HCL Technologies Limited and Subsidiaries

Consolidated Financial Statements

Year Ended June 30, 2011, 2010 and 2009

With Report of Independent Auditors

HCL Technologies Limited and Subsidiaries
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Report of Independent Auditors

The Board of Directors
HCL Technologies Limited

We have audited the accompanying consolidated balance sheets of HCL Technologies Limited and Subsidiaries as of June 30, 2011 and 2010, and the related consolidated statements of income, equity and comprehensive income (loss), and cash flows for the years then ended. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audit. The consolidated financial statements of HCL Technologies Limited and Subsidiaries for the year ended June 30, 2009, was audited by other auditors whose report dated August 25, 2009, expressed an unqualified opinion on those financial statements.

We conducted our audits in accordance with the auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Group's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2(t), the Group changed its method of accounting for revenue recognition with the adoption of amendments to the FASB ASC resulting from Accounting Standard Update No. 2009-14, Certain Revenue Arrangements That Include Software Elements. In fiscal year 2010, the Group adopted the provision of Accounting Standard Update No. 2009-13, Revenue Recognition (Topic 605) Multiple-Deliverable Revenue Arrangements (ASU 2009-13).

In our opinion, the 2011 and 2010 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of HCL Technologies Limited and Subsidiaries at June 30, 2011 and 2010, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Ernst + Young

Gurgaon, India
July 27, 2011

HCL Technologies Limited and Subsidiaries
Consolidated Balance Sheets

Amount in thousands, except share and per share data

	As of June 30,	
	2010	**2011**
ASSETS		
Current assets		
Cash and cash equivalents	$100,901	$116,298
Terms deposits with banks	234,995	241,309
Deposit with corporation	21,533	-
Accounts receivables, net	541,332	579,643
Unbilled revenue	115,336	182,523
Investment securities, available for sale	168,574	143,767
Inventories	14,034	37,219
Deferred income taxes	41,472	38,915
Other current assets	134,785	204,566
Total current assets	**1,372,962**	**1,544,240**
Deferred income taxes	97,804	112,778
Investment securities, held to maturity	10,767	21,240
Term deposits with banks	-	24,615
Deposit with corporation	-	11,187
Investments in affiliates	4,452	5,172
Property and equipment, net	398,054	495,927
Intangible assets, net	90,690	60,832
Goodwill	837,869	876,131
Other assets	109,772	119,727
Total assets	**$2,922,370**	**$3,271,849**

See accompanying notes.

HCL Technologies Limited and Subsidiaries
Consolidated Balance Sheets

Amount in thousands, except share and per share data

	As of June 30,	
	2010	2011
LIABILITIES AND EQUITY		
Current liabilities		
Current portion of capital lease obligations	$1,610	$5,535
Accounts payable	52,988	63,873
Short term borrowings	81,197	4,163
Current portion of long term debt	36,660	109,225
Accrued employee costs	112,615	169,458
Deferred revenue	138,009	115,154
Deferred income taxes	5,687	7,707
Income taxes payable	52,614	93,737
Other current liabilities	311,091	299,954
Total current liabilities	**792,471**	**868,806**
Long term debt	455,617	361,832
Capital lease obligations, net of current portion	4,680	8,627
Deferred income taxes	27,600	15,870
Accrued employee costs	31,583	50,158
Deferred revenue	73,393	65,205
Other liabilities	21,778	14,230
Total liabilities	**1,407,122**	**1,384,728**
Commitments and Contingencies (Note 24)		
HCL Technologies Limited Shareholders' Equity		
Equity shares, Rs 2 par value, authorized 750,000,000 shares		
Issued and outstanding 678,783,812 and 688,688,524 shares as of June 30, 2010 and 2011, respectively	33,705	34,146
Additional paid-in capital	611,320	654,253
Shares application money pending allotment	324	189
Retained earnings	978,366	1,222,179
Accumulated other comprehensive loss	(108,763)	(24,134)
HCL Technologies Limited Shareholders' Equity	**1,514,952**	**1,886,633**
Noncontrolling interest	296	488
Total shareholders' equity	**1,515,248**	**1,887,121**
Total liabilities and shareholders' equity	**$2,922,370**	**$3,271,849**

See accompanying notes.

HCL Technologies Limited and Subsidiaries

Consolidated Statements of Income

Amount in thousands, except share and per share data

	Year ended June 30,		
	2009	**2010**	**2011**
Revenues	**$2,179,540**	**$2,704,583**	**$3,545,300**
Cost of revenues (exclusive of depreciation and amortization)	1,353,762	1,770,675	2,415,841
Gross profit	**825,778**	**933,908**	**1,129,459**
Selling, general and administrative expenses	367,225	400,745	542,998
Depreciation and amortization	92,245	107,588	109,982
Impairment of intangibles	-	-	26,692
Other (income)expenses, net	43,881	70,853	(50,129)
Finance cost	21,785	42,387	35,544
Income before income taxes	**300,642**	**312,335**	**464,372**
Provision for Income taxes	51,848	50,608	105,827
Net income	**248,794**	**261,727**	**358,545**
Net income (loss) attributable to noncontrolling interest	(36)	(47)	29
Net income attributable to HCL Technologies Limited shareholders	**$248,830**	**$261,774**	**$358,516**
Earnings per equity share			
Basic	$0.37	$0.39	$0.52
Diluted	$0.37	$0.38	$0.51
Weighted average number of equity shares used in computing earnings per equity share			
Basic	669,016,035	673,741,835	683,508,571
Diluted	674,009,042	689,471,254	696,437,890

See accompanying notes.

HCL Technologies Limited and Subsidiaries

Consolidated Statements of Equity and Comprehensive Income (loss)

Year ended June 30, 2011, 2010 and 2009

Amount in thousands, except share and per share data

	Equity shares		Additional paid-in capital	Ordinary shares subscribed	Retained earnings	Accumulated other comprehensive income/ (loss)	HCL Technologies Limited Shareholder' Equity	Non Controlling Interest	Total Equity
	Shares	Par Value							
Balances as at June 30, 2008	**666,340,272**	**$33,166**	**$548,072**	**$397**	**$682,627**	**($51,842)**	**$1,212,420**	**$1,313**	**$1,213,733**
Shares issued for exercised options	3,916,328	170	4,154	(397)	-	-	3,927	-	3,927
Stock options exercised pending allotment of shares	-	-	-	99	-	-	99	-	99
Stock based compensation	-	-	16,260	-	-	-	16,260	-	16,260
Excess tax benefit from stock options	-	-	103	-	-	-	103	-	103
Cash dividend	-	-	-	-	(147,112)	-	(147,112)	-	(147,112)
Dividend paid to noncontrolling interest	-	-	-	-	-	-	-	(934)	(934)
Comprehensive income (loss):									
Net income	-	-	-	-	248,830	-	248,830	(36)	248,794
Unrealized loss on available for sale securities, net of taxes	-	-	-	-	-	(16,719)	(16,719)	-	(16,719)
Change in fair value of cash flow hedges, net of taxes	-	-	-	-	-	(38,494)	(38,494)	-	(38,494)
Actuarial gain, net of taxes	-	-	-	-	-	268	268	-	268
Foreign currency translation	-	-	-	-	-	(92,887)	(92,887)	-	(92,887)
Total comprehensive income	-	-	-	-	-	-	100,998	(36)	100,962
Balances as at June 30, 2009	**670,256,600**	**$33,336**	**$568,589**	**$99**	**$784,345**	**($199,674)**	**$1,186,695**	**$343**	**$1,187,038**

HCL Technologies Limited and Subsidiaries
Consolidated Statements of Equity and Comprehensive Income (loss)
Year ended June 30, 2011, 2010 and 2009
Amount in thousands, except share and per share data

	Equity shares		Additional paid-in capital	Ordinary shares subscribed	Retained earnings	Accumulated other comprehensive income/ (loss)	HCL Technologies Limited Shareholder' Equity	Non Controlling Interest	Total Equity
	Shares	Par Value							
Balances as at June 30, 2009	**670,256,600**	**$33,336**	**$568,589**	**$99**	**$784,345**	**($199,674)**	**$1,186,695**	**$343**	**$1,187,038**
Shares issued for exercised options	8,527,212	369	21,883	(99)	-	-	22,153	-	22,153
Stock options exercised pending allotment of shares	-	-	-	324	-	-	324	-	324
Stock based compensation	-	-	19,988	-	-	-	19,988	-	19,988
Excess tax benefit from stock options	-	-	860	-	-	-	860	-	860
Cash dividend	-	-	-	-	(67,753)	-	(67,753)	-	(67,753)
Comprehensive income (loss):									
Net income	-	-	-	-	261,774	-	261,774	(47)	261,727
Unrealized loss on available for sale securities, net of taxes	-	-	-	-	-	(26)	(26)	-	(26)
Change in fair value of cash flow hedges, net of taxes	-	-	-	-	-	114,286	114,286	-	114,286
Actuarial gain, net of taxes	-	-	-	-	-	527	527	-	527
Foreign currency translation	-	-	-	-	-	(23,876)	(23,876)	-	(23,876)
Total comprehensive income	-	-	-	-	-		352,685	(47)	352,638
Balances as at June 30, 2010	**678,783,812**	**$33,705**	**$611,320**	**$324**	**$978,366**	**($108,763)**	**$1,514,952**	**$296**	**$1,515,248**

See accompanying notes.

HCL Technologies Limited and Subsidiaries
Consolidated Statements of Equity and Comprehensive Income (loss)
Year ended June 30, 2011, 2010 and 2009
Amount in thousands, except share and per share data

	Equity shares		Additional paid-in capital	Ordinary shares subscribed	Retained earnings	Accumulated other comprehensive income/ (loss)	HCL Technologies Limited Shareholder' Equity	Non Controlling Interest	Total Equity
	Shares	Par Value							
Balances as at June 30, 2010	**678,783,812**	**$33,705**	**$611,320**	**$324**	**$978,366**	**($108,763)**	**$1,514,952**	**$296**	**$1,515,248**
Shares issued for exercised options	9,904,712	441	19,607	(324)	-	-	19,724	-	19,724
Stock options exercised pending allotment of shares	-	-	-	189	-	-	189	-	189
Stock based compensation	-	-	21,596	-	-	-	21,596	-	21,596
Excess tax benefit from stock options	-	-	1,730	-	-	-	1,730	-	1,730
Cash dividend	-	-	-	-	(114,703)	-	(114,703)	-	(114,703)
Change in noncontrolling interest ownership	-	-	-	-	-	-	-	163	163
Comprehensive income (loss):									
Net income	-	-	-	-	358,516	-	358,516	29	358,545
Unrealized loss on available for sale securities, net of taxes	-	-	-	-	-	(513)	(513)	-	(513)
Change in fair value of cash flow hedges, net of taxes	-	-	-	-	-	24,213	24,213	-	24,213
Actuarial gain, net of taxes	-	-	-	-	-	1,586	1,586	-	1,586
Foreign currency translation	-	-	-	-	-	59,343	59,343	-	59,343
Total comprehensive income	-	-	-	-	-		**443,145**	**29**	**443,174**
Balances as at June 30, 2011	**688,688,524**	**$34,146**	**$654,253**	**$189**	**$1,222,179**	**($24,134)**	**$1,886,633**	**$488**	**$1,887,121**

See accompanying notes.

