



WIPRO LIMITED

UNAUDITED CONDENSED  
CONSOLIDATED FINANCIAL  
STATEMENTS UNDER IFRS

AS OF AND FOR THE QUARTER ENDED JUNE 30, 2009

**WIPRO LIMITED AND SUBSIDIARIES**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Rupees in millions, except share and per share data, unless otherwise stated)

	As of		As of
	June 30, 2009	March 31, 2009	June 30, 2009 Convenience translation into US\$
<b>ASSETS</b>			
Goodwill.....	54,242	56,143	1,136
Intangible assets.....	3,340	3,493	70
Property plant and equipment.....	49,492	49,794	1,037
Investment in equity accounted associates .....	1,751	1,670	37
Other non-current assets.....	9,529	10,785	200
<b>Total non-current assets.....</b>	<b>118,354</b>	<b>121,885</b>	<b>2,479</b>
Inventories.....	6,792	7,586	142
Trade receivables.....	42,724	48,612	895
Other current assets.....	12,506	15,297	262
Unbilled revenues.....	15,797	14,108	331
Available for sale financial investments.....	38,842	16,543	814
Derivative asset.....	1,127	1,162	24
Current tax assets.....	11,139	9,826	233
Cash and cash equivalents.....	36,512	49,117	765
<b>Total current assets.....</b>	<b>165,439</b>	<b>162,251</b>	<b>3,465</b>
<b>TOTAL ASSETS.....</b>	<b>283,793</b>	<b>284,136</b>	<b>5,945</b>
<b>EQUITY</b>			
Share capital.....	2,931	2,930	61
Share premium.....	27,687	27,280	580
Retained earnings.....	135,606	125,502	2,841
Share based payment reserve.....	3,697	3,745	77
Other components of equity.....	(9,178)	(11,771)	(192)
Shares held by control trust.....	(542)	(542)	(11)
Equity attributable to the equity holders of the company.....	160,201	147,144	3,356
Minority Interest.....	266	237	6
<b>Total equity.....</b>	<b>160,467</b>	<b>147,381</b>	<b>3,361</b>
<b>LIABILITIES</b>			
Long - term loans and borrowings.....	19,133	19,681	401
Employee benefit obligations.....	3,182	3,111	67
Other non-current liabilities.....	1,533	1,668	32
<b>Total non-current liabilities.....</b>	<b>23,848</b>	<b>24,460</b>	<b>500</b>
Short - term loans and borrowings and bank overdrafts.....	28,853	37,211	604
Trade payables.....	34,595	35,768	725
Unearned revenues.....	5,199	6,734	109
Current tax liabilities.....	7,118	6,492	149
Derivative liabilities.....	9,086	12,022	190
Other current liabilities.....	14,627	14,068	306
<b>Total current liabilities.....</b>	<b>99,478</b>	<b>112,294</b>	<b>2,084</b>
<b>Total liabilities.....</b>	<b>123,326</b>	<b>136,755</b>	<b>2,583</b>
<b>TOTAL LIABILITIES AND EQUITY.....</b>	<b>283,793</b>	<b>284,136</b>	<b>5,945</b>

**WIPRO LIMITED AND SUBSIDIARIES**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
(Rupees in millions, except share and per share data, unless otherwise stated)

	Three months ended June 30,			Year ended March 31,
	2008	2009	2009	2009
			Convenience translation into US \$	
Gross revenues.....	60,416	63,868	1,337	256,891
Cost of revenues.....	(42,301)	(43,247)	(906)	(180,180)
<b>Gross profit.....</b>	<b>18,115</b>	<b>20,621</b>	<b>432</b>	<b>76,711</b>
Selling and marketing expenses.....	(4,268)	(4,239)	(89)	(17,314)
General and administrative expenses.....	(3,170)	(3,552)	(74)	(14,397)
Foreign exchange gains/(losses), net.....	(697)	(1,406)	(29)	(1,553)
<b>Results from operating activities.....</b>	<b>9,980</b>	<b>11,424</b>	<b>239</b>	<b>43,447</b>
Finance income/(expenses), net.....	(400)	101	2	(1,860)
Other income / (expenses), net.....	716	254	5	2,946
Share of profits of equity accounted associates.....	107	114	2	362
<b>Profit before tax.....</b>	<b>10,403</b>	<b>11,893</b>	<b>249</b>	<b>44,895</b>
Income tax expense.....	(1,443)	(1,740)	(36)	(6,035)
<b>Profit for the period.....</b>	<b>8,960</b>	<b>10,153</b>	<b>213</b>	<b>38,860</b>
<b>Attributable to:</b>				
Equity holders of the company.....	8,948	10,104	212	38,761
Minority interest.....	12	49	1	99
<b>Profit for the period.....</b>	<b>8,960</b>	<b>10,153</b>	<b>213</b>	<b>38,860</b>
<b>Earnings per equity share:</b>				
Basic.....	6.16	6.94	0.15	26.66
Diluted.....	6.11	6.89	0.14	26.50
Weighted average number of equity shares used in computing EPS				
Basic.....	1,452,636,163	1,456,161,032	1,456,161,032	1,454,135,089
Diluted.....	1,463,804,903	1,466,002,776	1,466,002,776	1,462,636,212

**WIPRO LIMITED AND SUBSIDIARIES**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(Rupees in millions, except share and per share data, unless otherwise stated)**

	<b>Three months ended June 30,</b>	<b>Year ended</b>	<b>March 31,</b>
	<b>2009</b>	<b>2009</b>	<b>2009</b>
	<b>Convenience Translation into US \$</b>		
Profit for the period.....	10,153	213	38,860
Income and expense directly recognised in equity:			
Foreign currency translation differences.....	(89)	(2)	749
Effective portion of changes in fair value of cash flow hedges.....	2,538	53	(12,700)
Net changes in fair value of other investments.....	124	3	(239)
<b>Total income and expense directly recognised in equity, net of tax.....</b>	<b>2,573</b>	<b>54</b>	<b>(12,190)</b>
<b>Total comprehensive income.....</b>	<b>12,726</b>	<b>267</b>	<b>26,670</b>
Attributable to:			
Equity holders of the company.....	12,697	266	26,549
Minority interest.....	29	1	121
	12,726	267	26,670

**WIPRO LIMITED AND SUBSIDIARIES**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(Rupees in millions, except share and per share data, unless otherwise stated)

Particulars	No. of Shares	Share Capital	Share premium	Retained earnings	Share based payment reserve	Other components of equity			Shares held by controlled trust	Minority Interest	Total equity
						Foreign currency translation reserve	Cash flow hedging reserve	Other reserves			
As at April 01, 2008.....	1,461,453,320	2,923	25,373	93,584	3,148	(10)	(1,097)	1,548	-	116	125,585
Cash dividend paid.....				(6,843)							(6,843)
Issue of equity shares to controlled trust.....	968,803	2	540						(542)		-
Issue of equity shares on exercise of options .....	2,558,623	5	1,367		(1,271)						101
Profit for the period.....				38,761						99	38,860
Income and (expenses) recognized directly in equity....						727	(12,700)	(239)		22	(12,190)
Compensation cost related to employee share based payment.....					1,868						1,868
<b>As at March 31, 2009.....</b>	<b>1,464,980,746</b>	<b>2,930</b>	<b>27,280</b>	<b>125,502</b>	<b>3,745</b>	<b>717</b>	<b>(13,797)</b>	<b>1,309</b>	<b>(542)</b>	<b>237</b>	<b>147,381</b>
As at April 01, 2009.....	1,464,980,746	2,930	27,280	125,502	3,745	717	(13,797)	1,309	(542)	237	147,381
Issue of equity shares on exercise of options .....	677,140	1	407		(407)						1
Profit for the period.....				10,104						49	10,153
Income and (expenses) recognized directly in equity....						(69)	2,538	124		(20)	2,573
Compensation cost related to employee share based payment.....					359						359
<b>As at June 30, 2009.....</b>	<b>1,465,657,886</b>	<b>2,931</b>	<b>27,687</b>	<b>135,606</b>	<b>3,697</b>	<b>648</b>	<b>(11,259)</b>	<b>1,433</b>	<b>(542)</b>	<b>266</b>	<b>160,467</b>
<b>Convenience translation into US \$</b>		<b>61</b>	<b>580</b>	<b>2,841</b>	<b>77</b>	<b>14</b>	<b>(236)</b>	<b>30</b>	<b>(11)</b>	<b>6</b>	<b>3,361</b>

