

MASTEK LIMITED

Mastek™

DIRECTORS' REPORT

To the Members,

Your Directors herewith present the 28th Annual Report and Audited Statement of Accounts of Mastek Ltd for the year ended June 30, 2010.

1. FINANCIAL RESULTS - CONSOLIDATED RESULTS OF MASTEK LIMITED AND ITS SUBSIDIARIES

Rs. in Mn.

PARTICULARS	Year Ended June 30 2010	Year Ended June 30 2009
Income from IT services	7,138	9,426
Other Income	81	224
Total Income	7,219	9,650
Expenses	6,266	7,835
Depreciation	267	295
Interest & Financial Charges	13	48
Profit Before Tax	673	1,472
Provision for Tax	(4)	60
Profit after Tax	677	1,412

FINANCIAL RESULTS- MASTEK LIMITED

Rs. in Mn.

PARTICULARS	Year Ended June 30 2010	Year Ended June 30 2009
Income	4,409	5,978
Profit before tax	240	946
Provision for tax	(130)	(10)
Profit After Tax	370	956
Add : Balance b/f from last year	2,395	1,991
Profit available for appropriation	2,765	2,947
Interim Dividend	54	66
Final Dividend	34	202
Corporate Dividend Tax	14	45
Transfer to General Reserve	169	239
Balance carried to Balance Sheet	2,494	2,395

2. RESULTS OF OPERATIONS

A) Group global operations

The Company's performance for the financial year under review (FY 2010) reflects the impact of slower uptake in demand following the recent global economic crisis, adverse forex conditions, ramp-down of the remainder phase of the BT/ NHS project development revenues, increased hiring, some wage hikes implemented during the year, and induction of multiple senior business leaders across geographies.

On a consolidated basis, the company registered a total income of Rs 7.22 billion in FY2010. This represents a 25% decline compared to Rs 9.65 billion in the preceding year.

Profit after Tax (PAT) declined by 52% in FY2010 to Rs 677 million from Rs 1,412 million in FY2009.

The UK remained the largest contributor to Mastek's business among all its operating geographies. During the year under review, the UK operations contributed Rs 3,739 million in revenues, amounting to 52% of overall consolidated revenues for the year.

The North American operations, which now includes both the US and Canada businesses, also registered a de-growth of 12% to Rs 2,928 million from Rs 3,328 million last year.

The company's P&C division (resulting from the acquired subsidiary STGMastek that is focused on the non-life insurance segment) has delivered a noticeably strong performance during the year. During the year, the recently established (in February 2009) Canadian subsidiary of the Company acquired its initial set of customers and began generating revenues.

Mastek's operations in the Asia-Pacific region including India witnessed some progress during the year that are strategically significant, such as the successful launch of ElixirAsia™ where the Company also secured a deal with a Thailand-based insurance company and initiatives in the Government vertical that positions the Company well for future opportunities in areas like GST implementation. During FY2010, these operations (Asia-Pacific including India & Middle East and Germany) contributed Rs 470.6 million to overall consolidated revenues.

(A more detailed discussion of the Company's business model, strategy, and performance appears in the *Management's Discussion & Analysis* section of this annual report.)

B) Mastek standalone operations

On a stand-alone basis, Mastek reported a total income of Rs.4.41 billion for FY2010, as compared to Rs.5.98 billion for FY2009. Profit after Tax stood at Rs. 370 million in FY2010 as compared to Rs. 956 million in the preceding year.

C) Board and management & sales team expansion

During the year under review, Mr. Anil Singhvi was inducted as Director of the Company. In the same period, Mr. Rajesh Mashruwala resigned from the Board of the Company.

The Company also expanded and strengthened its leadership and sales teams globally, with multiple senior-level appointments during the year under review. These appointments are aimed at reinforcing Mastek's business and sales organization and creating the necessary capabilities to extend the Company's presence in existing and new markets.

3. BUSINESS OUTLOOK

The Company's performance during the year under review reflects the combined influence of several factors including subdued uptake in demand for IT solutions that depend on discretionary spending and transformational initiatives by clients as well as macroeconomic pressures such as volatility in foreign currency exchange rates. The Company did accomplish some strategically important successes during the year, from gaining a foothold in the North American insurance market for its Elixir platform based solutions to moving its Capita relationship to the next phase. Mastek intends to build upon all the progress made by it so far on the operational and strategic fronts, and will take concrete steps aimed at adding new accounts, growing partnerships, and expanding its order book. An expanded order backlog and enhanced market presence in its key verticals should create a solid platform for the Company to deliver revenue and earnings growth in the subsequent years. The Company is also committed to restoring its margins and will be implementing initiatives towards that end during the next financial year. Mastek continually strives to develop strategic customer accounts and new partnerships where necessary, and this in turn should over time result in better quality of revenues and much deeper client engagement.

4. LIQUIDITY AND CASH EQUIVALENTS

The Company continues to maintain a reasonably high level of cash and cash equivalents, which enable it to not only eliminate short and medium-term liquidity risks but also provide the leverage to scale up operations at a short notice.

During the year, Mastek invested surplus funds in Liquid Schemes and Fixed Maturity Plans of Blue-chip Mutual Funds and Fixed Deposits with leading Banks. As of June 30, 2010, the Cash and Cash Equivalents stood at Rs. 1.98 billion which amounted to 39 days of expenses and Rs. 73.48 per share.