HCL Technologies Limited and Subsidiaries
Consolidated Statements of Cash Flows
Amount in thousands

	Year ended June 30,		
	2009	**2010**	**2011**
Cash flows from operating activities			
Net income	**$248,794**	**$261,727**	**$358,545**
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	92,245	107,588	109,982
Deferred income taxes	(15,105)	(36,423)	(22,191)
Gain on sale of property and equipment	(118)	(511)	(607)
Stock based compensation	16,260	19,944	21,577
Excess tax benefit from stock options	(103)	(860)	(1,740)
Impairment of Intangibles	-	-	26,692
Other non cash charges	7,773	2,560	(9,224)
Gain on sale of investment securities	(24,491)	(886)	(1,184)
Equity in earnings of affiliates	(506)	(937)	(727)
Changes in assets and liabilities, net of effects of acquisitions			
Accounts receivable and unbilled revenue	(53,481)	(97,168)	(81,144)
Other assets	(127,724)	27,046	(86,433)
Accounts payable	41,611	(4,904)	12,735
Accrued employee costs	22,713	12,235	70,288
Other liabilities	(1,953)	94,043	(16,589)
Net cash provided by operating activities	**205,915**	**383,454**	**379,980**
Cash flows from investing activities			
Investment in term deposit with banks	(626,234)	(345,607)	(259,365)
Proceeds from term deposit with banks on maturity	435,173	423,961	237,806
Investment in term deposits with corporation	-	(21,495)	(11,073)
Proceeds from term deposits with corporation on maturity	-	-	22,146
Purchase of property and equipment	(112,637)	(137,054)	(173,415)
Proceeds from sale of property and equipment	3,455	5,332	1,271
Purchase of investment securities	(158,508)	(2,295,809)	(1,332,011)
Proceeds from sale of investment securities	461,546	2,126,909	1,353,583
Payment for Deferred consideration on business acquisition	-	-	(2,222)
Proceeds from sale of business	-	-	3,237
Acquisition of business, net of cash acquired	(703,753)	(10,925)	(13,367)
Net cash used in investing activities	**(700,958)**	**(254,688)**	**(173,410)**
Cash flows from financing activities			
Payment of principal under capital lease obligations	(180)	(4,080)	(3,007)
Proceeds from short term borrowings	776,195	125,443	170,030
Repayment of short term borrowings	(172,806)	(638,516)	(249,967)
Proceeds from issuance of long term debt	13,585	267,318	7,669
Repayment of long term debt	(1,822)	(44,827)	(35,327)
Proceeds from issuance of Redeemable Secured Non – convertible debentures	-	214,946	-
Proceeds from issuance of equity shares	4,324	22,021	19,735
Proceeds from subscription of shares pending allotment	99	331	191
Dividend paid	(147,112)	(67,760)	(114,700)
Distribution to Noncontrolling interest	(934)	-	-
Excess tax benefits from employee stock based compensation	103	860	1,740
Net cash provided by (used in) financing activities	**471,452**	**(124,264)**	**(203,636)**
Effect of exchange rate changes on cash and cash equivalents	3,178	8,658	12,463
Net increase (decrease) in cash and cash equivalents	(20,413)	13,160	15,397
Cash and cash equivalents at the beginning of the year	108,154	87,741	100,901
Cash and cash equivalents at the end of the year	**$87,741**	**$100,901**	**$116,298**
Supplemental disclosures of cash flow			
Property and equipment acquired under capital lease obligation	$4,989	$2,982	$5,725
Cash payments for interest	$12,877	$38,047	$31,510
Cash payments for income taxes	$55,549	$67,732	$82,159

See accompanying notes.

1. ORGANIZATION AND NATURE OF OPERATIONS

HCL Technologies Limited (the 'Company' or the 'Parent Company') along with its subsidiaries and associates (hereinafter collectively referred to as the 'Group') is primarily engaged in providing a range of information technology, business process outsourcing and infrastructure services. The Company was incorporated in India in November 1991. The Group leverages its extensive offshore infrastructure and professionals to deliver solutions across select verticals including Aerospace and Defense, Automotive, Energy and Utilities, Financial Services, Government, Hitech, Life Sciences, Healthcare, Media and Entertainment, Retail and consumer, Telecom, Travel, Transportation and Logistics.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation and principles of consolidation

The accompanying consolidated financial statements include the accounts of HCL Technologies Limited and its subsidiaries and are prepared in conformity with U. S. generally accepted accounting principles ('U.S. GAAP').

The Group uses the United States Dollar ('$' or 'USD') as its reporting currency.

These consolidated financial statements include the accounts of all subsidiaries, which are more than 50% owned and controlled by the Company. In addition, relationships with other entities are reviewed to assess if the Company is the primary beneficiary in any variable interest entity. If the determination is made that the Company is the primary beneficiary, then that entity is consolidated. All inter-company accounts and transactions are eliminated on consolidation. Non controlling interest represents the minority shareholders' proportionate share of the net assets and the results of operations of the Company's majority owned subsidiaries.

An issuance of shares by a subsidiary to third parties reduces the proportionate ownership interest of the Company in the subsidiary. A change in the carrying value of the investment in such subsidiary due to a direct sale of un-issued equity shares is accounted for as a capital transaction and is recognized in the shareholder's equity when the transaction occurs.

The Group accounts for investments by the equity method where its investment in the voting stock gives it the ability to exercise significant influence over the affiliate. In the case of investments in Limited Liability Partnerships (LLPs), significant influence is presumed to exist where the Group has more than a 5% partnership interest. The excess of the cost over the underlying net equity of investments in affiliates is allocated to identifiable assets based on the fair value at the date of acquisition. The unassigned residual value of the excess of the cost over the underlying net equity is recognized as goodwill.

The Group's equity in the profits (losses) of affiliates is included in the consolidated statements of income unless the carrying amount of an investment is reduced to zero and the Group is under no guaranteed obligation or otherwise committed to provide further financial support. The Group's share of net assets of affiliates is included in the carrying amount of the investment in the consolidated balance sheet. A transaction of an affiliate of a capital nature, which affects the investor's share of stockholders' equity of the affiliate, is accounted for as if the affiliate was a consolidated subsidiary.

(b) Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs, expenses and other comprehensive income that are reported and disclosed in the consolidated financial statements and accompanying notes. These estimates are based on management's best knowledge of current events, historical experience, actions that the Group may undertake in the future and on various other assumptions that are believed to be reasonable under the circumstances. Significant estimates and assumptions are used for, but not limited to accounting for costs expected to be incurred to complete performance under software development arrangements, allowance for uncollectible accounts receivable, accrual of warranty costs, income taxes, valuation of share-based compensation, future obligations under employee benefit plans, the useful lives of property, equipment and intangible assets, impairment of property, equipment, intangibles and goodwill, valuation allowances for deferred tax assets, and other contingencies and commitments. Changes in estimates are reflected in the financial statements in the period in which the changes are made. Actual results could differ from those estimates.

(c) Functional currency and translation

The functional currency of each entity in the Group is its respective local currency except for six subsidiaries outside India which use the Indian Rupee ('INR') as their functional currency. The functional currency of the Parent Company is INR. The translation from functional currency into USD (the reporting currency) for assets and liabilities is performed using the exchange rates in effect at the balance sheet date, and for revenue, expenses and cash flows it is performed using an appropriate monthly weighted average exchange rate for the respective periods. The gains or losses resulting from such translation are reported as a component of other comprehensive income (loss), within stockholders' equity.

Foreign currency denominated assets and liabilities are re-measured into the functional currency at exchange rates in effect at the balance sheet date. Foreign currency transaction gains and losses are recorded in the consolidated statement of income within other income.

(d) Revenue recognition

The Group derives revenues primarily from

- Software development services;
- Business process outsourcing services; and
- Infrastructure services

Revenue is only recognized when persuasive evidence of an arrangement exists, services have been rendered, the fee is determinable and collectability is reasonably assured. Additionally, for transition services, cost incurred and revenue recognition is deferred during the transition period. Transition cost and revenue are recognized ratably over the period of the arrangement upon the completion of the transition.

Software Development Services:

Revenues from software development services comprise income from time-and-material, fixed price and recurring fixed billing. Revenue with respect to time-and-material contracts is recognized as the related services are performed. Revenue with respect to fixed price contracts and fixed time frame contracts is recognized in accordance with the proportionate performance method. The input (efforts expended) method has been used to measure progress towards completion, as there is a direct relationship between input and productivity. Provisions for estimated losses on contracts-in-progress are recorded in the period in which such losses become probable based on the current contract estimates. In arrangements involving sharing of customer revenues, revenue is recognized when the amounts are known and the right to receive is established. Incremental revenue from existing contracts arising on future sales to the customers is recognized when it is earned.

Business Process Outsourcing Services:

Revenues from business process outsourcing services are derived from both time-based and unit-priced contracts. Revenue is recognized as the related services are performed in accordance with the specific terms of the contracts with the customer.

Infrastructure Services:

The Group provides infrastructure services ranging from simple contracts involving sale of equipment and installation with subsequent maintenance to complex network building and outsourcing arrangements.

Revenue from infrastructure management services comprise of income from time-and-material and fixed price contracts. Revenue with respect to time-and-material contracts is recognized as the related services are performed.

Revenue from product sales are shown net of sales tax and applicable discounts and allowances. Revenue from bandwidth and other services is recognized upon actual usage of such services by customers based on either the time for which these services are provided or volume of data transferred or both and excludes service tax. Revenue related to product with installation services and critical to product is recognized when installation of networking equipment at customer site is completed and accepted by the customer. If the revenue for a delivered item is not recognized until accepted by the customer then the cost of the delivered item is also deferred, Revenue from maintenance services is recognized ratably over the period of the contract.

Revenue from fixed-price network building contracts is recognized in accordance with the percentage-of-completion (POC) method. Under the POC method, revenue is recognized based on costs incurred to date as a percentage of the total costs to fulfill the contract. If circumstances arise that change the original estimates of revenues, costs, or extent of progress toward completion, revisions to the estimates are made. These revisions may result in increases or decreases in estimated revenues or costs, and such revisions are reflected in income in the period in which the circumstances that gave rise to the revision become known to management. If at any time these estimates indicate that the contract will be unprofitable, the entire estimated loss for the remainder of the contract is recorded immediately. The output measure based on milestone achieved is used for revenue recognition when reasonable and reliable cost estimate for a project cannot be made.

Multiple-element arrangements

When a sales arrangement contains multiple elements, such as hardware and software products, licenses and/or services, revenue to each element is based on a selling price hierarchy. The selling price for a deliverable is based on its vendor specific objective evidence ('VSOE') if available, third party evidence ('TPE') if VSOE is not available, or estimated selling price ('ESP') if neither VSOE nor TPE is available. The best estimate of selling price is established consisting internal factors such as margin objectives, pricing practices and customer segment pricing strategies. Consideration is also given to market conditions such as competitor pricing strategies. In multiple element arrangements, revenue is allocated to each separate unit of accounting using the relative selling price of each of the deliverables in the arrangement based on the aforementioned selling price hierarchy. If the arrangement contains more than one software deliverable, the arrangement consideration allocated to the software deliverables as a Group is then allocated to each software deliverable using the guidance for recognizing software revenue, as amended.

Revenue recognition for delivered elements is limited to the amount that is not contingent on the future delivery of products or services, future performance obligations or subject to customer-specified return or refund privileges.

Each deliverable in an arrangement is evaluated to determine whether they represent separate units of accounting. A deliverable constitutes a separate unit of accounting when it has standalone value and there is no customer-negotiated refund or return rights for the delivered elements. If the arrangement includes a customer-negotiated refund or return right relative to the delivered item and the delivery and performance of the undelivered item is considered probable and substantially in the Company's control, the delivered element constitutes a separate unit of accounting. In instances when the aforementioned criteria are not met, the deliverable is combined with the undelivered elements and the allocation of the arrangement consideration and revenue recognition is determined for the combined unit as a single unit. Allocation of the consideration is determined at arrangement inception on the basis of each unit's relative selling price.

For fiscal 2009, pursuant to the previous guidance of revenue arrangements with multiple deliverables prior to the adoption of Accounting Standards Update ("ASU") No. 2009-13, "Multiple Deliverable Revenue Arrangements," for a sales arrangement with multiple elements, the revenue to each element was allocated based on its relative fair value, or for software, based on VSOE of fair value. In the absence of fair value for a delivered element, revenue was first allocated to the fair value of the undelivered elements and the residual revenue to the delivered elements. Where the fair value for an undelivered element could not be determined, revenue was deferred for the delivered elements until the undelivered elements were delivered or the fair value was determinable for the remaining undelivered elements. If the revenue for a delivered item was not recognized because it was not separable from the undelivered item, then the cost of the delivered item was also deferred. The amount of revenue recognition for delivered elements was limited to the amount that was not contingent on the future delivery of products or services, future performance obligations or subject to customer-specified return or refund privileges

General:

Revenue from transition services in outsourcing arrangements is deferred and recognized over the period of the arrangement upon completion of the transition; direct and incremental costs in relation to such an arrangement are also deferred to the extent of revenue. Certain upfront non-recurring contract acquisition costs incurred in the initial phases of outsourcing contracts are deferred and amortized usually on a straight line basis over the term of the contract. The undiscounted cash flows from the arrangement are periodically estimated and compared with the unamortized costs. If the unamortized costs exceed the undiscounted cash flow, a loss is recognized

Revenue is recognized net of discounts and allowances, value-added and service taxes, and includes reimbursement of out-of-pocket expenses, with the corresponding out-of-pocket expenses included in cost of revenues.