**WIPRO LIMITED AND SUBSIDIARIES**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in millions except share and per share date)

	Three month ended June 30,		Year ended March 31,	
	2008	2009	2009	2009
			Convenience translation into US\$	
<b>Cash flows from operating activities:</b>				
Profit for the period.....	8,948	10,104	212	38,761
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>				
Gain on sale of property, plant and equipment.....	(5)	(6)	(0)	(28)
Depreciation and amortisation.....	1,569	1,873	39	6,948
Unrealised exchange (gain) / loss.....	697	(542)	(11)	3,702
Deferred cancellation losses relating to roll-over hedging.....	-	325	7	(12,196)
Realised gains/losses transferred from cash flow hedging reserve.....	-	663	14	-
Gain on sale of available for sale financial investments.....	(142)	6	0	(681)
Share based compensation.....	588	359	8	1,868
Income tax expense.....	1,443	1,740	36	6,035
Share of profits of equity accounted associates.....	(107)	(114)	(2)	(362)
Minority interest.....	12	49	1	99
Finance income/expenses, net.....	(174)	(439)	(9)	(1,305)
<b>Changes in operating assets and liabilities:</b>				
Trade and other receivables.....	(2,004)	5,166	108	(7,410)
Unbilled Revenue.....	(3,379)	(1,689)	(35)	(5,594)
Inventories.....	(1,096)	795	17	(922)
Other assets.....	(2,030)	1,697	36	(1,663)
Trade payable.....	4,044	(1,173)	(25)	12,260
Unearned revenue.....	440	(1,535)	(32)	2,465
Other liabilities.....	(330)	1,515	32	1,986
<b>Cash provided by operating activities before interest and taxes.....</b>	<b>8,474</b>	<b>18,795</b>	<b>394</b>	<b>43,963</b>
Income taxes paid / (refund), net.....	1,358	(2,201)	(46)	(7,864)
<b>Net cash provided by operating activities.....</b>	<b>9,832</b>	<b>16,594</b>	<b>348</b>	<b>36,099</b>
<b>Cash flows from investing activities:</b>				
Expenditure on property, plant and equipment.....	(4,208)	(2,522)	(53)	(16,746)
Proceeds from sale of property, plant and equipment.....	91	64	1	358
Purchase of investments.....	(131,096)	(93,943)	(1,968)	(342,717)
Proceeds from sale of investments.....	99,912	71,878	1,506	341,687
Investments in inter-corporate deposits.....	(250)	2,250	47	(3,750)
Payment for acquisitions, net of cash acquired.....	(81)	-	-	(6,679)
Interest received.....	344	445	9	1,398
Dividend received.....	574	260	5	2,266
<b>Net cash provided by/(used) in investing activities.....</b>	<b>(34,714)</b>	<b>(21,568)</b>	<b>(452)</b>	<b>(24,183)</b>
<b>Cash flows from financing activities:</b>				
Proceeds from issuance of equity shares.....	27	2	-	63
Share application money pending allotment.....	23	(0)	-	15
Proceeds from/(repayments of) short-term borrowing, net.....	4,238	(6,491)	(136)	5,927
Repayment of long-term debt.....	(123)	(153)	(3)	(460)
Proceeds from long-term debt.....	170	124	3	425
Interest paid on borrowings.....	(775)	(398)	(8)	(2,400)
Payment of cash dividend.....	-	-	-	(6,829)
<b>Net cash provided by/(used) in financing activities.....</b>	<b>3,560</b>	<b>(6,916)</b>	<b>(145)</b>	<b>(3,259)</b>
Net increase / (decrease) in cash and cash equivalents during the period.....	(21,322)	(11,890)	(249)	8,657
Effect of exchange rate changes on cash.....	405	(118)	(2)	663
Cash and cash equivalents at the beginning of the period.....	38,912	48,232	1,010	38,912
Cash and cash equivalents at the end of the period.....	17,995	36,224	759	48,232

# Wipro Limited and Subsidiaries

Quarter ended June 30, 2009

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## **A. Company overview**

Wipro Limited ('Wipro' or the 'parent company'); together with its subsidiaries and equity accounted associates (collectively, the Company or the Group) is a leading India based provider of IT Services, including Business Process Outsourcing (BPO) services, globally. Further, Wipro has other businesses such as IT Products and Consumer Care and Lighting.

Wipro is a public limited company incorporated and domiciled in India. The address of its registered office is Wipro Limited, Doddakannelli, Sarjapur Road, Bangalore - 560 035, Karnataka, India. Wipro has its primary listing with Bombay Stock Exchange and National Stock exchange in India. The company's American Depository Shares representing equity shares are also listed in New York Stock exchange.

## **B. Basis of preparation of financial statements**

### **1) Statement of compliance**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and its interpretations (IFRS), as issued by the International Accounting Standards Board (IASB).

### **2) Basis of preparation**

These consolidated financial statements are covered by IFRS 1, First time adoption of IFRS, as they are part of the period covered by the Company's first IFRS financial statements for the year ending March 31, 2010 and are prepared in accordance with IAS 34, Interim financial reporting.

The transition was carried out from the accounting principles generally accepted in India (Indian GAAP) which is considered as previous GAAP, as defined in IFRS 1. An explanation of how the transition to IFRS has impacted the Company's equity and profits is provided in Note C (13).

The preparation of these consolidated financial statements resulted in changes to the accounting policies as compared to most recent annual financial statements prepared under Indian GAAP ("Previous GAAP"). Accounting policies have been applied consistently to all periods presented in the consolidated financial statements. They have also been applied in preparing the IFRS opening balance sheet as at April 1, 2008 for the purpose of transition to IFRS and as required by IFRS 1. These accounting policies have been applied consistently by all entities within the Group.

The consolidated statement of financial position corresponds to the classification provisions contained in IAS 1 Presentation of Financial Statements. For clarity, various items are aggregated in the income statements and Statement of financial position. These items are disaggregated separately in the Notes, where applicable.

### **3) Basis of measurement**

The consolidated financial statements have been prepared on a historical cost convention and on an accrual basis, except for certain financial instruments that have been measured at fair value as required by relevant IFRS.

**4) Convenience translation**

The accompanying consolidated financial statements have been prepared and reported in Indian rupees, the national currency of India. Solely for the convenience of the readers, the consolidated financial statements as of and for the quarter ended June 30, 2009, have been translated into United States dollars at the certified foreign exchange rates published by Federal Reserve Board of New York on June 30, 2009, of \$ 1 = Rs. 47.74. No representation is made that the Indian rupee amounts have been, could have been or could be converted into United States dollars at such a rate or any other rate.

**C. SIGNIFICANT ACCOUNTING POLICIES**

**1) Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account.

*Associates (equity accounted investees)*

Associates are those entities on which the Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20 and 50 percent of the voting power of another entity. Investment in associates are accounted for using the equity method (equity accounted investees) and are initially recognized at cost.

All intra-company balances, transactions, income and expenses including unrealized income or expenses are eliminated in full on consolidation.

**2) Functional and presentation currency**

Items included in the consolidated financial statements of each of the Company's subsidiaries and associates are measured using the currency of the primary economic environment in which those entities operate (the 'functional currency'). The consolidated financial statements are presented in Indian Rupee, the national currency of India, which is the functional currency of Wipro Limited and its domestic subsidiaries.

**3) Foreign currency transactions and translation**

**(i) Transactions in foreign currency**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income.

**(ii) Foreign operations**

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Company's foreign operations that have local functional currency are translated into Indian Rupee using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in equity as part of the Company's foreign currency translation reserve (FCTR). Such exchange differences are recognized in statement of income in the period in which such



foreign operation is disposed. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the exchange rate prevailing at the reporting date.

**(iii) Others**

Foreign currency differences arising on the translation of a financial liability designated as a hedge of a net investment in a foreign operation are recognized directly in equity in the FCTR, to the extent the hedge is effective. To the extent the hedge is ineffective such differences are recognized in the Statement of Income. When the hedged part of the net investment is disposed, the associated cumulative amount recognised in equity is transferred to the statement of income as an adjustment to the profit or loss on disposal. Foreign currency differences arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of net investment in foreign operation and are recognized directly in equity in the FCTR.

