vii,Magarpatta City
  Spl.Economic Zone,VIll. Hadapsar
  Taluka Havily, Dist.
- EON free Zone. Cluster C
  Kharadi Knowledge Park
  EON Kharadi Infrastructure Pvt. Ltd
  SEZ Plot No.1, Survey No.77
  MIDC, Kharadi, Pune - 411 014
  Tel: 020 - 4074 1000
  Fax: 020 - 6617 0000

Raipur

- Gursukh Towers, 1st to 3rd Floor
  Katora Talab Main Road
  Raipur - 492 001, Chhattisgarh
  Tel: 0771 - 3060 200
  Fax: 0771 - 3060 240

Vadodara

- 2nd & 3rd Floor, Spencer Mall
  Survey # 81/1
  Opp. Sarabhai Chemicals
  Ghenda Circle,Wadivadi, Off. Alkapuri
  Vadodara - 390 002
  Tel: 0265 - 6633269

AMERICAS

Canada

- C/o PricewaterhouseCoopers LLP
  Mississauga Executive Centre
  1 Robert Speck Parkway, Suite 1100
  Mississauga ON Canada L4Z 3M3
- 917 Mg Grandin
  Suite 304 Quebec City
  Quebec G1V 3X8
- 90 University Avenue
  Charlottetown, P.E.I C1A4K9

USA

- 1220N Market Street
  Suit 806, Wilmington, DE 19801
- 5353, North 16th Street, Suite 400
  Phoenix, Arizona 85016
  Tel: 1 - 602 - 604 - 3100
  Fax: 1 - 602 - 604 - 3115
- 3242 Players Club Circle
  Memphis, TN. 38125
  Tel: 901 - 748 - 3604
  Fax: 901 - 748 - 3241
- 3350 Players Club Parkway
  Suite 120, Memphis, TN 38120
  Tel: 901 - 767 - 7550
  Fax: 901 - 767 - 9350
- 3226, Scott Blvd, Santa clara, CA
- 160 Greentree Drive, Suite 101
  Dover, DE 19904
- 2711 Centerville Road
  Suite 400 Wilmington
  County of New Castle, Delaware 19808
- 4660 Slater Road Eagan, MN 55122
- Regus Southwind
  Office Nos. 137-138, 140-145, 8295
  Tournament Drive Memphis
  Tennessee 38125
- 460 Park Avenue South, NY 10016

EUROPE

Belgium

- Regus, 5 Pegauslaan
  Machelen, 1831, Belgium

France

- 20, rue de Peletier 75009 Paris, France
- 1 Place Paul Verlaine
  92100 Boulogne - Billancourt

Germany

- Koblenzer Str. 17, EG rechts
  56130 Bad Ems, Germany
- Koblenzer, Street. 34
  Postfach 1221
  D 56130 Bad Ems, Germany
  Tel: 49 - 2603 504 151
  Fax: 49(0) - 2603 506 301
- Mainzer Landstr. 27-31
  Room No. 421, 422, 4th floor
  60329 Frankfurt/Main, Germany
  Tel: 49(0) - 69 - 2740 15 - 0
  Fax: 49(0)- 69 - 2740 15 - 111

The Netherlands

- Strawinskylaan 3051
  1077 ZX AMSTERDAM
  The Netherlands
  Tel: 31 - 639 - 110 - 223

Ireland

- C/o D'Arcy Lynch Partners
  Heritage House, Dundrum Office Park
  Dundrum , Dublin - 14

Poland

- 50-102 Wroclaw, Rynek 39/40
- KGHM Kuprum
  Ul.Gen.W.Sikorskiego 2-8 Wroclaw

Sweden

- C/o Hellstrom Advokatbyra KB
  Box 7305, 103 90 Stockholm Sweden

Switzerland

- C/o BB Treuhand AG
  Rathausstrasse 7
  6341 Baar (Switzerland)

UK

- 88 Wood Street
  London EC2V 7RS, UK
  Tel: 44 - 0208 - 528 - 1066
- Edinburgh House, 43 - 51 Windsor
  Road, Slough SL1 2EE, London, UK
  Tel: 44 - 0208 - 528 - 1066

ASIA PACIFIC

Indonesia

- Setiabudi Atrium, 2nd Floor
  Suite 209A Ji. H. R. Rasuna Said Kav.
  62, Jakarta 12920 Indonesia

Japan

- Bureau Ginza, 1-12-607
  Tsukiji 4-chrome, Chuoku, Tokyo, Japan
- Prime Square, No. 205, 1-1-7 Hiroo
  Shibuya - Ku,Tokyo 150-0012, Japan

New Zealand

- 99 - 105 Custom House Quay
  Wellington - 6001.

Singapore

- 30 Cecil Street, Level 14
  Prudential Tower
  Singapore 049712

Srilanka

- Office 2 , Rigel Building, 752/1
  Dr Danister De silva Mawatha
  Colombo - 09
  Tel: 94 - 11 - 468 - 1000
  Fax: 94 - 11 - 468 - 1006

China

- Room No.912, No 1011
  Lujiabang Road, Huangpu District
  Shanghai
  Tel: 86 - 21 - 5080 7366
  Fax: 86 - 21 - 5080 7362
- Room No. 23206, No.498
  Ghoushoujing Road
  Pudong New Area
  Shanghai PO 201203, PRC
  Tel: 87 - 21 - 5080 7366
  Fax: 87 - 21 - 5080 7362

Philippines

- 14th Floor, Unit B
  Rufino Pacific Towers
  6784 Ayala Avenue corner V.A. Rufino
  Street, Legazpi Village
  Makati City, Philippines

AUSTRALIA

- Shop 5, 17-19
  East Parade Sutherland, NSW 2232
- Innovation Campus
  University of Wollongong
  North Fields Avenue
  Wollongong
- Regus Business Center
  525 Collins Street Melbourne
  Victoria 3000
- 9, Norberry Terrace
  177 - 199 Pacific Highway
  North Sydney 2060
  Tel: 61 - 2 - 9954 2222

AFRICAS

Mauritius

- C/o Multiconsult Limited
  Les Cascades Building
  Edith Cavell Street
  Port Louis, Mauritius

Mphasis
an HP company

LOOKING AHEAD

Power of Choices

We have made tough Choices...
Choices of what to do and not to do.

Choice to listen, learn, innovate and improve...
Dive deeper to sharpen our focus further.

Choosing catalysts to catapult us ahead of the pack...
Setting newer benchmarks and transforming tomorrow.

ANNUAL
REPORT
2012

MPHASIS
ON
THE POWER OF CHOICES