Volume discounts and pricing incentives to customers are accounted for as a reduction of revenue using the guidance in ASC - 605-50, Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products).

For services accounted for under the percentage of completion method, cost and earnings in excess of billings are classified as unbilled revenue, while billing in excess of cost and earnings are classified as deferred revenue.

(e) Inventory

Inventory represents items of finished goods that are specific to execute composite contracts of software services and infrastructure management services and also finished goods which are interchangeable and not specific to any project. Inventory is carried at the lower of cost or net realizable value. The net realizable value is determined with reference to selling price of goods less the estimated cost necessary to make the sale. Cost of goods that are procured for specific projects is assigned by specific identification of their individual costs. Cost of goods which are interchangeable and not specific to any project is determined using weighted average cost formula. Inventories also include goods held by customer care organization held at customer's site for which risk and rewards have not been transferred.

(f) Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and depreciation is computed using the straight-line method over the estimated useful lives of the assets, which are as follows:

Asset description	Asset life (in years)
Buildings	20
Computer and Networking Equipment	2 to 4
Software	3
Furniture ,fixtures and office equipment	4
Plant and Equipment	4
Vehicles	5

Assets acquired under capital leases are capitalized as assets by the Group at lower of the fair value of the leased property or the present value of the related lease payments. Assets under capital leases and leasehold improvements are depreciated over the shorter of the lease term or the estimated useful life of the assets. Leasehold land is amortized over the period of the lease. Leasehold improvements are amortized on a straight-line basis over the shorter of the lease period or estimated useful life of the asset. Assets under capital leases are amortized over their estimated useful life or the lease term, whichever is shorter. The cost of software obtained for internal use is capitalized and amortized over the estimated useful life of the software.

Advances paid towards the acquisition of property and equipment and cost of property and equipment not put to use before balance sheet date are under caption capital work-in-progress (See Note 7).

(g) Leases

Plant, property and equipment taken on lease are evaluated to determine whether they are capital or operating leases in accordance with Financial Accounting Standard Board's (FASB) guidance on ASC 840, 'Accounting For Leases'.

When substantially all of the risks and benefits of property ownership have been transferred to the Company, as determined by the test criteria in FASB's guidance on ASC 840, the lease then qualifies as a capital lease. Capital leases are capitalized at the lower of the net present value of the total amount of rent payable under the leasing agreement (excluding finance charges) or the fair market value of the leased asset. Capital lease assets are depreciated on a straight-line basis, over a period consistent with the Group's normal depreciation policy for tangible fixed assets, but not exceeding the lease term. Interest charges are expensed over the period of the lease in relation to the carrying value of the capital lease obligation.

Operating lease income and expense is recognized on a straight-line basis over the term of the lease.

The Group also provides networking equipment to its customers in certain infrastructure arrangements. Such arrangements are evaluated under ASC 840-10-15, "Determine Whether an Arrangement Contains a Lease", to determine whether they contain embedded leases and upon the satisfaction of the test, FASB guidance given in ASC 840-10 on Leases is applied for determining the classification of the lease.

Revenue from sales-type leases is recognized when risk of loss has transferred to the client and there are no unfulfilled obligations that affect the client's final acceptance of the arrangement. Financing income attributable to sales-type leases and direct financing leases is recognized on the accrual basis using the effective interest method.

(h) Impairment of long-lived assets and long-lived assets to be disposed off

In accordance with the provisions of Accounting Standards Codification Topic 360, "Accounting for Impairment or Disposal of Long Lived Assets, Long-lived assets, other than goodwill, are tested for impairment based on undiscounted cash flows and, if impaired, written down to fair value based on either discounted cash flows or appraised values. Goodwill is tested annually, in the fourth quarter, for impairment, or sooner when circumstances indicate impairment may exist, using a fair-value approach at the reporting unit level. A reporting unit is the operating segment, or a business, which is one level below that operating segment (the "component" level) if discrete financial information is prepared and regularly reviewed by management at the segment level. Components are aggregated as a single reporting unit if they have similar economic characteristics.

(i) Investment securities

Investment securities consist of available-for-sale debt and equity securities and held-to-maturity debt securities.

Available-for-sale securities having a readily determinable fair value are carried at fair value based on quoted market prices. Temporary unrealized gains and losses, net of the related tax effect are excluded from income and are reported as a separate component of other comprehensive income (loss), until realized. Realized gains and losses from the sale of available-for-sale securities are determined on a first-in-first-out method and are included in earnings.

Held-to-maturity securities are carried at amortized cost adjusted for the amortization or accretion of premiums or discounts. Dividend and interest income are recognized when earned.

For individual securities classified as either available-for-sale or held-to-maturity, the Group determines whether a decline in fair value below the carrying value basis is other than temporary. If it is probable that the Group will be unable to collect all amounts due according to the contractual terms of a debt security, an other-than-temporary impairment is considered to have occurred. If the decline in fair value is judged to be other than temporary, the cost basis of the individual security is written down to its fair value representing the new cost basis and the amount of the write-down is included in earnings (that is, accounted for as a realized loss).

(j) Research and development

Expenditure incurred on equipment and facilities acquired or constructed for research and development activities and having alternative future uses is capitalized as property and equipment. All other expenses incurred on research and development is expensed as incurred.

(k) Software product development

The Group expense software development costs, including costs to develop software products or the software component of products to be marketed to external users, before technological feasibility of such products is reached. The Group determines that technological feasibility was reached shortly before the release of those products and as a result, the development costs incurred after the establishment of technological feasibility and before the release of those products were not material, and accordingly, were expensed as incurred. Software development costs also include costs to develop software programs to be used solely to meet internal needs. The costs incurred during the application development stage for these software programs were not material in the years presented.

(l) Cash equivalents, deposits with banks and restricted cash

The Group considers all highly liquid investments with an original maturity, at the date of purchase/investment, of three months or less to be cash equivalents. Restricted cash represents margin money deposits against guarantees, letters of credit and bank balance earmarked towards unclaimed dividend. Restrictions on margin money deposits are released on the expiry of the terms of guarantees and letters of credit.

Term deposits with banks and corporation represent term deposits earning fixed rate of interest with maturities ranging from more than three months to thirty six months at the date of purchases/investment. Interest on investments in bank deposits is recognized on an accrual basis.

(m) Income taxes

Income taxes are accounted for using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are recognized to reduce the deferred tax assets to an amount that is more likely than not to be realized. In assessing the likelihood of realization, management considers estimates of future taxable income and the effect of temporary differences.

FASB's ASC Topic 740 guidance on Accounting for Uncertainty in Income Taxes clarified the accounting and reporting for uncertainties in income tax by prescribing a minimum recognition threshold for a tax position taken or expected to be taken in a tax return that is required to be met before being recognized in the financial statements. Upon adoption of this guidance, the Group continued the policy to include interest and penalties within income taxes.

(n) Earnings per share

Basic earnings per share are computed using the weighted average number of equity shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of equity and dilutive equity equivalent shares outstanding during the period, using the treasury stock method for options and warrants except where results would be anti-dilutive.

(o) Stock based compensation

Stock-based compensation represents the cost related to stock-based awards granted to employees. The Company measures stock-based compensation cost at grant date, based on the estimated fair value of the award and recognizes the cost on a straight-line basis (net of estimated forfeitures) over the employee requisite service period. The Company estimates the fair value of stock options using the Black-Scholes valuation model. The cost is recorded in cost of revenue and selling, general and administrative expenses in the consolidated statement of income based on the employees' respective function.

The Company has elected to use the "with and without" method in determining the order in which tax attributes are utilized. As a result, the Company only recognizes tax benefit from share-based awards in additional paid-in capital if an incremental tax benefit is realized after all other tax attributes currently available to the Company have been utilized.

(p) Employee benefits

Defined contribution plan

Eligible employees of the Group in the United States participate in a savings plan (the "Plan") under Section 401(k) of the United States Internal Revenue Code (the "Code"). The Plan allows for employees to defer a portion of their annual earnings on a pre-tax basis through voluntary contributions to the Plan. The Plan provides that the Group can make optional contributions up to the maximum allowable limit under the Code.

Eligible employees of the Group in India and US participate in a defined contribution fund in accordance with the regulatory requirements in the respective jurisdictions. Both the employee and the Group contribute on equal amount to the fund.

The Group has no further obligation under defined contribution plans beyond the contributions made under these plans. Contributions are charged to income in the year in which they accrue and are included in the consolidated statement of income (See Note 22).

Defined benefit plan

Gratuity:

Employees in India are entitled to benefits under the Gratuity Act, a defined benefit retirement plan covering eligible employees of the Group. This plan provides for a lump-sum payment to eligible employees at retirement, death, incapacitation or on termination of employment, of an amount based on the respective employee's salary and tenure of employment (subject to a maximum of approximately $22 per employee in India). The Group have unfunded gratuity obligations.

Compensated absences

The employees of the Group are entitled to compensated absences. The employees can carry forward up to the specified portion of the unutilized accumulating compensated absences and utilize it in future periods or receive cash at retirement or termination of employment. Compensated absences over and above the specified carry forward limit is paid to employees annually. The Company records an obligation for compensated absences in the period in which the employee renders the services that increases this entitlement. The Company measures the expected cost of compensated absences as the additional amount that the Company expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period. The Company recognizes accumulated compensated absences based on actuarial valuation. Non-accumulating compensated absences are recognized in the period in which the absences occur. The Company recognizes actuarial gains and losses immediately in the statement of income

(q) Dividend

Final dividends proposed by the Board of Directors are recognized upon approval by the shareholders who have the right to decrease but not increase the amount of dividend recommended by the Board of Directors. Interim dividends are recognized on declaration by the Board of Directors.

(r) Derivative and hedge accounting

Foreign exchange forward contracts and options are purchased to mitigate the risk of changes in foreign exchange rates associated with forecasted transactions denominated in certain foreign currencies.

In accordance with FASB guidance ASC 815, "Accounting for Derivative Instruments and Hedging Activities", the Group recognizes all derivatives as assets or liabilities measured at their fair value, regardless of the purpose or intent of holding them. Changes in fair value for derivatives not designated in hedge accounting relationship are marked to market at each reporting date and the related gains/losses are recognized in the consolidated statement of income as foreign exchange gains/ (losses).

The foreign exchange forward contracts and options in respect of forecasted transactions which meet the hedging criteria are designated as cash flow hedges. Changes in the derivative fair values that are designated as effective cash flow hedges are deferred and recorded as component of accumulated other comprehensive income/(loss) until the hedged transaction occurs and are then recognized as other income in the consolidated statement of income. The ineffective portion of hedging derivatives is immediately recognized in the consolidated statement of income as part of other income.

In respect of derivatives designated as hedges, the Group formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also formally assesses both at the inception of the hedge and on an ongoing basis, whether each derivative is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Hedge accounting is discontinued prospectively from the last testing date when (1) it is determined that the derivative financial instrument is no longer effective in offsetting changes in the fair value or cash flows of the underlying exposure being hedged; (2) the derivative financial instrument matures or is sold, terminated or exercised; or (3) it is determined that designating the derivative financial instrument as a hedge is no longer appropriate. When hedge accounting is discontinued, and the derivative financial instrument remains outstanding, the deferred gains or losses on the cash flow hedge remain in other comprehensive income until the forecasted transaction occurs. Any further change in the fair value of the derivative financial instrument is recognized in current period earnings.

See Note 11 of Notes to Consolidated Financial Statements for additional information.

(s) Goodwill and intangibles

Goodwill represents the excess of the purchase price in a business combination over the fair value of net tangible and intangible assets acquired. Goodwill is not amortized but is reviewed for impairment annually or more frequently if indicators arise. In accordance with ASC topic 350, *"Intangibles - Goodwill and Other"* (ASC No. 350), all assets and liabilities of the acquired businesses including goodwill are assigned to reporting units. The evaluation is based upon a comparison of the estimated fair value of the reporting unit to which the goodwill has been assigned to the sum of the carrying value of the assets and liabilities for that reporting unit. The fair value used in this evaluation is estimated based upon discounted future cash flow projections for the reporting unit. These cash flow projections are based upon a number of estimates and assumptions.