**4) Financial Instruments**

**(i) Non-derivative financial instruments**

Non-derivative financial instruments consist of (i) financial assets, which include cash and cash equivalents, trade receivables, unbilled revenues, finance lease receivables, employee and other advances, investments in equity and debt securities and other current and non-current assets; (ii) financial liabilities, which include long and short-term loans and borrowings, bank overdrafts, trade payable, other current liabilities and non-current liabilities.

Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit and loss, any directly attributable transaction costs. Subsequent to initial recognition, Non derivative financial instruments are measured as described below:

*Cash and cash equivalents:*

The Company's cash and cash equivalent consist of cash on hand and in banks and investments in highly liquid instruments that are purchased with remaining maturities, of three months or less.

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

*Available-for-sale investments:*

The Company's investments in equity securities, other than equity accounted investments and debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognized directly in equity along with the corresponding tax effect. When an investment is derecognized, the cumulative gain or loss in equity is transferred to the statement of income.

*Others:*

Other non-derivative financial instruments are measured at amortized cost using the effective interest method, less any impairment losses.

**(ii) Derivative financial instruments**

The Company is exposed to foreign currency fluctuations on foreign currency assets, liabilities, net investment in foreign operations and forecasted cash flows denominated in foreign currency.

The Company limits the effect of foreign exchange rate fluctuations by following established risk management policies including the use of derivatives. The Company enters into derivative financial instruments where the counterparty is a bank.

Derivatives are recognized initially at fair value; attributable transaction costs are recognized in the statement of income when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

*Cash flow hedges:*

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognized directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognized in the statement of income. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in equity is transferred to the statement of income upon the occurrence of the forecasted transaction.

*Hedges of net investment in foreign operations:*

The Company also designates derivative financial instruments as hedges of net investment in foreign operations. Changes in the fair value of the derivative hedging instrument designated as hedge of net investment in foreign operations are recognized directly in equity to the extent that the hedge is effective. The cumulative gain or loss previously recognized in equity is transferred to the statement of income upon sale or disposal of the related net investment in foreign operation. To the extent that the hedge is ineffective, changes in fair value are recognized in the statement of income.

**5) Property, plant and equipment**

**(i) Recognition and measurement**

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures directly attributable to the acquisition of the asset. Borrowing costs directly attributable to the construction or production of a qualifying asset are capitalized as part of the cost of that asset.

**(ii) Depreciation**

The Company depreciates property, plant and equipment over the estimated useful life using the straight-line method. Assets under finance lease and leasehold improvements are amortized over the shorter of estimated useful life or the related lease term. The estimated useful lives of assets are as follows:

<b>Category</b>	<b>Useful life</b>
Buildings.....	30 to 60 years
Plant and machinery.....	2 to 21 years
Computer equipment.....	2 to 6 years

# Wipro Limited and Subsidiaries

Quarter ended June 30, 2009

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Furniture, fixtures and equipment.....	3 to 10 years
Vehicles.....	4 years

Depreciation methods, useful lives and residual values are reviewed at each reporting period. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Software for internal use is primarily acquired from third-party vendors and is in ready to use condition. Costs for acquiring this software are capitalized and subsequent costs are charged to the statement of income. The capitalized costs are amortized on a straight-line basis over the estimated useful life of the software.

Deposits and advances paid towards the acquisition of property, plant and equipment outstanding as of each balance sheet date and the cost of property, plant and equipment not ready for use before such date are disclosed under capital work- in-progress.

The subsequent cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measure reliably. The carrying amount of the replaced part is derecognized. The costs of the day to day servicing / repairs and maintenance of property, plant and equipment are recognized in the statement of income as incurred.

## **6) Business combination, goodwill and intangible assets**

Business combinations are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of acquisition, irrespective of the extent of any minority interest.

### **(i) Goodwill**

Goodwill is initially measured at cost being the excess of the cost of the business combination over the Company's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized immediately in the statement of income.

Goodwill is tested for impairment at least annually and when events occur or changes in circumstances indicate that the recoverable amount of the cash generating unit is less than its carrying value. The goodwill impairment test is performed at the level of cash-generating unit or groups of cash-generating units which represent the lowest level at which goodwill is monitored for internal management purposes.

### **(ii) Intangible**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

Intangible assets with finite lives are amortised over the estimated useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The

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amortization of an intangible asset with a finite useful life reflects the manner in which the economic benefit is expected to be generated and consumed. These estimates are reviewed at least at each financial year end.

The estimated useful lives of the amortizable intangibles assets are as follows:

Category	Useful life
Customer-related intangibles.....	2 to 5 years
Marketing related intangibles.....	2 to 30 years
Technology-based intangibles.....	2 to 6 years

## 7) Inventories

Finished goods are valued at cost or net realizable value, whichever is lower. Other inventories are valued at cost less provision for obsolescence. Small value tools and consumables are charged to consumption on purchase. Cost is determined using weighted average method.

## 8) Share based payment transaction

Employees of the Company receive remuneration in the form of equity instruments, for rendering services over a defined vesting period. Equity instruments granted is measured by reference to the fair value of the instrument at the date of grant. Since these are granted at a nominal exercise price, the intrinsic value on the date of grant approximates the fair value. The expense is recorded by a corresponding increase to the share based payment reserve, a component of equity.

The equity instruments generally vest in a graded manner over the vesting period. The fair value determined at the grant date is expensed over the vesting period of respective tranches (accelerated amortization). The stock compensation expense is determined based on the Company's estimate of equity instruments that will eventually vest.

## 9) Revenue

The Company derives revenue primarily from software development and related services, BPO services, sale of IT and other products.

### (i) Services:

The method for recognizing revenues and costs depends on the nature of the services rendered:

#### *Time and materials contracts*

Revenues and costs relating to time and materials contracts are recognized as the related services are rendered.

#### *Fixed-price contracts*

Revenues from fixed-price contracts, including systems development and integration contracts are recognized using the "percentage-of-completion" method. Percentage of completion is determined based on project costs incurred to date as a percentage of total estimated project costs required to complete the project. The cost (or input) method has been used to measure progress towards completion as there is a direct relationship between input and productivity. If the Company does not have a sufficient basis to measure the progress of completion or to estimate the total contract revenues and costs, revenue is recognized only to the extent of contract cost incurred for which recoverability is probable. When total cost estimates exceed

revenues in an arrangement, the estimated losses are recognized in the statement of income in the period in which such losses become probable based on the current contract estimates.

'Unbilled revenues' represent cost and earnings in excess of billings as at the end of the reporting period. 'Unearned revenues' represent billing in excess of revenue recognized.

*Maintenance contract*

Revenue from maintenance contracts is recognized rateably over the period of the contract.

**Products**

Revenue from products are recognized when the significant risks and rewards of ownership have transferred to the buyer, continuing managerial involvement usually associated with ownership and effective control have ceased, the amount of revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

**(ii) Multiple element arrangements**

For all revenue arrangements with multiple deliverables, based on guidance in IAS 18 Revenue, the Company allocates revenue to each separately identifiable component of the transaction. The total arrangement consideration is allocated to such components based on their relative fair values.

**Others**

The Company accounts for volume discounts and pricing incentives to customers by reducing the amount of discount from the amount of revenue recognized at the time of sale.

Revenues are shown net of sales tax, value added tax, service tax and applicable discounts and allowances. Revenue includes excise duty.

**10) Income tax**

Income tax comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent it relates to items directly recognized in equity, in which case it is recognized in equity.

**(i) Current income tax**

Current income tax for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the taxable income for that period. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

**(ii) Deferred income tax**

Deferred income tax is recognised using the balance sheet approach, deferred tax is recognized on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized:

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

## 11) Derivatives and hedge accounting

The Company has designated a yen-denominated foreign currency borrowing amounting to JPY 27 billion (June 30, 2008: JPY 27 billion, March 31, 2009: JPY 27 billion) along with a floating for floating Cross-Currency Interest Rate Swap (CCIRS), as a hedging instrument to hedge its net investment in a non-integral foreign operation. In addition, the Company has also designated yen-denominated foreign currency borrowing amounting to JPY 8 billion (June 30, 2008: Nil, March 31, 2009: JPY 8 billion) along with floating for fixed CCIRS as cash flow hedge of the yen-denominated borrowing and also as a hedge of net investment in a non-integral foreign operation

Accordingly, the translation gain/ (loss) on the foreign currency borrowings and portion of the changes in fair value of CCIRS which are determined to be effective hedge of net investment in non-integral operation aggregating to Rs. 935 Million (June 30, 2008: Rs (660) Million, March 31, 2009: Rs (3,044) Million) was recognized in translation reserve / hedging reserve in shareholders' funds.