Intangible assets are initially valued at fair market value using generally accepted valuation methods appropriate for the type of intangible asset. Intangible assets with definite lives are amortized over the estimated useful lives and are reviewed for impairment, if indicators of impairment arise. The evaluation of impairment is based upon a comparison of the carrying amount of the intangible asset to the estimated future undiscounted net cash flows expected to be generated by the asset.

If estimated future undiscounted cash flows are less than the carrying amount of the asset, the asset is considered impaired. The impairment expense is determined by comparing the estimated fair value of the intangible asset to its carrying value, with any shortfall from fair value recognized as an expense in the current period. The definite lived intangible assets are amortized over the estimated useful life of the assets:

Asset description	Asset life (in years)
Customer relationships	1 to 10
Customer contracts	0.5 to 10
Technology	2.5 to 10
Non-compete agreements	3 to 5
Intellectual property rights	4
Brand and contractors database and others	2 to 5

(t) Recently issued accounting pronouncements

Adoption of new accounting principles

In October 2009, the FASB issued ASU No. 2009-14 Software (ASC 985): Certain Revenue Arrangements That Include Software Elements, which modifies the scope of the software revenue recognition guidance to exclude (i) non-software components of tangible products and (ii) software components of tangible products that are sold, licensed or leased with tangible products when the software components and non-software components of the tangible product function together to deliver the tangible product's essential functionality. The Group adopted ASU No. 2009-14 in the first quarter of 2011 which resulted in current year revenues and income from operations higher by $37,960 and $5,313 respectively.

In December 2010, the FASB issued updated accounting guidance to clarify that pro forma disclosures should be presented as if a business combination occurred at the beginning of the prior annual period for purposes of preparing both the current reporting period and the prior reporting period pro forma financial information. These disclosures should be accompanied by a narrative description about the nature and amount of material, nonrecurring pro forma adjustments. The new accounting guidance is effective for business combinations consummated in periods beginning after December 15, 2010, and should be applied prospectively as of the date of adoption. Early adoption is permitted. The Group adopted the new disclosures in the third quarter of fiscal 2011.

New accounting pronouncement

In December 2010, the FASB issued updated accounting guidance related to the calculation of the carrying amount of a reporting unit when performing the first step of a goodwill impairment test. More specifically, this update will require an entity to use an equity premise when performing the first step of a goodwill impairment test and if a reporting unit has a zero or negative carrying amount, the entity must assess and consider qualitative factors and whether it is more likely than not that a goodwill impairment exists. The new accounting guidance is effective for public entities, for impairment tests performed during entities' fiscal years (and interim periods within those years) that begin after December 15, 2010. Early application is not permitted. We will adopt the new disclosures in the first quarter of fiscal 2012, however as we currently do not have any reporting units with a zero or negative carrying amount, Group do not expect the adoption of this guidance to have an impact on our consolidated financial statements.

3. FINANCIAL INSTRUMENTS AND CONCENTRATION OF RISK

Financial instruments that potentially subject the Group to concentrations of credit risk consist principally of cash equivalents, short tem deposits with banks and corporation, accounts receivables, investment securities, and derivative instruments. The cash resources of the Group are invested with mutual funds, banks, financial institutions and corporations after an evaluation of the credit risk. By their nature, all such financial instruments involve risk including the credit risk of non-performance by counter parties. In management's opinion, as of June 30, 2011 and 2010, there was no significant risk of loss in the event of non-performance of the counter parties to these financial instruments, other than the amounts already provided for in the financial statements.

The customers of the Group are primarily corporations based in the United States and United Kingdom and accordingly, trade receivables are concentrated in the respective countries. To reduce the risk, the Group performs ongoing credit evaluation of customers.

(in thousands of dollars except per share data and as stated otherwise)

4. BUSINESS COMBINATIONS

Acquisitions in current year

Citibank International Plc.

In January, 2011, the Group through a subsidiary acquired certain software assets and employees of Citi Securities and Fund Services.

The total purchase price for the acquisition was $24,954 out of which $13,000 has been paid and the balance $11,954 has been recorded as deferred consideration. The initial purchase consideration of $24,954 is allocated as intangible assets of $7,780 and with the residual $17,174 allocated to goodwill. The resultant goodwill has been allocated to the software segment.

Acquisitions in previous year

RKV Technologies

On March 31, 2010, the Group acquired unemployment insurance practice of RKV Technologies. The results of this business have been included in the consolidated statement of income from April 1, 2010.

The total purchase price for the acquisition was $5,000 out of which $4,200 has been paid and balance $800 was recorded as deferred consideration. The initial purchase consideration of $5,000 is allocated as intangible assets of $2,363 and with the residual $2,637 allocated to goodwill. The resultant goodwill has been allocated to the software segment.

During the year ended June 30, 2011, the deferred compensation has been reversed with a corresponding reduction to goodwill.

UCS Solutions holdings (Pty) limited

On August 1, 2009, the Group acquired enterprise solutions division of UCS Solutions holdings (Pty) limited. The results of this business have been included in the consolidated statement of income from August 1, 2009.

The purchase price for the acquisition was a cash payment of $8,295 and a contingent earn-out consideration of up to of $9,503 based on satisfaction of certain performance obligation over a two-year period as set out in the sale of business agreement. The initial purchase consideration of $17,798 is allocated as intangible assets of $2,651 and net liabilities of $186 based on a determination of their fair value, with the residual $15,333 allocated to goodwill. The resultant goodwill has been allocated to the software segment.

During the year ended June 30, 2011, the Group has made a payment of $2,118 based on satisfaction of the performance obligation as set out in sale of business agreement.

5. CASH AND CASH EQUIVALENTS

The Cash and cash equivalents as of June 30, 2010 and June 30, 2011 are as follows:

	June 30, 2010	June 30, 2011
Deposits with banks, having maturities less than three months	$9	$1
Other cash and bank balances	100,892	116,297
	$100,901	**$116,298**

6. SHORT TERM DEPOSITS

The Group has short term deposits with banks amounting to $234,995 and $241,309 as of June 30, 2010 and June 30, 2011, respectively.

(in thousands of dollars except per share data and as stated otherwise)

7. PROPERTY AND EQUIPMENT

As of June 30, 2010 and 2011, property and equipment comprises the following:

	June 30, 2010	June 30, 2011
Freehold land	$18,323	$19,073
Leasehold land	25,935	28,308
Buildings	106,381	162,145
Computer and networking equipment	204,358	260,648
Software	109,017	132,142
Furniture, fixtures and office equipment	98,571	110,850
Plant and equipment	129,226	161,581
Vehicles	13,704	15,075
Capital work-in-progress	131,070	136,345
	836,585	**1,026,167**
Accumulated depreciation and amortization	(438,531)	(530,240)
Property and equipment, net	**$398,054**	**$495,927**

Depreciation expense was $73,033, $83,791 and $94,909 for the years ended June 30, 2009, 2010 and 2011, respectively.

8. GOODWILL AND INTANGIBLES

The changes in the carrying value of goodwill balances by reportable segment, for the year ended June 30, 2010, are as follows:

	Software Services	Infrastructure services	Business process outsourcing services	Total
Opening balance as at July 1, 2009	**$792,811**	**$1,266**	**$27,114**	**$821,191**
Acquisition during the year				
- *RKV technologies*	15,333	-	-	15,333
- *UCS Solutions holdings (Pty) limited*	2,637	-	-	2,637
Purchase price adjustments	19,057	-	(2,966)	16,091
Effect of exchange rate changes	(17,021)	40	(402)	(17,383)
Closing balance as on June 30, 2010	**$812,817**	**$1,306**	**$23,746**	**$837,869**

The changes in the carrying value goodwill balances by reportable segment, for the year ended June 30, 2011, are as follows:

	Software Services	Infrastructure services	Business process outsourcing services	Total
Opening balance as at July 1, 2010	**$812,817**	**$1,306**	**$23,746**	**$837,869**
Acquisition during the year				
- *Citibank international Plc.*	17,174			17,174
Deletion during the year				
- *Expenses Management Services*			(260)	(260)
Purchase price adjustments				
- *RKV technologies*	(800)			(800)
Effect of exchange rate changes	21,643	50	455	22,148
Closing balance as on June 30, 2011	**$850,834**	**$1,356**	**$23,941**	**$876,131**

(in thousands of dollars except per share data and as stated otherwise)

Purchase price adjustments recorded in 2010 and 2011 were related to acquisitions that were completed on or prior to June 30, 2009 and 2010 and were still subject to the measurement period that ends at the earlier of 12 month from the acquisition date or when information becomes available. There were no goodwill impairment losses recorded in 2011 or 2010, and the Group has no accumulated impairment losses.

The components of intangibles assets are as follows:

	June 30, 2010			June 30, 2011		
	Gross carrying amount	**Accumulated amortization**	**Net**	**Gross carrying amount**	**Accumulated amortization/ Impairment**	**Net**
Intellectual property rights	$678	($410)	$268	$718	($491)	$227
Software	12,824	(5,743)	7,081	13,062	(7,532)	5,530
Customer related intangibles	132,252	(49,612)	82,640	138,699	(89,541)	49,158
Non-compete agreements	1,624	(923)	701	7,662	(1,745)	5,917
Others	3,159	(3,159)	-	3,388	(3,388)	-
	$150,537	**($59,847)**	**$90,690**	**$163,529**	**($102,697)**	**$60,832**

Amortization expense for the year ended June 30, 2009, 2010 and 2011 is $21,943, $24,470 and $15,196, respectively. Amortization expense is included in depreciation and amortization other than $2,731, $673 and $123 which is reported as a reduction of revenue during the year ended June 30, 2009, 2010 and 2011 respectively, in accordance with the EITF 01-09, *Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products).*

During the year ended June 30, 2011 the Company evaluated certain customer related intangibles which were being amortized over their useful life. The evaluation was done with reference to specific customers acquired through acquisition by re-estimating the cost of capital, revenues, profits and the likely period of relationship. Accordingly, the company recorded a one time impairment charge of $26,692.

The estimated annual amortization expense schedule for intangible assets based on current balance is as follows:

Year ending June 30,	
2012	$9,468
2013	8,446
2014	7,908
2015	7,567
2016	7,501
Thereafter	19,942
	$60,832

9. INVESTMENTS IN AFFILIATES

Equity Method Investments

Equity Method Investments as of June 30 2010 and 2011 are as follows:

	June 30, 2010		June 30, 2011	
Name of the Affiliates	**Carrying Value**	**Ownership Percentage**	**Carrying Value**	**Ownership Percentage**
Axon Puerto Rico Inc	968	49%	956	49%
NEC HCL System Technologies Ltd.	3,484	49%	4,216	49%
	$4,452		**$5,172**	

(in thousands of dollars except per share data and as stated otherwise)

The Company accounts for its interest in affiliates under the equity method and the equity in the gain/(loss) for the years ended June 30, 2009, 2010 and 2011 are shown below:

Name of the Affiliates	**2009**	**2010**	**2011**
Axon Puerto Rico Inc	(32)	160	(12)
NEC HCL System Technologies Limited	538	777	739
	$506	**$937**	**$727**

10. INVESTMENT SECURITIES

Available for sale investment securities consist of the following:

As of June 30, 2010:

	Carrying value	**Gross unrealized holding gains**	**Gross unrealized holding losses**	**Fair value**
Equity securities	$65	$110	$0	$175
Mutual fund units	167,946	610	157	168,399
Total	**$168,011**	**$720**	**$157**	**$168,574**

As of June 30, 2011:

	Carrying value	**Gross unrealized holding gains**	**Gross unrealized holding losses**	**Fair value**
Equity securities	$-	$-	$-	$-
Mutual fund units	143,767	-	-	143,767
Total	**$143,767**	**$-**	**$-**	**$143,767**

Above gross unrealized holding gains/losses have been recorded as part of other comprehensive income.

The maturity profile of the investments classified as available for sale as of June 30, 2011 is set out below:

	Carrying value
Less than one year	$143,767
One to five years	-
	$143,767

Proceeds from the sale of available for sale securities during the years ended June 30, 2009, 2010 and 2011 were $461,546, $2,126,909 and $1,353,583, respectively. Dividend income earned from these investments during the years ended June 30, 2009, 2010 and 2011 was $1,093, $5,943 and $5,719, respectively.

The cost of a security sold or the amount reclassified out of accumulated other comprehensive income into earnings was determined on basis of weighted average method.