The amount of gain of Rs 1,081 Million (June 30, 2008: Rs. (660) Million, March 31, 2009: Rs (3,753) Million) recognized in translation reserve would be transferred to profit and loss account upon sale or disposal of non-integral foreign operations and the amount of loss of Rs 103 Million (June 30, 2008: Nil, March 31, 2009: gain of Rs 709 Million) recognized in the hedging reserve would be transferred to profit and loss upon occurrence of the hedged transaction

As of June 30, 2009, the Company had derivative financial instruments to sell USD 1,265 Million, GBP 50 Million, JPY 5,742 Million, AUD 21 million, CCIRS of JPY 8 Billion and to buy USD 70 Million relating to highly probable forecasted transactions. As of June 30, 2008, the Company had derivative financial instruments to sell USD 2,639 Million, GBP 75 Million, EUR 18 Million and JPY 7,682 relating to highly probable forecasted transactions. As of March 31, 2009, the Company had derivative financial instruments to sell USD 1,060 Million, GBP 54 Million, JPY 6,130 and CCIRS of JPY 8 Billion relating to highly probable forecasted transactions. As of June 30, 2009, the Company has recognised mark-to-market losses of Rs 12,748 Million (June 30, 2008: Rs. 9,344 Million, March 31, 2009: Rs 16,150 Million) relating to derivative financial instruments that are designated as effective cash flow hedges in the shareholders' funds.

As of June 30, 2009, the Company had undesignated derivative financial instruments to sell USD 267 Million, GBP 61 Million and EUR 27 Million. As of June 30, 2008 the Company had undesignated derivative financial instruments to sell USD 266 Million, GBP 55 Million and EUR 33 Million. As of March 31, 2009, the Company had undesignated derivative financial instruments to sell USD 612 Million, GBP 53 Million and EUR 39 Million. The Company has recognized mark-to-market gain/ (losses) on such derivative financial instruments through the profit and loss account.

## 12) Segment report

The Company is currently organized by segments, including IT Services (comprising of IT Services and BPO Services segments), IT Products, Consumer Care and Lighting and 'Others'.

The Chairman of the Company has been identified as the Chief Operating Decision Maker (CODM) as defined by IFRS 8, Operating Segments. The Chairman of the Company evaluates the segments based on their revenue growth, operating income and return on capital employed. The management believes that return on capital employed is considered appropriate for evaluating the performance of its operating segments. Return on capital employed is calculated as operating income divided by the average of the capital employed at the beginning and at the end of the period. Capital employed includes total assets of the respective segments less all liabilities, except for short-term borrowings, long-term debt and obligations under capital leases.

IT Services segment provides IT and IT enabled services to customers. Key service offering includes software application development, application maintenance, research and development services for hardware and software design, data center outsourcing services and business process outsourcing services. IT products segment sells a range of Wipro personal desktop computers, Wipro servers and Wipro notebooks and is a value added reseller of desktops, servers, notebooks, storage products, networking solutions and packaged software for leading international brands.

The Consumer Care and Lighting segment manufactures, distributes and sells soaps, toiletries, lighting products and hydrogenated cooking oils for the Indian and Asian market.

'Others' consist of business segments that do not meet the requirements individually for a reportable segment as defined in IFRS 8. Corporate activities such as treasury, legal and accounting, which do not qualify as operating segments under IFRS 8 have been considered as reconciling items.

Revenues include excise taxes of Rs. 183 Mn (30 June 2008: Rs 332 Mn and 31 March 2009: Rs. 176 Mn). For the purpose of segment reporting, the segment revenues are net of excise taxes. Excise taxes are reported in reconciling items.

For evaluating performance of the individual business segments, stock compensation expense is allocated on the basis of straight line amortization. The incremental impact of accelerated amortization of stock compensation expense over stock compensation expense allocated to the individual business segments is reported in reconciling items.

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Information on reportable segments is as follows:

Three months ended June 30, 2009 (unaudited)

	IT Services & Products			Consumer Care and Lighting	Others	Reconciling Items	Entity Total
	IT Services	IT Products	Total				
Revenue.....	Rs. 48,266	Rs. 7,337	Rs. 55,603	Rs. 5,198	Rs. 1,485	Rs. 176	Rs. 62,462
Cost of revenues.....	(32,365)	(6,439)	(38,804)	(2,598)	(1,633)	(212)	(43,247)
Selling and marketing expenses.....	(2,336)	(332)	(2,668)	(1,473)	(63)	(35)	(4,239)
General and administrative expenses.....	(2,867)	(274)	(3,141)	(335)	(52)	(24)	(3,552)
Operating margin.....	<b>Rs. 10,698</b>	<b>Rs. 292</b>	<b>Rs. 10,990</b>	<b>Rs. 792</b>	<b>Rs. (263)</b>	<b>Rs. (95)</b>	<b>Rs. 11,424</b>
Average capital employed.....			Rs. 115,317	Rs. 18,395	Rs. 5,514	Rs. 66,346	Rs. 205,572
Return on capital employed.....			38%	17%	-19%	-1%	22%



Wipro Limited and Subsidiaries  
Quarter ended June 30, 2009

Information on reportable segments is as follows:

Three months ended June 30, 2008 (unaudited)

	IT Services & Products			Consumer Care and Lighting	Others	Reconciling Items	Entity Total
	IT Services	IT Products	Total				
Revenue.....	Rs. 44,028	Rs. 7,322	Rs. 51,350	Rs. 4,749	Rs. 3,286	Rs. 334	Rs. 59,719
Cost of revenues.....	(29,528)	(6,722)	(36,250)	(2,656)	(2,919)	(476)	(42,301)
Selling and marketing expenses.....	(2,646)	(264)	(2,910)	(1,184)	(92)	(82)	(4,268)
General and administrative expenses.....	(2,687)	(78)	(2,765)	(286)	(36)	(83)	(3,170)
Operating margin.....	<b>Rs. 9,167</b>	<b>Rs. 258</b>	<b>Rs. 9,425</b>	<b>Rs. 623</b>	<b>Rs. 239</b>	<b>Rs. (307)</b>	<b>Rs. 9,980</b>
Average capital employed.....			Rs. 92,447	Rs. 17,591	Rs. 6,521	Rs. 58,047	Rs. 174,606
Return on capital employed.....			41%	14%	15%	-2%	23%

Wipro Limited and Subsidiaries  
Quarter ended June 30, 2009

Information on reportable segments is as follows:

Three months ended March 31, 2009 (unaudited)

	IT Services & Products			Consumer Care and Lighting	Others	Reconciling Items	Entity Total
	IT Services	IT Products	Total				
Revenue.....	Rs. 49,306	Rs. 8,761	Rs. 58,067	Rs. 4,802	Rs. 1,320	Rs. 327	Rs. 64,516
Cost of revenues.....	(33,000)	(7,960)	(40,960)	(2,594)	(1,501)	(308)	(45,363)
Selling and marketing expenses.....	(2,610)	(361)	(2,971)	(1,238)	(59)	(51)	(4,319)
General and administrative expenses.....	(3,028)	(150)	(3,178)	(275)	(93)	(28)	(3,574)
Operating margin.....	<b>Rs. 10,668</b>	<b>Rs. 290</b>	<b>Rs. 10,958</b>	<b>Rs. 695</b>	<b>Rs. (333)</b>	<b>Rs. (61)</b>	<b>Rs. 11,259</b>
Average capital employed.....			Rs. 109,927	Rs. 18,861	Rs. 5,685	Rs. 59,926	Rs. 194,399
Return on capital employed.....			40%	15%	-23%	0%	23%

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Information on reportable segments is as follows:

- (1) Operating income of segments is after amortization of stock compensation expense arising from the grant of options:

Segments	Three months ended June 30,		Three months ended March 31,	
	2008	2009	2009	
	(unaudited)	(unaudited)	(unaudited)	
IT Services.....	Rs. 373	Rs. 332	Rs. 369	
IT Products .....	28	25	27	
Consumer Care and Lighting ...	20	16	16	
Others.....	5	4	5	
Reconciling.....	162	(18)	(34)	

- (2) Return on capital employed is computed based on the average of the capital employed at the beginning and at the end of the period.

The Company has four geographic segments: India, United States, Europe and Rest of the world. Revenues from the geographic segments based on domicile of the customer are as follows:

	Three months ended June 30,		Three months ended March 31,	
	2008	2009	2009	
	(unaudited)	(unaudited)	(unaudited)	
India.....	Rs. 12,854	Rs. 12,733	Rs. 13,471	
United States.....	26,167	26,836	30,033	
Europe.....	14,473	12,275	13,335	
Rest of the world.....	6,226	10,618	7,677	
	<u>Rs. 59,719</u>	<u>Rs. 62,462</u>	<u>Rs. 64,516</u>	

### **13) Transition to IFRS**

As stated in Note B (2), the Company's consolidated financial statements for the year ending March 31, 2010 would be the first annual consolidated financial statements prepared to comply with IFRS. All interim financial statements are also prepared in compliance with IFRS.

The adoption of IFRS was carried out in accordance with IFRS 1, using April 1, 2008 (the "Transition date") as the transition date. The transition was carried out from Indian GAAP, which was considered as the Previous GAAP. The effect of adopting IFRS has been summarized in the reconciliations provided below.

All applicable IFRS has been applied consistently and retrospectively, wherever, required. The resulting difference between the carrying amounts of the assets and liabilities in the consolidated financial statements under both IFRS and Indian GAAP as of the transition date are recognized directly in equity at the date of transition to IFRS.

In preparing these consolidated financial statements, the Company has availed itself of certain exemptions and exceptions in accordance with IFRS 1.

#### **Exemptions from retrospective application:**

##### **(i) Business Combination Exemption**

The Company has applied the exemption as provided in IFRS 1 on non-application of IFRS 3, "Business Combinations" to business combinations consummated prior to the date of transition, pursuant to this goodwill arising from business combination has been stated at the carrying amount under Previous GAAP. Further, intangible assets and the related deferred tax assets which were subsumed in goodwill under previous GAAP were not recognized in the opening balance sheet as at April 1, 2008 since these did not qualify for recognition in the separate balance sheet of the acquired entities. The Company has adjusted goodwill relating to past business combinations, for contingent consideration the payment which was estimated to be probable.

##### **(ii) Share-based payment transaction exemption**

The Company has elected to apply the share based payment exemption available under IFRS 1 on application of IFRS 2, Share Based Payment, to only grants made after November 7, 2002 which remained unvested as of the Transition date.

##### **(iii) Borrowing costs**

The Company had the policy of capitalizing borrowing costs under its Previous GAAP for all qualifying assets. Accordingly, the Company has capitalized borrowing cost in respect of qualifying costs prior to the Transition date.

#### **Exceptions from full retrospective application:**

##### **(i) Hedge accounting exception**

The Company had followed hedge accounting under Previous GAAP which is aligned to IFRS. Accordingly, this exception of not reflecting in its opening IFRS statement of financial position a hedging relationship of a type that does not qualify for hedge accounting under IAS 39, is not applicable to the Company.

##### **(ii) Estimates exception**

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Upon an assessment of the estimates made under Previous GAAP, the Company has concluded that there was no necessity to revise such estimates under IFRS, except where estimates were required by IFRS and not required by Previous GAAP.

### **Reconciliations:**

The following reconciliations provide a quantification of the effect of the transition to IFRS from the Previous GAAP in accordance with IFRS 1

- equity at April 1, 2008
- equity at June 30, 2008
- equity at March 31, 2009
- net income for the three months ended June 30, 2008
- net income for the year ended March 31, 2009

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## RECONCILIATION OF EQUITY AS OF APRIL 1, 2008

*Rs in Millions*

Particulars	Amount as per Previous GAAP	Effect of Transition to IFRS	Amount as per IFRS	Relevant Notes for adjustments
Goodwill.....	42,209	426	42,635	8
Property, plant and equipment and intangible assets....	41,583	(239)	41,344	1,2
Available for sale investments.....	14,679	568	15,247	3
Investment in associates.....	1,343	-	1,343	
Inventories.....	6,664	-	6,664	
Trade receivables.....	40,453	(100)	40,353	4
Unbilled revenues.....	8,514	-	8,514	
Cash and cash equivalents.....	39,270	-	39,270	
Net tax assets.....	3,632	854	4,486	5
Other assets.....	13,980	1,399	15,379	2(a),4,9,10
<b>TOTAL ASSETS.....</b>	<b><u>212,327</u></b>	<b><u>2,908</u></b>	<b><u>215,235</u></b>	
Share capital and share premium.....	28,296	-	28,296	
Retained earnings.....	86,764	6,820	93,584	
Cash flow hedging reserve.....	(1,097)	-	(1,097)	
Other reserves (including minority interest).....	3,067	1,735	4,802	3,7
<b>Total equity (A).....</b>	<b><u>117,030</u></b>	<b><u>8,555</u></b>	<b><u>125,585</u></b>	
Borrowings.....	44,850	-	44,850	
Trade payables and accrued expenses.....	28,675	-	28,675	
Unearned revenues.....	4,269	-	4,269	
Employee benefit obligations.....	2,737	-	2,737	
Other liabilities.....	14,766	(5,647)	9,119	6,8,10
<b>Total liabilities (B).....</b>	<b><u>95,297</u></b>	<b><u>(5,647)</u></b>	<b><u>89,650</u></b>	
<b>TOTAL LIABILITIES AND EQUITY (A)+(B).....</b>	<b><u>212,327</u></b>	<b><u>2,908</u></b>	<b><u>215,235</u></b>	

Notes:

- 1) Under IFRS, the amortization charge in respect of finite life intangible assets is recorded in proportion of economic benefits consumed during the period to the expected total economic benefits from the intangible asset. Under previous GAAP, finite life intangible assets are amortized usually on a straight line basis over their useful life. As a result the amortization under IFRS is lower by Rs 101 Mn as of April 1, 2008.
- 2) Listed below are the key differences in Property, Plant and equipment between IFRS and Previous GAAP:
  - a) Under IFRS lease of land are classified as an operating lease unless the title to the leasehold land is expected to be transferred to the Company at the end of the lease period. Lease rentals paid in advance and lease deposits are recognized as other assets. Under Previous GAAP, the lease

## Wipro Limited and Subsidiaries

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rentals paid in advance and lease deposits are recognized in property, plant and equipment. Under IFRS, Rs. 645 Mn of payments towards lease of land has been reclassified from property plant and equipment to other assets. This did not have any impact on the retained earnings.

- b) Difference in the basis of interest capitalization between Previous GAAP and IFRS resulted in higher capitalization by Rs 305 Mn under IFRS.
- 3) Under IFRS, available for sale investments are measured at fair value at each reporting date. The changes in fair value of such investments, net of deferred taxes, are recognized directly in equity. Under Previous GAAP, short-term investments are measured at lower of cost or fair value. Consequently, carrying value of the available for sale investments under IFRS is higher by Rs 568 Mn (tax effect Rs 165 Mn).
- 4) Under IFRS an entity is required to allocate revenue to separately identifiable components of a customer arrangement. The revenue relating to these components are recognized when the appropriate revenue recognition criteria is met. The Company has deferred revenues primarily relating to installation services. Under Previous GAAP, installation services are considered to be incidental / perfunctory to product delivery. Entire revenue is recognized, when the products are delivered in accordance with the contractual terms, and expected cost of installation services is also recognized.

Consequently, under IFRS the Company has deferred revenue of Rs. 100 Mn and reversed Rs. 78 Mn of cost accrued for installation services. The deferred revenues are recognized when the related installation services is performed.

- 5) Under IFRS, tax benefits from carry forward tax losses is recognized if it is probable that sufficient taxable profits would be available in the future to realize the tax benefits. Under previous GAAP, deferred tax asset in respect of carry forward tax losses is recognized if it is virtually certain that sufficient future taxable income would be available in the future to realize the tax benefits.

Further, Indian GAAP requires an entity to follow the income statement approach for recognizing deferred taxes, while IFRS mandates the balance sheet approach in recognizing deferred taxes. As a result, net deferred tax assets under IFRS are higher by Rs 854 Mn.