The table summarizes the transactions for available for sale securities:

	2009	**2010**	**2011**
Gross realized gains	$24,496	$936	$1,184
Gross realized loss	($5)	($50)	$-
The amount of the net unrealized holding gain or (loss) on available-for-sale securities for the period that has been included in accumulated other comprehensive income (including effect of exchange rate changes)	$471	$563	$-
The amount of gains and (losses) reclassified out of accumulated other comprehensive income into earnings for the period	$16,305	$545	$470

(in thousands of dollars except per share data and as stated otherwise)

Investments in held-to-maturity consist of the following:

As of June 30, 2010:

	Carrying value	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Bonds	$10,767	$-	$-	$10,767
Total	**$10,767**	**$-**	**$-**	**$10,767**

As of June 30, 2011:

	Carrying value	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Bonds	$21,240	$-	$-	$21,240
Total	**$21,240**	**$-**	**$-**	**$21,240**

The maturity profile of the investments held-to-maturity as of June 30, 2011 is set out below:

	Carrying value
Less than one year	$-
One to five years	21,240
	$21,240

Interest income earned from these investments during the years ended June 30, 2009, 2010 and 2011 was $548, $506 and $1,307, respectively.

11. DERIVATIVE FINANCIAL INSTRUMENTS

In the normal course of business, the Group uses derivative financial instruments to manage foreign currency exchange rate risk. Derivative transactions are governed by a uniform set of policies and procedures covering areas such as authorization, counterparty exposure and hedging practices. The Group does not enter into derivative transactions for trading purposes.

As a result of the use of derivative instruments, the Group is exposed to the risk that counterparties to derivative contracts will fail to meet their contractual obligations. To mitigate the counterparty credit risk, the Group has a policy of only entering into contracts with carefully selected major financial institutions based upon their credit ratings and other factors.

The following table presents the aggregate notional principal amounts of the Group's outstanding derivative forward covers together with the related balance sheet exposure:

	Notional principal amounts		Balance sheet exposure Asset (Liability)	
	June 30, 2010	**June 30, 2011**	**June 30, 2010**	**June 30, 2011**
Foreign exchange forward denominated in:				
USD /INR	$282,994 (Sell)	$46,500 (Sell)	($30,958)	$1,161
USD/ INR	$81,000 (Buy)	$-(Buy)	(261)	-
GBP/ USD	£9,334 (Sell)	£4,500 (Sell)	(205)	150
EUR / USD	€ 10,285 (Sell)	€ 7,000 (Sell)	151	(37)
EUR/ INR	-	€ 16,500 (Sell)	-	384
AUD/ INR	-	AUD 12,000 (Sell)	-	93
AUD/USD	-	AUD 2,000 (Sell)	-	6
ZAR/USD	-	ZAR 66,860 (Sell)	-	(178)
CAD/ USD	-	CAD 14,000 (Sell)	-	(171)
			($31,273)	**$1,408**

(in thousands of dollars except per share data and as stated otherwise)

The following table presents the aggregate notional principal amounts of the Group's outstanding forward options together with the related balance sheet exposure:

	Notional principal amounts		Balance sheet exposure Asset (Liability)	
	June 30, 2010	**June 30, 2011**	**June 30, 2010**	**June 30, 2011**
Put				
USD/INR	$16,000	$20,000	$469	$740
Range Forward				
USD/INR	$30,000	$192,600	121	3,362
EUR/INR	€ 5,000	€ 5,700	45	72
GBP/INR	-	£6,000	-	331
EUR/USD	-	€ 2,000	-	(7)
Seagull				
EUR/USD	-	€ 14,500	-	11
EUR/INR	-	€ 4,000	-	(103)
			$635	**$4,406**

The notional amount is a key element of derivative financial instrument agreements. However, notional amounts do not represent the amount exchanged by counter parties and do not measure the Group's exposure to credit risk as these contracts are settled at their fair values at the maturity date.

The balance sheet exposure denotes the fair value of foreign exchange forward and option contracts at the reporting date and is presented in United States Dollars.

The following tables set forth the fair value of derivative instruments included in the consolidated balance sheets as on June 30, 2010 and 2011:

Derivatives designated as hedging instruments:

	June 30, 2010	**June 30, 2011**
Unrealized (loss)/gain on financial instruments classified under current assets	$-	$5,260
Unrealized (loss)/gain on financial instruments classified under current liabilities	(21,525)	-
	($21,525)	**$5,260**

Derivatives not designated as hedging instruments:

	June 30, 2010	**June 30, 2011**
Unrealized (loss)/gain on financial instruments classified under current liabilities	($9,899)	($460)
Unrealized (loss)/gain on financial instruments classified under current assets	786	1,014
	($9,113)	**$554**

(in thousands of dollars except per share data and as stated otherwise)

The following tables summarizes activities in the consolidated statement of income during the year ended June 30, 2010

Derivatives in Cash flow Hedging Relationships	Amount of Gain or (Loss) Recognized in AOCI on Derivatives (Effective Portion)	Location of Gain or (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from AOCI into Income (Effective Portion)	Location of Gain or (Loss) Recognized in Income on Derivatives (Ineffective Portion) and Amount Excluded from Effectiveness Testing)	Amount of Gain or (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Foreign Exchange Contracts	$42,614	Other Income (Expense),net	($102,760)	Other Income (Expense),net	Nil
	$42,614		**($102,760)**		**Nil**

Derivatives not Designated as Hedging	Location of Gain or (Loss) recognized in Income on Derivatives	Amount of Gain or (Loss) recognized in Income on Derivatives
Foreign exchange contracts	Other Income (Expense),net	$2,967

The following tables summarizes activities in the consolidated statement of income during the year ended June 30, 2011

Derivatives in Cash flow Hedging Relationships	Amount of Gain or (Loss) Recognized in AOCI on Derivatives (Effective Portion)	Location of Gain or (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from AOCI into Income (Effective Portion)	Location of Gain or (Loss) Recognized in Income on Derivatives (Ineffective Portion) and Amount Excluded from Effectiveness Testing)	Amount of Gain or (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Foreign Exchange Contracts	$10,476	Other Income (Expense),net	($15,471)	Other Income (Expense),net	Nil
	$10,476		**($15,471)**		**Nil**

Derivatives not Designated as Hedging	Location of Gain or (Loss) recognized in Income on Derivatives	Amount of Gain or (Loss) recognized in Income on Derivatives
Foreign exchange contracts	Other Income (Expense),net	$2,529

(in thousands of dollars except per share data and as stated otherwise)

The following table summarizes activity in the accumulated other comprehensive (loss)/ gain within stockholders' equity related to all derivatives classified as cash flow hedges during the years ended June 30, 2009, 2010 and 2011 :

	2009	2010	2011
Balance as at the beginning of the year	($114,006)	($161,814)	($21,525)
Unrealized gain (losses) on cash flow hedging derivatives during the year	(123,510)	42,614	10,476
Net loss reclassified into net income on occurrence of hedged transactions	51,038	102,760	15,471
Net loss reclassified into net income as hedged transactions are not likely to occur	13,086	-	-
Effect of exchange rate fluctuations	11,578	(5,085)	838
Balance as at the end of the year	**(161,814)**	**(21,525)**	**5,260**
Deferred tax	27,620	1,617	(955)
	($134,194)	**($19,908)**	**$4,305**

As at June 30, 2011, the estimated net amount of existing gain that is expected to be reclassified into the income statement from AOCI with in the next twelve months is $5,260

12. OTHER CURRENT ASSETS

As of June 30, 2010 and 2011, other current assets comprise of the following:

	June 30, 2010	June 30, 2011
Prepaid expenses	$32,631	$38,786
Interest receivable	6,543	10,569
Prepaid/advance taxes	3,393	6,007
Deposits	3,227	2,957
Restricted cash	3,055	1,431
Deferred cost	54,513	69,114
Employee receivables	6,258	10,043
Derivative financial instruments	785	6,274
Advance from suppliers	7,928	14,006
Finance lease receivable*	9,360	14,163
Others	7,092	31,216
	$134,785	**$204,566**

*Unearned Finance Income of $198

13. OTHER ASSETS

As of June 30, 2010 and 2011, other assets comprise the following:

	June 30, 2010	June 30, 2011
Deposits	$29,560	$38,655
Deferred cost	59,053	42,741
Employee receivables	284	30
Restricted cash	-	1,607
Finance lease receivable*	15,089	23,215
Others	5,786	13,479
	$109,772	**$119,727**

*Unearned Finance Income of $254

(in thousands of dollars except per share data and as stated otherwise)

14. ALLOWANCES FOR ACCOUNTS RECEIVABLE

The Group maintains an allowance for uncollectible receivables based on the trade receivables at the end of the year. Factors considered by management in determining the adequacy of the allowance include the present and prospective financial condition of the debtor and the ageing of the trade receivables.

The movement in allowance for accounts receivable is given below:

	2010	2011
Balance at the beginning of the year	$33,542	$29,087
Additional provision during the year	(880)	1,985
Deductions on account of write offs and collections	(476)	(6,140)
Effect of exchange rates changes	(3,099)	2,708
Balance at the end of the year	**$29,087**	**$27,640**

15. DEBTS

SHORT TERM LOANS

The Group has availed three unsecured Packing credit in foreign currency loans of $39,000 $40,002 and $2,000 during the year ended June 30, 2010 from banks. The Group has repaid these loans during the year.

The group has obtained bank line of credit from its bankers amounting to $195 and $4,163 as of 30, 2010 and 2011, respectively

LONG TERM DEBT

Term Loans

The Group has availed unsecured long term loans of $2,273 and $5,650 as of June 30, 2010 and 2011, respectively, at an effective interest rate of 6.79%. The Group has availed a term loan of $300,000 during December 2009 at an effective interest rate ranging from 4% to 5% and repaid $39,000 by June 30, 2010 and $32,625 by June 30, 2011. The balance outstanding of $228,375 is repayable in 7 equal half yearly installments. The loan is secured by pledge of the Group’s investment in Axon Group Plc and a corporate guarantee from the Company. Subsequently, in June’2010 the Group has repriced the loan at an effective interest rate ranging from 3% to 4%.

During the year the Group has availed a term loan of $2,545, the loan carries interest rate ranging from 8% to 11% and secured by hypothecation of vehicles of $3,466.

The other long term debts of $10,747 represents credit received from a vendor at an effective rate of 6.79% for purchases of fixed assets and are secured against hypothecation of such assets.

	June 30, 2010	June 30, 2011
From banks	$261,000	$230,920
Other	15,946	16,397
Less: Current portion	(36,660)	(71,189)
	$240,286	**$176,128**

The scheduled principal repayments are as follows:

	June 30, 2011
Within one year	$71,189
One to two years	71,220
Two to three years	70,061
Three to five years	34,847
	$247,317

(in thousands of dollars except per share data and as stated otherwise)

Secured Redeemable Non Convertible Debentures

The Company allotted 10,000 secured redeemable non convertible debentures of face value of Rs. 1million ($22,374) each aggregating to $223,740, carrying a quarterly coupon rate varying from 7.55% to 8.80% per annum. The debentures have a maturity period ranging from two years to five years and are secured against specified movable assets, receivables from subsidiaries and specified land and building of the Company.

The scheduled principal repayments are as follows:

Debenture Series		Maturity Date	June 30, 2011
7.55%	Redeemable non convertible debentures	August 25, 2011	$38,036
8.20%	Redeemable non convertible debentures	August 25, 2012	73,834
8.80%	Redeemable non convertible debentures	September 10, 2014	111,870
			$223,740

Out of total $223,740, redeemable non convertible debentures of $38,036 (7.55% Redeemable non convertible debentures) have been shown as part of current liabilities under current portion of long term debts.

16. OTHER CURRENT LIABILITIES

As of June 30, 2010 and 2011, other current liabilities comprise of the following:

	June 30, 2010	June 30, 2011
Advances from customers	$23,138	$18,778
Sales tax and other taxes payable	20,680	40,414
Unclaimed dividend	507	533
Accrued liabilities and expenses	165,295	157,680
Warranty obligations / provision	1,371	1,401
Due to related parties	1,720	2,593
Derivative financial instruments	31,424	460
Others	66,956	78,095
	$311,091	**$299,954**

17. EQUITY SHARES

The Company has only one class of capital stock referred to herein as equity shares. Par value of each equity share outstanding as of June 30, 2011 is $0.04(Rs.2).

Voting

Each holder of equity shares is entitled to one vote per share.

Dividends

Dividends declared and paid by the Company are in Indian Rupees. Dividends payable to equity stockholders are based on the net income available for distribution as reported in the stand alone financial statements of the Company prepared in accordance with Indian GAAP. Indian law mandates that any dividend, exceeding 10% of the common stock, can be declared out of distributable profits only after the transfer of up to 10% of net income computed in accordance with current regulations, to a general reserve. Further, Indian law on foreign exchange governs the remittance of dividends outside India. Such dividend payments are also subject to applicable taxes.

Liquidation

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

(in thousands of dollars except per share data and as stated otherwise)

Stock options

There are no voting, dividends or liquidation rights to the option holders under the Company's stock option plan.

18. OTHER INCOME (EXPENSES)

For the years ended June 30, 2009, 2010 and 2011, other income/ (expenses) consist of:

	2009	2010	2011
Interest income	$28,152	$21,260	$31,629
Dividend income from investments	1,093	5,943	5,719
Gain on sale of investment securities and other investments, net	24,491	886	1,595
Foreign exchange losses , net	(99,929)	(101,728)	(17,804)
Settlement of pre-acquisition claims	-	-	22,548
Equity in earning of affiliates	506	937	727
Miscellaneous income	1,806	1,849	5,715
Other income(expense), net	**($43,881)**	**($70,853)**	**$50,129**

The Group has sold certain portion of its Telecom Expense Management Services business for cash consideration of $3,237 and recorded a gain of $412 in other income during the year ended June 30, 2011.

During the year ended June 30, 2011 certain pre-acquisition claims provided for in respect of the acquired entities, were settled. Accordingly, the excess provision of $22,548 was reversed to other income.

19. INCOME TAXES

Entities in the Group file tax returns in their respective tax jurisdictions.

The Group's provisions (benefit) for income taxes consist of the followings:

	2009	2010	2011
Current taxes			
Indian taxes	$36,790	$40,238	$57,979
Foreign taxes	30,163	46,793	70,039
	66,953	**87,031**	**128,018**
Deferred taxes			
Indian taxes	(7,522)	(33,018)	(21,797)
Foreign taxes	(7,583)	(3,405)	(394)
	(15,105)	**(36,423)**	**(22,191)**
Total taxes	**$51,848**	**$50,608**	**$105,827**

The reconciliation between the provision for income tax of the Group's and amount computed by applying the India statutory income tax rate is as follows:

	2009	2010	2011
Income before taxes, equity in earnings of affiliates and noncontrolling interest	$300,642	$312,335	$464,372
Average enacted tax rate in India	33.99%	33.22%	33.22%
Expected tax expense	102,188	103,750	154,253
Non-taxable export income	(73,230)	(79,561)	(88,727)
Non-taxable other income	(11,860)	(1,399)	(20,234)
Income taxed at a lower / higher rate	14,556	(1,067)	21,466
Differences between Indian and Foreign tax rates	8,653	4,358	11,032
Employee stock compensation cost	4,879	5,621	4,951

(in thousands of dollars except per share data and as stated otherwise)

Increase (decrease) in valuation allowance including losses of subsidiaries	477	(439)	5,225
Provision for deemed branch taxes	6,202	22,747	3,177
Other	(17)	(3,402)	14,684
Total taxes	**$51,848**	**$50,608**	**$105,827**

Profits from the Group's operations in India attributable to the export operations from units situated in Software Technology Parks ("STP") are exempt from income tax for a period of any ten consecutive years (tax holiday period) beginning from the financial year of the unit commencing operations. The tax holiday on all of the units was scheduled to expire in stages by March 2010. However, the Finance Act, 2009 extended the availability of the tax holiday for one more year such that the tax holiday will now be available until the earlier of March 2011 or ten years after the commencement of a tax holiday for an individual unit. Accordingly, tax holiday period for all STP units has expired during the current year or earlier periods. In respect of units situated in Special Economic Zones (SEZs), under the Special Economic Zone Act, 2005, units in designated special economic zones which begin providing services on or after April 1, 2005 will be eligible for a deduction of 100 percent of profits or gains derived from the export of services for the first five years from commencement of provision of services and 50 percent of such profits and gains for a further five years. Certain tax benefits are also available for a further five years subject to the unit meeting defined conditions.

Income taxes charged/(credited) to equity for the years ended June 30, 2009, 2010 and 2011 are as follows:

	2009	**2010**	**2011**
Income Tax from continuing operations	$51,848	$50,608	105,827
Stockholder's equity for:-			
Tax benefits received on exercise of employee stock options reflected as part of additional paid in capital	(103)	(860)	(1,730)
Unrealized holding (losses) gains on available for sale investment securities	(2,190)	-	-
Unrealized (loss) /gain on cash flow hedge	(9,659)	26,347	2,574
Unrealized actuarial (loss)/ gain	291	718	4,142
Effect of exchange rate fluctuations	4,707	(4,394)	($3,122)
	$44,894	**$72,419**	**$107,691**

Effective April 2007, the Finance Act 2007 has introduced Minimum Alternate Tax (MAT) on the exempt income attributable to export operations of units situated in STPs. Effective April, 2011, Finance Act, 2011 has extended MAT on export operation of units situated in Special Economic Zones (SEZ). Any MAT paid for a year is available for set-off against tax liability for ten subsequent years.

The tax returns are subject to examination by the tax authorities in the jurisdictions where the Group conducts business. The examination may result in assessments of additional taxes that are resolved with the authorities or through legal proceedings. Resolution of these matters involves some degree of uncertainty; accordingly, the Group recognizes income tax liability that it believes will ultimately result from the proceedings.

A reconciliation of the beginning and ending balance of unrecognized tax benefits is as follows:

	2010	**2011**
Balance at the beginning of the year	$72,061	$92,996
Increase (decrease) due to tax position taken during the current year	28,621	(5,791)
Increase (decrease) due to tax position taken during the prior year	(9,264)	2,514
Effect of exchange rate fluctuations	1,578	3,570
Balance at the end of the year	**$92,996**	**93,289**

The unrecognized tax benefits, if recognized, would effect the Group's effective tax rate. Significant changes in the amount of unrecognized tax benefits within the next 12 months cannot be reasonably

(in thousands of dollars except per share data and as stated otherwise)

estimated as the changes would depend upon the progress of tax proceedings with various tax authorities.
Tax expense includes penalties and interest related to income tax. For the years ended June 30, 2009, 2010 and 2011, the Group recognized $13,078, $16,441 and $20,024, respectively, on account of accrued interest and penalties related to uncertain tax positions which are included in income taxes payables.

The Group's two major tax jurisdictions are India and the U.S. In India, tax examination is open for fiscal year beginning from 1st April, 2007 onwards.

The components of the deferred tax balances as of June 30, 2010 and 2011 are as follows:

	2010	2011
Deferred tax assets:		
Business losses	$24,614	$29,646
Allowance for accounts receivable	7,488	8,009
Accrued employee costs	15,578	31,218
Property and equipment	24,567	21,802
Minimum Alternate Tax	42,146	59,810
Employee stock compensation	5,174	6,274
Unrealized loss on derivative financial instruments	1,618	-
Other temporary differences	24,745	14,251
	145,930	**171,010**
Less: valuation allowance	(6,654)	(19,317)
Total deferred tax assets	**$139,276**	**$151,693**
Deferred tax liabilities:		
Unrealized gains on investment securities	$-	$-
Intangibles	23,291	16,099
Unrealized gain on derivative financial instruments	-	956
Others	9,996	6,522
Total deferred tax liabilities	**$33,287**	**$23,577**
Net deferred tax assets	**$105,989**	**$128,116**

The components of valuation allowance as of June 30, 2010 and 2011 are as follows:

	2010	2011
Business losses	($6,654)	($19,317)

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not, that some portion, or all, of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. Management considers the projected future taxable income and tax planning strategies in making this assessment. Based on the level of historical taxable income and its tax planning strategies projections for future taxable incomes over the periods in which the deferred tax assets are deductible, management believes that it is more likely than not that the Company will realize the benefits of those deductible differences, net of existing valuation allowances. The amount of the deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carry forward period are reduced.

Business loss carry forwards of certain subsidiaries of the Company for tax purposes amount to approximately $71,700 and $53,916 as of June 30, 2010 and 2011, respectively, and are available as an offset against future taxable income expiring at various dates through 2021.

Management is of the opinion that it is less likely that all of these subsidiaries would be in a position to realize the tax benefit associated with business loss carry forward. Given the uncertainties, valuation allowance has been created against such business losses.

(in thousands of dollars except per share data and as stated otherwise)

During the years ended June 30, 2009, 2010 and 2011, the US based subsidiary of the Company received excess tax benefit aggregating to $103, $860 and $1,730, respectively, upon exercise of employee stock options which was recognized in equity. As of June 30, 2011 the Company recognized a deferred tax assets amounting to $6,274 on the stock compensation expense expected to be realized on exercise of stock options in future periods.

Undistributed earnings of the subsidiaries aggregated to approximately $906,731 and $1,308,995 as of June 30, 2010 and 2011, respectively. The Company has the intent and the ability to receive dividends and/or to liquidate investments in a tax-free manner, and consequently did not record a deferred tax liability on the undistributed earnings.

The Company has the intent and the ability to liquidate its investments in a tax-free manner, and consequently did not recognize deferred tax on the difference between the tax basis and the financial reporting basis of investments in subsidiaries outside India.

20. EARNINGS PER EQUITY SHARE

The following is the reconciliation of the weighted average number of equity shares used in the computation of basic and diluted EPS:

	2009	2010	2011
Weighted average number of equity shares outstanding used in computing basic EPS	669,016,035	673,741,835	683,508,571
Dilutive effect of stock options	4,993,007	15,729,419	12,929,319
Weighted average number of equity and equity equivalent shares outstanding used in computing diluted EPS	674,009,042	689,471,254	696,437,890

Options to purchase 18,323,030, 153,977 and Nil equity shares during the years ended June 30, 2009, 2010 and 2011, respectively, were not included in the computation of diluted EPS as these options were anti-dilutive.

21. STOCK BASED COMPENSATION

STOCK OPTION PLANS

ESOP 1999 (the "1999 Plan"): In September 1999, the Company instituted the 1999 Stock Option Plan to provide equity-based incentives to all eligible employees of the Company and its subsidiaries. The 1999 Plan is administered by a Committee with a majority of independent directors of the Company (Compensation Committee) and provides for the issuance of a maximum of 40,000,000 underlying shares at the option price determined by the Compensation Committee on the date the option is granted.

ESOP 2000 (the "2000 Plan"): In October 2000, the Company instituted the 2000 Stock Option Plan to provide equity-based incentives to all eligible employees of the Company and its subsidiaries. The 2000 Plan is administered by the Compensation Committee of the Company. The 2000 Plan provides for the issuance of a maximum of 30,000,000 underlying shares at the option price determined by the Compensation Committee on the date the option is granted.

ESOP 2004 (the "2004 Plan"): In December 2004, the Company instituted the 2004 Stock Option Plan to provide equity-based incentives to all eligible employees and directors of the Company and its subsidiaries. The 2004 plan is administered by the Compensation Committee of the Company. The 2004 Plan provides for the issuance of a maximum of 40,000,000 underlying shares.

Each option granted under the 1999 Plan, the 2000 Plan and the 2004 Plan, entitles the holder to four equity shares of the Company. The equity shares covered by the 1999 Plan , the 2000 Plan and the 2004 Plan stock option plans vest over a maximum period of 110 months, 104 months and 96 months respectively. The options are to be exercised within a maximum period of five years from their date of vesting or expiry of the respective plans whichever is earlier.