- 6) Under Previous GAAP, liability is recognized in respect of proposed dividend even-though the dividend is expected to be approved by the shareholders subsequent to the reporting date. Under IFRS, liability for dividend is recognized only when it is approved by shareholders. Accordingly, provisions under IFRS is lower by Rs 6,839 Mn.
- 7) The Company grants share options to its employees. These share options vest in a graded manner over the vesting period. Under IFRS, each tranche of vesting is treated as a separate award and the stock compensation expense relating to the tranche is amortized over the vesting period for the tranche. This results in accelerated amortization of stock compensation expense in the initial years following the grant of share options.

Previous GAAP permits an entity to recognize the stock compensation expense, relating to share options which vest in a graded manner, on a straight-line basis over the requisite vesting period for the entire award. However, the amount of compensation cost recognized at any date must at least equal the portion of the grant-date value of the award that is vested at that date.

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Accordingly, the stock compensation expense recognized under IFRS is higher by Rs. 1,332 Mn.

- 8) Under IFRS, contingent consideration relating to acquisitions is recognized if it is probable that such consideration would be paid and can be measured reliably. Under Previous GAAP, contingent consideration is recognized only after the contingency is resolved and additional consideration becomes payable. As a result, under IFRS, the Company has recognized Rs 426 Mn of contingent consideration and recognized additional goodwill.
- 9) Under IFRS, loans and receivables are recognized at amortized cost. As a result carrying value of such loans and receivables under IFRS is lower by Rs. 154 million.
- 10) Indian tax laws, levies Fringe benefit Tax (FBT) on all stock options exercised on or after April 1, 2007. The Company has modified share options plan to recover FBT from the employee. Under IFRS 2, Share based payment, the FBT paid to the tax authorities is recorded as a liability over the period that the employee renders services. Recovery of the FBT from the employee is accounted as a reimbursement right under IAS 37, Provisions, contingent liabilities and contingent assets, as it is virtually certain that the Company will recover the FBT from the employee. Accordingly, under IFRS the Company has recognized the reimbursement right as a separate asset, not to exceed the FBT liability recognized at each reporting period.

Under Previous GAAP, FBT liability and the related FBT recovery from the employee is recorded at the time of exercise of stock option by the employee. Accordingly, under IFRS the Company has recognized Rs. 766 Mn as provision and reimbursement right in respect of unvested stock options.



**RECONCILIATION OF EQUITY AS OF JUNE 30, 2008**

*Rs in Millions*

Particulars	Amount as per Previous GAAP	Effect of Transition to IFRS	Amount as per IFRS	Relevant Notes for adjustments
Goodwill.....	44,847	426	45,273	9
Property, plant and equipment and intangible assets....	44,884	(599)	44,285	1,2
Available for sale investments.....	46,005	587	46,592	3
Investment in associates.....	1,451	-	1,451	
Inventories.....	7,760	-	7,760	
Trade receivables.....	43,042	(144)	42,898	4
Unbilled revenues.....	11,892	-	11,892	
Cash and cash equivalents.....	18,348	-	18,348	
Net tax assets.....	560	1,859	2,419	5
Other assets.....	16,488	2,063	18,551	2(a),4, 10
<b>TOTAL ASSETS.....</b>	<b><u>235,277</u></b>	<b><u>4,192</u></b>	<b><u>239,469</u></b>	
Share capital and share premium.....	28,555	-	28,555	
Retained earnings.....	95,751	6,782	102,533	
Cash flow hedging reserve.....	(9,344)	1,028	(8,316)	7
Other reserves (including minority interest).....	3,509	1,902	5,411	3,8
<b>Total equity (A).....</b>	<b><u>118,471</u></b>	<b><u>9,712</u></b>	<b><u>128,183</u></b>	
Borrowings.....	50,693	-	50,693	
Trade payables and accrued expenses.....	32,987	-	32,987	
Unearned revenues.....	4,709	-	4,709	
Employee benefit obligations.....	2,629	-	2,629	
Other liabilities.....	25,788	(5,520)	20,268	6,9,10
<b>Total liabilities (B).....</b>	<b><u>116,806</u></b>	<b><u>(5,520)</u></b>	<b><u>111,286</u></b>	
<b>TOTAL LIABILITIES AND EQUITY (A)+(B).....</b>	<b><u>235,277</u></b>	<b><u>4,192</u></b>	<b><u>239,469</u></b>	

Notes:

- 1) Under IFRS, the amortization charge in respect of finite life intangible assets is recorded in the proportion of economic benefits consumed during the period to the expected total economic benefits from the intangible asset. Under previous GAAP, finite life intangible assets are amortized usually on a straight line basis over their useful life. As a result the amortization under IFRS is lower by Rs 115 Mn as of June 30, 2008.
- 2) Listed below are the key differences in Property, Plant and equipment between IFRS and Previous GAAP:
  - a) Under IFRS, lease of land are classified as an operating lease unless the title to the leasehold land is expected to be transferred to the Company at the end of the lease period. Lease rentals paid in advance and lease deposits are recognized as other assets. Under Previous GAAP, the lease rentals paid in advance and lease deposits are recognized in property, plant and equipment. Under

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IFRS, Rs. 1,044 Mn of payments towards lease of land has been reclassified from property plant and equipment to other assets. This did not have any impact on the retained earnings.

- b) Difference in the basis of interest capitalization between Previous GAAP and IFRS resulted in higher capitalization by Rs 336 Mn under IFRS.
- 3) Under IFRS, available for sale investments are measured at fair value at each reporting date. The changes in fair value of such investments, net of deferred taxes, are recognized directly in equity. Under previous GAAP, short-term investments are measured at lower of cost or fair value. Consequently, carrying value of the available for sale investments under IFRS is higher by Rs 587 Mn (tax effect Rs 172 Mn).
- 4) Under IFRS, an entity is required to allocate revenue to separately identifiable components of a customer arrangement. The revenue relating to these components are recognized when the appropriate revenue recognition criteria is met. The Company has deferred revenues relating to installation services. Under previous GAAP, installation services are considered to be incidental / perfunctory to product delivery. Entire revenue is recognized, when the products are delivered in accordance with the contractual terms, and expected cost of installation services is also recognized.

Consequently, under IFRS the Company has deferred revenue of Rs. 144 Mn and reversed Rs. 127 Mn of cost accrued for installation services. The deferred revenues are recognized when the related installation services is performed.

- 5) Under IFRS, tax benefits from carry forward tax losses is recognized if it is probable that sufficient taxable profits would be available in the future to realize the tax benefits. Under previous GAAP, deferred tax in respect of carry forward tax losses is recognized if it is virtually certain that sufficient future taxable income would be available in the future to realize the tax benefits.

Further, India GAAP requires an entity to follow the income statement approach for recognizing deferred taxes, while IFRS mandates balance sheet approach in recognizing deferred taxes. As a result, net deferred tax assets under IFRS are higher by Rs 1,859 Mn.

- 6) Under Previous GAAP, liability is recognized in respect of proposed dividend even-though the dividend is expected to be approved by the shareholders subsequent to the reporting date. Under IFRS, liability for dividend is recognized only when it is approved by shareholders. Accordingly, provisions under IFRS is lower by Rs 6,839 Mn.
- 7) Under IFRS, tax liability/benefits is recognized in respect of portion of gains/losses, recognized in cash flow hedging reserve, which are expected to be reclassified into income statement subsequent to March 31, 2010 amounting to Rs 1,028 Mn.
- 8) The Company grants share options to its employees. These share options vest in a graded manner over the vesting period. Under IFRS, each tranche of vesting is treated as a separate award and the stock compensation expense relating to the tranche is amortized over the vesting period for the tranche. This results in accelerated amortization of stock compensation expense in the initial years following the grant of share options.

Previous GAAP permits an entity to recognize the stock compensation expense, relating to share options which vest in a graded manner, on a straight-line basis over the requisite vesting period for the entire award. However, the amount of compensation cost recognized at any date must at least equal the portion of the grant-date value of the award that is vested at that date.

Accordingly, the stock compensation expense recognized under IFRS is higher by Rs. 1,487 Mn.

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- 9) Under IFRS, contingent consideration relating to acquisitions is recognized if it is probable that such consideration would be paid and can be measured reliably. Under Previous GAAP, contingent consideration is recognized only after the contingency is resolved and additional consideration becomes payable. As a result, under IFRS, the Company has recognized Rs 426 Mn of contingent consideration and recognized additional goodwill.
- 10) Indian tax laws, levies Fringe benefit Tax (FBT) on all stock options exercised on or after April 1, 2007. The Company has modified share options plan to recover FBT from the employee. Under IFRS 2, Share based payment, the FBT paid to the tax authorities is recorded as a liability over the period that the employee renders services. Recovery of the FBT from the employee is accounted as a reimbursement right under IAS 37, Provisions, contingent liabilities and contingent assets, as it is virtually certain that the Company will recover the FBT from the employee. Accordingly, under IFRS the Company has recognized the reimbursement right as a separate asset, not to exceed the FBT liability recognized at each reporting period.