(in thousands of dollars except per share data and as stated otherwise)

Changes in number of shares representing the outstanding stock options during the years ended June 30, 2011 are given below:

	Shares arising out of option			Weighted average exercise price			Weighted average remaining contractual term (in year)			Aggregate Intrinsic Value		
	Plan			Plan			Plan			Plan		
	1999	2000	2004	1999	2000	2004	1999	2000	2004	1999	2000	2004
Outstanding at beginning of the year	6,091,428	9,404,720	8,316,448	$4.06	$3.49	$0.18						
Granted	-	-	12,776,000	-	$-	$0.04						
Forfeited	(6,440)	(7,200)	(444,600)	$3.89	$3.51	$0.04						
Expired	(1,032,556)	(549,752)	(6,212)	$5.53	$4.97	$0.05						
Exercised	(2,068,644)	(2,909,132)	(4,926,936)	$4.30	$3.62	$0.12						
Outstanding at the end of the year	2,983,788	5,938,636	15,714,700	$3.64	$3.48	$0.10	$2.39	$2.07	$6.92	$22,164	$45,045	$172,440
Exercisable at the end of the year	2,983,788	5,938,636	3,198,100	$3.64	$3.48	$0.30						
Weighted-average grant date fair value of grants during the year	-	-	$23,114	-	-	-						
Estimated fair value of option vested during the year	-	-	$8,744	-	-	-						
Vested and exercisable as of June 30, 2011	2,983,788	5,938,636	3,198,100	$3.64	$3.48	$0.30	$2.39	$2.07	$3.64	$22,164	$45,045	$34,448
Vested and exercisable as of June 30, 2011 and expected to vest thereafter	2,983,788	5,938,636	14,154,876	$3.64	$3.54	$0.04	$2.39	$2.07	$6.92	$22,164	$45,045	$155,243

(in thousands of dollars except per share data and as stated otherwise)

As of June 30, 2010 and 2011, out of the total options exercised, options for 53,092 shares and 33,360 shares, respectively, under the Plan 1999, options for 60,496 shares and 28,900 shares, respectively, under the Plan 2000 and options for 120,272 shares and 54,324 shares, respectively, under the Plan 2004 were pending allotment.

The following table summarizes information about stock options outstanding and exercisable as of June 30, 2010:

	Outstanding			**Exercisable**	
Range of exercise price	**Number of shares arising out of options**	**Weighted average remaining contractual life(years)**	**Weighted average exercise price**	**Number of shares arising out of options**	**Weighted average exercise price**
1999 Plan					
($1.29-$4.04)	4,330,988	3.34	$3.49	4,330,988	$3.49
($5.3-$13.16)	1,760,440	0.10	$5.44	1,760,440	$5.44
2000 Plan					
($1.4-$2.53)	439,520	1.50	$2.19	439,520	$2.19
($2.6-$4.43)	8,437,140	3.14	$3.39	8,437,140	$3.39
($5.47-$7.06)	528,060	0.59	$6.29	528,060	$6.29
2004 Plan					
($0.04-$0.04)	8,006,468	4.85	$0.04	2,409,760	$0.04
($3.46-$3.99)	309,980	3.32	$3.70	309,980	$3.70

(in thousands of dollars except per share data and as stated otherwise)

The following table summarizes information about stock options outstanding and exercisable as of June 30, 2011:

	Outstanding			Exercisable	
Range of exercise price	**Number of shares arising out of options**	**Weighted average remaining contractual life(years)**	**Weighted average exercise price**	**Number of shares arising out of options**	**Weighted average exercise price**
1999 Plan					
($1.34-$4.20)	2,983,788	2.39	$3.64	2,983,788	$3.64
2000 Plan					
($1.45-$2.63)	242,224	0.73	$2.27	242,224	$2.27
($2.70-$4.60)	5,696,412	2.13	$3.54	5,696,412	$3.54
2004 Plan					
($0.04-$0.04)	15,503,052	6.99	$0.04	2,986,452	$0.04
($3.59-$4.14)	211,648	2.22	$3.87	211,648	$3.87

(in thousands of dollars except per share data and as stated otherwise)

The following table summarizes information concerning stock options issued that are vested or are expected to vest and stock options exercisable as of June 30, 2011:

	Option vested or expected to vest		
Range of exercise price	**Number of shares arising out of options**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price**
1999 Plan			
($1.34-$4.20)	2,983,788	2.39	$3.64
2000 Plan			
($1.45-$2.63)	242,224	0.73	$2.27
($2.7-$4.6)	5,696,412	2.13	$3.54
2004 Plan			
($0.04-$0.04)	13,943,228	6.99	$0.04
($3.59-$4.14)	211,648	2.22	$3.87

The aggregate intrinsic value of shares for the 1999 Plan, the 2000 Plan and the 2004 Plan is $22,164, $45,045and $155,243, respectively. These values represent the total pre-tax intrinsic value calculated as the difference between the Company's closing stock price on the last trading day of the year ended June 30, 2011 and the exercise price.

(in thousands of dollars except per share data and as stated otherwise)

The fair value of each option is estimated on the date of grant using the Black-Scholes model with the following assumptions:

	2010	2011
Dividend yield %	1.38%	1.52%
Expected term	up to 30 months	up to 46 months
Risk free interest rates	7.0%	7.78%
Volatility	37.76%	40.93%

As of June 30, 2011, $79,011 of total unrecognized compensation cost related to stock options is expected to be recognized over a weighted-average period of 3.15 years.

Cash received from option exercises under the stock option plan for the years ended June 30, 2009, June 30, 2010 and June 30, 2011 was $4,324, $22,021 and $19,735, respectively.

The tax benefit on account of compensation cost of stock options exercised in United States of America, Great Britain, Netherlands and Germany aggregated to $648, $1,158 and $2567 for the years ended June 30, 2009, 2010 and 2011, respectively.

For the year ended June 30, 2009, 2010 and 2011, stock-based compensation expense related to the stock option plans was allocated as follows:

	2009	2010	2011
Cost of sales	$6,517	$5,845	$2,736
Selling, general and administrative	9,743	14,099	18,841
Stock compensation cost before income tax benefit	**16,260**	**19,944**	**21,577**
Tax benefit	(648)	(1,158)	(1,716)
Stock compensation cost (net)	**$15,612**	**$18,786**	**$19,861**

22. EMPLOYEE BENEFIT PLANS

India operations

The Group has employee benefit plans in the form of certain statutory and welfare schemes covering substantially all of its employees.

Defined benefit Plan

Gratuity

In accordance with Indian law, the Group provides for gratuity, a defined benefit retirement plan (the “Gratuity Plan”) covering all employees in India. The Gratuity Plan provides a lump sum payment to vested employees at retirement or termination of employment of an amount based on the respective employee’s salary and the years of employment with the Group.

The reconciliation of the beginning and ending balance of the projected benefit obligation and the paid value of plan assets for the years ended June 30, 2010 and 2011, and the accumulated benefit obligation at June 30, 2010 and 2011 is as follows:

	2010	2011
Change in benefit obligation		
Obligation at the beginning of the year	$15,116	$19,463
Service cost	3,835	4,863
Interest cost	1,380	1,807
Benefits paid	(1,143)	(2,049)
Actuarial (gain) loss	(210)	(1,439)

(in thousands of dollars except per share data and as stated otherwise)

	2010	2011
Foreign currency translation	485	644
Obligation at the end of the year	**$19,463**	**$23,289**
Accumulated benefit obligation	**$19,463**	$23,289
Changes in plan assets		
Fair value of plan assets at the beginning of the year	$-	$-
Employer contributions	1,143	2,049
Benefits paid	(1,143)	(2,049)
Plan assets at the end of the year	**$-**	**$-**
Funded status	$-	$-
Net amount recognized	(19,463)	(23,289)
Amounts recognized in the statement of financial position consist of:		
Accrued benefit cost	**($19,463)**	**(23,289)**

	2010	2011
Net actuarial loss	$1,656	($70)
Net prior service cost	-	-
Net transitional obligation	-	-
Total accumulated other comprehensive income	**$1,656**	**($70)**

Net gratuity cost for the years ended June 30, 2009, 2010 and 2011 comprise the following components:

	2009	2010	2011
Service cost	$2,882	$3,835	$4,863
Interest cost	1,191	1,380	1,807
Amortization of unrecognized transition obligation	-	-	-
Amortization of unrecognized actuarial loss	567	621	287
Net gratuity cost	**$4,640**	**$5,836**	**$6,957**

The weighted average actuarial assumptions used in accounting for the benefit obligations and net gratuity cost under the Gratuity Plan as of June 30, 2009, 2010 and 2011 are given below:

	2009	2010	2011
Discount rate	7.85%	7.90%	10.0%
Expected rate of increase in salaries			
-for next year	6.0%	6.0%	6.0%
-thereafter	6.0%	6.0%	6.0%

Discount rates are based on the current market yield on government securities adjusted for a suitable risk premium to reflect the additional risk for high quality bonds. The Group assesses these assumptions with its projected long-term plans of growth and prevalent industry standards. The mortality rates used are as published by one of the leading life insurance companies in India.

(in thousands of dollars except per share data and as stated otherwise)

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid during:

Year ending June 30,	
- 2012	$5,064
- 2013	5,501
- 2014	5,983
- 2015	7,147
- 2016	8,361
Thereafter	36,573
Total	**$68,629**

The expected benefits are based on the same assumptions as are used to measure the Group's benefit obligations as of June 30, 2011.

Superannuation

The superannuation plan is a defined contribution pension plan for senior employees of the Group. The Group contributes to an employees' superannuation fund with an insurance company at 15% of the employee's base compensation The Group has no further obligations to the superannuation plan beyond its monthly contributions. The contributions made are recorded in the statement of income on an accrual basis. Total contributions made in respect of this plan for years ended June 30, 2009, 2010 and 2011 are $460, $454 and $543, respectively.

Provident fund

In accordance with Indian law, all employees receive benefits from a provident fund, which is a defined contribution retirement plan. Under this plan, the employer and employee make monthly contributions to a fund managed by certain employees of the Group ("Trust"). The employees contribute 12% of their base compensation, which is matched by an equal contribution by the employer. The Group contributes two-third of the contribution to the Trust. The remaining portion is contributed to the Government administered pension fund. The rate at which the annual interest is payable to the beneficiaries by the Trust is being administered by the government. The Group has an obligation to fund any shortfall on the yield of the Trust's investments over the administered interest rates.

The funds contributed to the Trust are invested in specific securities as mandated by law and generally consist of federal and state government bonds, debt instruments of government-owned corporations and other eligible market securities.

Total contributions made by the Group in respect of this plan for the years ended June 30, 2009, 2010 and 2011 are $10,290, $15,515 and $16,143, respectively.

Subsidiaries in the US

The Group has a Savings and Investment Plan under Section 401 (k) of the Internal Revenue Code. This is a defined contribution plan where employees above the age of 21 years, having completed one year of service may choose to contribute up to 100% of their compensation. The Group makes a matching contribution for employee contribution till 3%. Till June 30, 2008, the Group also contributed 67 cents to a dollar for contributions between 4% to 6%.

Total contributions made by the Group in respect of this plan for the years ended June 30, 2009, 2010 and 2011 are $2,824, $3,540 and $5,205, respectively.

Subsidiary in Australia

As per local laws of Australia, employers must provide either a minimum level of superannuation for most employees or incur a non-tax deductible superannuation guarantee charge including interest and penalties. The required level of employer superannuation contribution is a percentage of the employee's earnings base. The Group contributes to a fund approved by the Government of Australia. Total contributions made by the Group in respect of this plan for the years ended June 30, 2009, 2010 and 2011 are $1,923, $2,869 and $3,749, respectively.

(in thousands of dollars except per share data and as stated otherwise)

Subsidiaries in Europe

The Group has pension plans for the employees of its subsidiaries in Europe. The plans operating in Europe provide for contributions of up to 5% of the basic salary by the employer and the employee. Total contributions made by the Group in respect of this plan for the years ended June 30, 2009, 2010 and 2011 are $2,992, $5,547 and $7,499, respectively.

Subsidiaries in Asia

As per local laws of Malaysia, Singapore and Japan, employers are required to contribute up to 13% of the basic salary of an employee of the Group. The Group contributed to a fund approved by the Government of the Country. Total contributions made by the Group in respect of these plans for the years ended June 30, 2009, 2010 and 2011 are $2,241, $4,443 and $6,740, respectively.

23. RELATED PARTY TRANSACTIONS

The Company has entered into transactions with the following related parties:

a. Companies in which Mr. Shiv Nadar, the principal shareholder, has controlling interest or over which he exercises significant influence (significant interest entities);
b. Affiliates of the Company, and their subsidiaries (affiliates); and
c. Employees of the Company.

The related party transactions are categorized as follows:

Revenues

The Group provides software development and other services to related parties. The related parties to whom these services were provided and the corresponding amounts of revenue earned are as follows:

	Year ended June 30,		
	2009	**2010**	**2011**
Significant interest entities	$1,227	$4,162	$2,797
Affiliates	4,120	3,430	3,710
Total	**$5,347**	**$7,592**	**$6,507**

Cost of revenues

The Group outsources certain contracts to related parties and also procures personnel from them for software development. These costs are recorded as consulting charges and included as part of cost of revenues.

The Group also procures other services from related parties. These costs are recorded as direct cost and included as part of cost of revenues.

The related parties to whom such charges were paid (recovered) and the corresponding amounts are as follows:

	Year ended June 30,		
	2009	**2010**	**2011**
Significant interest entities	$14,000	$14,659	$16,395
Affiliates	902	1,287	3,577
Total	**$14,902**	**$15,946**	**$19,972**

(in thousands of dollars except per share data and as stated otherwise)

Computer equipment, software purchases and others

The Group purchases computer equipment, software and other items from certain significant interest entities. These purchases during the years ended June 30, 2010 and 2011 amounted to $5,307 and $14,721, respectively.

Subleasing of facilities

Significant interest entities have subleased a portion of their facilities to the Group. The total amount charged for the year ended June 30, 2009, 2010 and 2011 were $384, $394 and $328, respectively.

Loans to employees

The Group has advanced general purpose and housing loans to its employees at rates of interest ranging from 2% to 16% per annum. The repayment periods for these loans are fixed with the tenure of these loans extending up to six years. Employee loan balances outstanding as of June 30, 2010 and 2011 are $758 and $638, respectively.

The balances receivable from and payable to related parties other than employees are summarized as follows:

As of June 30, 2010	**Significant interest entities**	**Affiliates**	**Total**
Due from related parties			
Accounts receivable	$1,954	$448	$2,402
Unbilled receivable	2,206	-	2,206
Other receivables	159	-	159
	$4,319	**$448**	**$4,767**
Dues to related parties			
Accounts payable	$541	$245	$786
Deferred revenue	95	48	143
Other payables	1,720	-	1,720
	$2,356	**$293**	**$2,649**

As of June 30, 2011	**Significant interest entities**	**Affiliates**	**Total**
Due from related parties			
Accounts receivable	$1,467	$649	$2,116
Unbilled receivable	3,204	266	3,470
Other receivables	186	-	186
	$4,857	**$915**	**$5,772**
Dues to related parties			
Accounts payable	$443	$554	$997
Deferred revenue	1	146	147
Other payables	2,593	-	2,593
	$3,037	**$700**	**$3,737**

(in thousands of dollars except per share data and as stated otherwise)

24. COMMITMENTS AND CONTIGENCIES

Capital commitments

As of June 30, 2011, the Group had committed to spend $97,000 under agreements to purchase property and equipment. This amount is net of capital advances paid in respect of these purchases.

Other commitments

The Group's software development centers in India are 100% Export Oriented Unit (EOU)/STP/SEZ units under the STP guidelines issued by the Government of India. These units 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.

Guarantees

The Group generally provides guarantees to the Excise and Custom authorities as security for compliance with local regulation and to various parties on behalf of its subsidiaries. The aggregate amount of these guarantees as of June 30, 2011 is $7,979.

Letter of Credit

As of June 30, 2011, unused letters of credit is $708.

Other Contingencies

As of June 30, 2011, other contingencies have arisen in the normal course of business. Management believes that the ultimate outcome of these matters will not have a material adverse effect on its financial position, results of operations and cash flows.

25. LEASES

The Group has taken on lease office facilities under non-cancellable operating lease agreements. Future minimum lease payments as of June 30, 2011 for such non-cancelable operating leases are as follows:

Year ending June 30,	
2012	$51,708
2013	37,638
2014	24,644
2015	20,363
2016	16,895
Thereafter	78,452
Total minimum payments	**$229,700**

Additionally, the Group has taken on lease office facilities under cancellable operating lease agreements that are renewable on a periodic basis at the option of both the lessor and the lessee.

Rental expenses under operating leases are amortized on the straight line method. The expense for the years ended June 30, 2009, 2010 and 2011 amounts to $46,798, $48,742 and $50,943, respectively.

The Group has given networking equipment to its customers on sales type and direct finance leases. The future lease receivables in respect of assets given on such leases are as follows:

(in thousands of dollars except per share data and as stated otherwise)

	Total minimum lease payments receivables as on June 30, 2011	Interest included in minimum lease payments receivables	Present value of minimum lease payments receivables
Year ending June 30,			
2012	$17,026	$2,797	$14,230
2013	15,805	1,691	14,114
2014	8,457	572	7,885
2015	1,167	38	1,129
2016	41	20	20
Thereafter	-	-	-
	$42,496	**$5,118**	**$37,378**

The amounts recoverable on account of such leases within one year have been included under other current assets and the balance under other assets.

26. SEGMENT REPORTING

The Group's operations predominantly relate to providing a range of software services targeted at technology vendors, software product companies and medium to large end user organizations. The Group is also engaged in the business of providing infrastructure management services and business process outsourcing services.

Infrastructure management services involve the sale of networking equipment and software, installations and provision of access and maintenance services. Business process outsourcing services involve the provision of customer contact center and technical help desk services.

The Chairman of the Group has been identified as the Chief Operating Decision Maker ("CODM") as defined by FASB guidance (ASC 280-10) on, "Segment Reporting" .The CODM evaluates the Company's performance by business segment, comprising Software services, Infrastructure management services and Business process outsourcing services. Accordingly, the above stated business segments have been identified as reportable segments for the purpose of segment reporting. Corporate activities such as treasury, legal and accounting, are not considered as operating segments, and have been considered as reconciling items. Segment information for prior periods is provided on a comparative basis.

Information on reportable segments for the year ended June 30, 2009 is as follows:

	Software Services	**Infrastructure management services**	**Business process outsourcing services**	**Total**
Revenue	$1,589,199	$355,942	$234,399	$2,179,540
Depreciation and amortization	65,351	15,411	11,483	92,245
Segment earnings	**$302,715**	**$55,519**	**$24,334**	**$382,568**

Information on reportable segments for the year ended June 30, 2010 is as follows:

	Software Services	**Infrastructure management services**	**Business process outsourcing services**	**Total**
Revenue	$1,918,973	$571,702	$213,908	$2,704,583
Depreciation and amortization	76,994	20,587	10,007	107,588
Segment earnings	**$364,085**	**$85,945**	**($4,511)**	**$445,519**

(in thousands of dollars except per share data and as stated otherwise)

Information on reportable segments for the year ended June 30, 2011 is as follows:

	Software Services	Infrastructure management services	Business process outsourcing services	Total
Revenue	$2,523,349	$826,829	$195,122	$3,545,300
Depreciation and amortization	70,150	27,984	11,848	109,982
Segment earnings	**$392,410**	**$126,610**	**($20,964)**	**$498,056**

The CODM assesses the performance of the operating segments based on a measure of segment earnings. This measurement basis adjusts Income before income taxes to exclude the effects of stock based compensation, cash flow hedge accounting gains/losses, foreign exchange gains/losses, finance costs and other income.

A reconciliation of segment earnings to income before income taxes is provided as follows:

	2009	2010	2011
Segment earnings	$382,568	$445,519	$498,056
Stock compensation cost	(16,260)	(19,944)	(21,577)
Foreign exchange gain (loss)	(99,929)	(101,728)	(17,804)
Impairment of intangibles	-	-	(26,692)
Finance cost	(21,785)	(42,387)	(35,544)
Other income, net	56,048	30,875	67,933
Income before income taxes	**$300,642**	**$312,335**	**$464,372**

The Group operates from four geographies: America, Europe, India and Others. Europe comprises business operations conducted in United Kingdom, Sweden, Germany, Italy, Belgium, Netherlands, Northern Ireland, Finland, Poland and Switzerland. All other customers, mainly in Japan, Australia, New Zealand, Hong Kong, Singapore, Israel, South Korea, China, Czech Republic and Malaysia are included in others.

Revenues from the geographic segments, based on domicile of the customers, are as follows:

	2009	2010	2011
America	$1,212,747	$1,591,462	$1,946,734
Europe	616,086	741,759	951,850
India	125,189	116,214	187,192
Others	225,518	255,148	459,524
	$2,179,540	**$2,704,583**	**$3,545,300**

During the year ended June 30, 2009, 2010 and 2011, a single customer accounted for approximately 6.2%, 6.3% and 5.5% and top five customers accounted for 20.4%, 17.7% and 15.4% of the revenue of the Group respectively.

Long-lived assets located in geographic segments are as follows:

	2009	2010	2011
America	$16,672	$26,386	$33,564
Europe	17,186	22,490	23,549
India	293,399	343,026	431,867
Others	4,013	6,152	6,947
	$331,270	**$398,054**	**$495,927**

(in thousands of dollars except per share data and as stated otherwise)

27. FAIR VALUE MEASUREMENT

The Group records certain financial assets and liabilities at fair value on a recurring basis. The Group determines fair values based on the price it would receive to sell an asset or pay transfer a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability.

The Group holds certain fixed income securities, equity securities and derivatives, which must be measured using the FASB's guidance for fair value hierarchy and related valuation methodologies. The guidance specifies a hierarchy of valuation techniques based on whether the inputs to each measurement are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Group's assumptions about current market conditions. The prescribed fair value hierarchy and related valuation methodologies are as follows:

Level 1 —Quoted prices for identical instruments in active markets.

Level 2 —Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations, in which all significant inputs are observable in active markets.

Level 3 —Valuations derived from valuation techniques, in which one or more significant inputs are unobservable.

The following table discloses the assets and liabilities measured at fair value on a recurring basis as of June 30, 2010 and the basis for that measurement:

	Fair value	Level 1 inputs	Level 2 inputs	Level 3 inputs
Assets				
Cash and cash equivalents	$100,901	$100,901	-	-
Term deposits with banks	$234,995	$234,995	-	-
Deposits with corporation	$21,533	$21,533	-	-
Investment securities, held to maturity	$10,767	$10,767	-	-
Investment securities, available for sale	$168,574	$168,574	-	-
Derivative contracts	$786	-	$786	-
Liabilities				
Derivative contracts	($31,424)	-	($31,424)	-

The following table discloses the assets and liabilities measured at fair value on a recurring basis as of June 30, 2011 and the basis for that measurement:

	Fair value	Level 1 inputs	Level 2 inputs	Level 3 inputs
Assets				
Cash and cash equivalents	$116,298	$116,298	-	-
Term deposits with banks	$265,924	$265,924	-	-
Deposits with corporation	$11,187	$11,187	-	-
Investment securities, held to maturity	$21,240	$20,539	-	-
Investment securities, available for sale	$143,767	$143,767	-	-
Derivative contracts	$6,274	-	$6,274	-
Liabilities				
Derivative contracts	($460)	-	($460)	-

Valuation Methodologies

Quoted market prices in active markets are available for investments in securities and, as such, these investments are classified within Level 1.

Derivative Financial Instrument: The Group's derivative financial instruments consist of foreign currency forward exchange contracts. Fair values for derivative financial instruments are based on broker quotations and are classified as Level 2. See note 11 for further details on Derivative Financial Instruments.

(in thousands of dollars except per share data and as stated otherwise)

The fair value of the Group's current assets and current liabilities including short term deposits with Banks, Mutual Funds and Short term loans approximate their carrying values because of their short-term maturity. The fair value of held to maturity investment securities is based on the quoted prices and approximates its fair value.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis - certain assets are measured at fair value on a nonrecurring basis and therefore are not included in the recurring fair value table above. The assets and liabilities consist primarily of long term debt and other nonfinancial assets such as goodwill and intangible assets. Goodwill and intangible assets are measured at fair value initially and subsequently when there is an indicator of impairment and the impairment is recognized.

28. ACCUMULATED OTHER COMPREHENSIVE INCOME

The classification of accumulated other comprehensive income for the period ended June 30, 2009, 2010 and 2011:

	2009	2010	2011
Unrealized gain on securities available for sale	$539	$513	$-
Unrealized loss on cash flow hedges	(134,194)	(19,908)	4,305
Unrealized loss on gratuity	(2,183)	(1,656)	(70)
Cumulative translation adjustment	(63,836)	(87,712)	(28,369)
	($199,674)	**($108,763)**	**($24,134)**

29. SUBSEQUENT EVENT

On July 27,2011 the Group announced an interim dividend of Rs.2.00 per share amounting to Rs1,377 million ($30,817).

The Group has evaluated all the subsequent events through July 27, 2011, which is the date on which these financial statements were issued, and no events have occurred from the balance sheet date through that date that would impact the consolidated financial statements.