Under Previous GAAP, FBT liability and the related FBT recovery from the employee is recorded at the time of exercise of stock option by the employee. Accordingly, the Company has recognized Rs. 892 Mn as provision and reimbursement right in respect of unvested stock options. This adjustment has no impact on the profit and loss and equity.

**RECONCILIATION OF EQUITY AS OF MARCH 31, 2009**

*Rs in Millions*

Particulars	Amount as per Previous GAAP	Effect of Transition to IFRS	Amount as per IFRS	Relevant Notes for adjustments
Goodwill.....	56,521	(378)	56,143	1,11
Property, plant and equipment and intangible assets....	52,563	724	53,287	1,2,3
Available for sale investments.....	16,426	117	16,543	4
Investment in associates.....	1,670	-	1,670	
Inventories.....	7,586	-	7,586	
Trade receivables.....	48,859	(247)	48,612	5
Unbilled revenues.....	14,108	-	14,108	
Cash and cash equivalents.....	49,117	-	49,117	
Net tax assets.....	4,143	3,085	7,228	6
Other assets.....	21,380	1,969	23,349	3(a),5, 10
<b>TOTAL ASSETS.....</b>	<b><u>272,373</u></b>	<b><u>5,270</u></b>	<b><u>277,643</u></b>	
Share capital and share premium (net of shares issues to controlled trust.....	29,668	-	29,668	
Retained earnings.....	118,813	6,689	125,502	
Cash flow hedging reserve.....	(16,150)	2,353	(13,797)	8
Other reserves (including minority interest).....	4,190	1,817	6,008	4,9,12
<b>Total equity (A).....</b>	<b><u>136,521</u></b>	<b><u>10,859</u></b>	<b><u>147,380</u></b>	
Loan and borrowings.....	56,892	-	56,892	
Trade payables and accrued expenses.....	42,779	-	42,779	
Unearned revenues.....	6,734	-	6,734	
Employee benefit obligations.....	3,111	-	3,111	
Other liabilities.....	26,336	(5,589)	20,747	7,10,11
<b>Total liabilities (B).....</b>	<b><u>135,852</u></b>	<b><u>(5,589)</u></b>	<b><u>130,263</u></b>	
<b>TOTAL LIABILITIES AND EQUITY (A)+(B).....</b>	<b><u>272,373</u></b>	<b><u>5,270</u></b>	<b><u>277,643</u></b>	

Notes:

- Under IFRS, all the assets and liabilities arising from the business combination are identified and recorded at fair values. Accordingly, a portion of purchase price was allocated towards customer and technology related intangible in respect of business combination consummated subsequent to the Transition date. Under previous GAAP, assets and liabilities arising from the business combination are recognized at carrying value in the books of the acquired entity. Internally generated intangible assets would not have been recognized by the acquired entity and therefore customer and technology related intangible arising from the business combination is not recognized. Accordingly, goodwill under IFRS is lower by Rs 1,139 Mn (net of deferred tax).

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- 2) Under IFRS, the amortization charge in respect of finite life intangible assets is recorded in the proportion of economic benefits consumed during the period to the expected total economic benefits from the intangible asset. Under Previous GAAP, finite life intangible assets are amortized usually on a straight line basis over their useful life. As a result the amortization under IFRS is lower by Rs 149 Mn as of March 31, 2009.
- 3) Listed below are the key differences in Property, Plant and equipment between IFRS and Previous GAAP:
  - a) Under IFRS, lease of land are classified as an operating lease unless the title to the leasehold land is expected to be transferred to the Company at the end of the lease period. Lease rentals paid in advance and lease deposits are recognized as other assets. Under Previous GAAP, the lease rentals paid in advance and lease deposits are recognized in property, plant and equipment. Under IFRS, Rs. 1,293 Mn of payments towards lease of land has been reclassified from property plant and equipment to other assets. This did not have any impact on the retained earnings.
  - b) Difference in the basis of interest capitalization between IGAAP and IFRS resulted in higher capitalization by Rs 372 Mn under IFRS.
  - c) Additional amortization on intangibles recorded under IFRS amounting to Rs 91 Mn.
- 4) Under IFRS, available for sale investments are measured at fair value at each reporting date. The changes in fair value of such investments net of deferred tax, are recognized directly in equity. Under Previous GAAP, short-term investments are measured at lower of cost or fair value. Consequently, available for sale investments under IFRS is higher by Rs 117 Mn (tax effect Rs 33 Mn).
- 5) Under IFRS, an entity is required to allocate revenue to separately identifiable components of a customer arrangement. The revenue relating to these components are recognized when the appropriate revenue recognition criteria is met. The Company has deferred revenues primarily relating to installation services. Under previous GAAP, installation services are considered to be incidental / perfunctory to product delivery. Entire revenue is recognized, when the products are delivered in accordance with the contractual terms, and expected cost of installation services is also recognized.

Consequently, under IFRS the Company has deferred revenue of Rs. 247 Mn and reversed Rs. 195 Mn of cost accrued for installation services. The deferred revenues are recognized when the related installation services is performed.
- 6) Under IFRS, tax benefits from carry forward tax losses is recognized if it is probable that sufficient taxable profits would be available in the future to realize the tax benefits. Under previous GAAP, deferred tax asset in respect of carry forward tax losses is recognized if it is virtually certain that sufficient future taxable income would be available in the future to realize the tax benefits.

Further, India GAAP requires an entity to follow the income statement approach for recognizing deferred taxes, while IFRS mandates balance sheet approach in recognizing deferred taxes. As a result, net deferred tax assets under IFRS are higher by Rs 3,085 Mn.
- 7) Under Previous GAAP, liability is recognized in respect of proposed dividend even-though the dividend is expected to be approved by the shareholders subsequent to the reporting date. Under IFRS, liability for dividend is recognized only when it is approved by shareholders. Accordingly, provisions under IFRS is lower by Rs 6,856 Mn.

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- 8) Under IFRS, tax liability/benefits is recognized in respect of portion of gains/losses, recognized in cash flow hedging reserve, which are expected to be reclassified into income statement subsequent to March 31, 2010 amounting to Rs 2,353 Mn.
- 9) The Company grants share options to its employees. These share options vest in a graded manner over the vesting period. Under IFRS, each tranche of vesting is treated as a separate award and the stock compensation expense relating to the tranche is amortized over the vesting period for the tranche. This results in accelerated amortization of stock compensation expense in the initial years following grant of share options.

Previous GAAP permits an entity to recognize the stock compensation expense, relating to share options which vest in a graded manner, on a straight-line basis over the requisite vesting period for the entire award. However, the amount of compensation cost recognized at any date must at least equal the portion of the grant-date value of the award that is vested at that date.

Accordingly, the stock compensation expense recognized under IFRS is higher by Rs. 1,432 Mn.

- 10) Indian tax laws, levies Fringe benefit Tax (FBT) on all stock options exercised on or after April 1, 2007. The Company has modified share options plan to recover FBT from the employee. Under IFRS 2, Share based payment, the FBT paid to the tax authorities is recorded as a liability over the period that the employee renders services. Recovery of the FBT from the employee is accounted as a reimbursement right under IAS 37, Provisions, contingent liabilities and contingent assets, as it is virtually certain that the Company will recover the FBT from the employee. Accordingly, under IFRS the Company has recognized the reimbursement right as a separate asset, not to exceed the FBT liability recognized at each reporting period.

Under Previous GAAP, FBT liability and the related FBT recovery from the employee is recorded at the time of exercise of stock option by the employee. Accordingly, the Company has recognized Rs. 741 Mn as provision and reimbursement right in respect of unvested stock options. This adjustment has no impact on profit and loss and equity.

- 11) Under IFRS, contingent consideration relating to acquisitions is recognized if it is probable that such consideration would be paid and can be measured reliably. Under Previous GAAP, contingent consideration is recognized only after the contingency is resolved and additional consideration becomes payable. As a result, under IFRS, the Company has recognized Rs 761 Mn of contingent consideration and recognized additional goodwill.
- 12) Includes Rs 300Mn impact on account of foreign currency translation adjustment related to the above items.

**RECONCILIATION OF NET INCOME FOR 3 MONTHS ENDED JUNE 30, 2008**

*Rs in Million*

Particulars	Amount as per previous GAAP	Effect of Transition to IFRS	Amount as per IFRS	Notes
Revenues.....	60,365	51	Rs.60,416	1
Cost of revenues.....	41,978	323	42,301	1,2, 5
<b>Gross profit.....</b>	<b><u>18,387</u></b>	<b><u>(272)</u></b>	<b><u>18,115</u></b>	
Selling and marketing expenses.....	4,372	(104)	4,268	1(c ),2,3,5
General and administrative expenses.....	3,237	76	3,313	2,5
Foreign exchange (gains)/losses, net.....	697	-	697	
Others, net.....	(143)		(143)	
<b>Results from operating activities.....</b>	<b><u>10,224</u></b>	<b><u>(244)</u></b>	<b><u>9,980</u></b>	
Finance income/(expenses), net.....	(431)	31	(400)	4
Other income / (expenses), net.....	716	-	716	
Share in earnings of associate.....	107	-	107	
<b>Profit before tax.....</b>	<b><u>10,616</u></b>	<b><u>(213)</u></b>	<b><u>10,403</u></b>	
Income tax expense.....	1,526	(83)	1,443	5
<b>Net Income.....</b>	<b><u>9,090</u></b>	<b><u>(130)</u></b>	<b><u>Rs. 8,960</u></b>	
<b>Net Income attributable to:</b>				
Owners of the parent.....	<b><u>Rs. 9,078</u></b>		<b><u>Rs. 8,948</u></b>	
Minority Interest.....	<b><u>Rs. 12</u></b>		<b><u>Rs. 12</u></b>	

Notes:

- 1) The following are the primary differences in revenue between IFRS and previous GAAP:
  - a) Under Previous GAAP, revenue is reported net of excise duty charged to the customer. Under IFRS, revenue includes excise duty charged to customers. As a result revenues in IFRS are higher by Rs. 332 Mn.
  - b) Under IFRS revenue relating to product installation services is recognized when the installation services are performed. Under Previous GAAP, entire revenue relating to supply and installation of products is recognized when product is delivered in accordance with the terms of contract. Installation is considered to be incidental / perfunctory to product delivery and the cost of installation services is recognized upon delivery of the product. Accordingly, revenue and cost of revenue under IFRS is lower by Rs. 44 Mn and Rs. 49 Mn respectively.
  - c) Under IFRS, generally cash payments to customers pursuant to sales promotional activities are considered as sales discount and reduced from revenue. Under previous GAAP they are

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considered as selling and marketing expense. As a result revenues under IFRS is lower by Rs. 237 Mn and cost of revenues and selling and marketing expenses lower by Rs. 71 Mn and Rs 166 Mn, respectively.

- 2) Under IFRS the Company amortizes the stock compensation expense, relating to share options which vests in a graded manner, on an accelerated basis. Under Previous GAAP, the stock compensation expense is recorded on a straight-line basis. As a result, the Company has recognized additional stock compensation expense of Rs 62 Mn in cost of revenue, Rs 47 Mn in selling and marketing expenses and Rs 46 Mn in general and administrative expenses, under IFRS.
- 3) Under IFRS, the amortization charge in respect of finite life intangible assets is the proportion of economic benefits consumed during the period to the expected total economic benefits from the intangible asset. Under Previous GAAP, such intangible assets are amortized on a straight line basis over the life of the asset. This difference resulted in lower amortization of Rs 14 Mn under IFRS.
- 4) Primarily due to difference in the basis of capitalizing interest expense amounting to Rs 31 Mn.
- 5) Under Indian tax laws, the Company is required to pay Fringe benefit Tax (FBT) on certain expenses incurred by the Company. Under Previous GAAP, FBT is reported in the income statement as a separate component of income tax expense. Under IFRS, FBT does not meet the definition of income tax expense and is recognized in the related expense line items. Accordingly, the cost of revenue, selling and marketing expenses and general and administrative expenses under IFRS are higher by Rs. 40 Mn, Rs 30 Mn and Rs 30 Mn, respectively.



**RECONCILIATION OF NET INCOME FOR YEAR ENDED MARCH 31, 2009**

*Rs in Million*

Particulars	as at March 31, 2009			Notes
	Amount as per previous GAAP	Effect of Transition to IFRS	Amount as per IFRS	
<b>Revenues.....</b>	256,995	(104)	256,891	1
<b>Cost of revenues.....</b>	179,195	985	180,180	1,2, 5
<b>Gross profit.....</b>	<u>77,800</u>	<u>1,089</u>	<u>76,711</u>	
Selling and marketing expenses.....	17,853	(539)	17,314	1(c),2,3,5
General and administrative expenses.....	14,972	154	15,126	2,5
Foreign exchange gains/(losses), net.....	1,553	-	1,553	
Others, net.....	(729)		(729)	
<b>Results from operating activities.....</b>	<u><b>44,151</b></u>	<u><b>(704)</b></u>	<u><b>43,447</b></u>	
Finance income/(expense), net.....	(1,901)	41	(1,860)	4
Other income / (expenses), net.....	2,946		2,946	
Share in earnings of associate.....	362		362	
<b>Profit before tax.....</b>	<u>45,558</u>	<u>(663)</u>	<u>44,895</u>	
Income tax expense.....	6,460	(425)	6,035	5
<b>Net Income.....</b>	<u><b>39,098</b></u>	<u><b>(238)</b></u>	<u><b>38,860</b></u>	
<b>Net Income attributable to:</b>				
Owners of the parent.....	<b>38,999</b>		<b>38,761</b>	
Minority Interest.....	<u>Rs. 99</u>		<u>Rs. 99</u>	

Notes:

- 1) The following are the primary differences in revenue between IFRS and previous GAAP:
  - a) Under previous GAAP, revenue is reported net of excise duty charged to the customer. Under IFRS, revenue includes excise duty charged to customers. As a result revenues in IFRS is higher by Rs. 1,055 Mn.
  - b) Under IFRS, revenue relating to product installation services is recognized when the installation services are performed. Under previous GAAP entire revenue relating to supply and installation of products is recognized when product is delivered in accordance with the terms of contract. Installation is considered to be incidental / perfunctory to product delivery and the cost of installation services is recognized upon delivery of the product. Accordingly, revenue and cost of revenue under IFRS is lower by Rs. 147 Mn and Rs. 116 Mn, respectively.
  - c) Under IFRS, generally cash payments to customers pursuant to sales promotional activities are considered as sales discount and reduced from revenue. Under previous GAAP, they are considered as selling and marketing expense. As a result revenues under IFRS is lower by

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Rs. 1,011 Mn and cost of revenues and selling and marketing expenses lower by Rs. 275 Mn and Rs 736 Mn respectively.

- 2) Under IFRS the Company amortizes the stock compensation expense, relating to share options which vests in a graded manner, on an accelerated basis. Under previous GAAP, the stock compensation expense is recorded on a straight-line basis. As a result, the Company has recognized additional stock compensation expense of Rs 40 Mn in cost of revenue, Rs 30 Mn in selling and marketing expenses and Rs 30 Mn in general and administrative expenses, under IFRS.
- 3) Under IFRS, the amortization charge in respect of finite life intangible assets is the proportion of economic benefits consumed during the period to the expected total economic benefits from the intangible asset. Under previous GAAP, such intangible assets are amortized on a straight line basis over the life of the asset.

Further, the Company recorded additional amortization in respect of customer and technology related intangible arising out of business combination consummated subsequent to the Transition date. Accordingly, amortization under IFRS is higher by Rs 43 Mn.

- 4) Primarily due to difference in the basis of capitalizing interest expense.
- 5) Under Indian tax laws, the Company is required to pay Fringe benefit Tax (FBT) on certain expenses incurred by the Company. Under previous GAAP, FBT is reported in the income statement as a separate component of income tax expense. Under IFRS, FBT does not meet the definition of income tax expense and is recognized in the related expense line items. Accordingly, the cost of revenue, selling and marketing expenses and general and administrative expenses under IFRS are higher by Rs. 165 Mn, Rs 124 Mn and Rs 124 Mn, respectively.