5. AUDITED ACCOUNTS OF SUBSIDIARY COMPANIES

In view of the approval granted by the Government of India, Ministry of Company Affairs, New Delhi, vide its letter dated June 8, 2010, the accounts of subsidiary companies are not attached to the audited accounts of the Company. We, hereby, undertake that the audited annual accounts of subsidiary companies shall be made available to the investors at any point of time. Copies of the audited annual accounts of subsidiary companies shall also be available for inspection by any investor at the registered office of the company.

6. ISSUE OF SHARE CAPITAL

During the year, the Company allotted 44,443 equity shares of Rs. 5 each to its eligible employees who exercised their options under Employee Stock Option Plan.

7. DIVIDEND

At the Board Meeting held on July 21, 2010, the Board proposed a final dividend of Rs. 1.25 per share. Resultantly, the total effective dividend for the year 2009-10 is 65 % compared to 200% for the year 2008-09.

8. DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the company confirms:

- i. that in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;
- ii. that the selected accounting policies were applied consistently and the Directors made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as on June 30, 2010, and of the profit of the company for the year ended on that date;

DIRECTORS' REPORT (Contd.)

- iii. that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, to safeguard the company's assets and prevent and detect fraud and other irregularities;
- iv. that the annual accounts have been prepared on a going concern basis;

9. DIRECTORS

Mr. Ashank Desai and Mr. Ketan Mehta, Directors of the company, retire by rotation and being eligible, offer themselves for re-appointment.

10. AUDITORS

The retiring Auditors, M/s. Price Waterhouse, Chartered Accountants (Firm Registration No. 007568S), have expressed their unwillingness to be re-appointed for the year 2010-11. You are requested to appoint M/s. Price Waterhouse, Chartered Accountants (Firm Registration No. 012754N) as the Auditors of the Company for the year 2010-11. The Company has received a certificate from M/s. Price Waterhouse, Chartered Accountants (Firm Registration Number 012754N), confirming that their appointment, if made, will be within the limits of Section 224 (1B) of the Companies Act, 1956.

11. HUMAN RESOURCES

Mastek deploys its intellectual capability to create and deliver intellectual property (IP)-led solutions that make a business impact for its global clients. For this, the key success enabler and most vital resource is world-class talent. Mastek continually undertakes measures to attract and retain such high quality talent.

As on 30 June 2010, the Company had a total of 3,243 employees. The Virtual Bench, which had been created in FY2009 in view of the worldwide financial meltdown and the resulting downward revision of growth outlook, came to an end during FY2010, and the Company has resumed recruitment of fresh talent.

The Directors wish to place on record their appreciation for the contributions made by employees to the Company during the year under review.

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, forms part of this report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, the report and accounts, excluding the Statement of Particulars under Section 217(2A), are being sent to all members. Any member interested in obtaining a copy of the Statement of

Particulars may write to the Company at its Registered Office.

12. EMPLOYEE STOCK OPTIONS

Plan II

The Company established a new scheme in 2002 for granting 700,000 stock options to employees and each option representing one equity share of the Company. The exercise price is as governed by the guidelines issued by SEBI. The scheme is governed by the Employee Stock Option Scheme and Employees Stock Purchase Guidelines issued in 1999 by SEBI. There is a minimum period of twelve months for the first vesting from the date of the grant of options. The options are exercisable within two years of their vesting. As per the SEBI guidelines issued in 1999, and as amended from time to time, the excess of the market price of the underlying equity shares as of the date of the grant of the option over the exercise price of the option is to be recognized and amortized on a straight line basis over the vesting period. The options granted during the year have been granted at an exercise price which is equal to the market price of the underlying equity shares. Consequently, there is no compensation cost in the current year. In April, 2006, the Company issued Bonus Shares in the ratio of 1:1 and the number of unvested and unexercised options and the price of the said options have been adjusted accordingly.

In accordance with the Guidelines, the Company has passed the necessary special resolutions in January 2002 to approve the scheme and to extend the plan to the employees of its subsidiaries.

(No. of options)

	Year ended June 30 2010	Year ended June 30 2009
Opening Balance	91,520	250,579
Granted during the year	-	-
Adjusted for the issue of bonus shares in ratio of 1:1	-	-
Exercised during the year	(14,458)	(10,629)
Cancelled during the year	(69,312)	(148,430)
Balance unexercised options	7,750	91,520

DIRECTORS' REPORT (Contd.)

Plan III

The Company passed special resolutions at its Annual General Meeting held on September 20, 2004 approving the allocation of 700,000 stock options to the eligible employees of the Company and its subsidiaries. The Company subsequently established a new scheme in 2004 for granting 700,000 stock options to the employees referred to above, each option representing one equity share of the Company. The exercise price is as governed by the guidelines issued by SEBI. The scheme is governed by the Employee Stock Option Scheme and Employee Stock Purchase Guidelines issued in 1999 by SEBI and as amended from time to time. The first vesting of the stock options shall happen only on completion of one year from the date of grant and the options are exercisable within two years from the date of vesting. As per the SEBI guidelines, the excess of market price of the underlying equity shares as of the date of the grant of the options over the exercise price of the option is to be recognized and amortised on a straight line basis over the vesting period. The options granted during the year have been granted at an exercise price which is equal to the market price of the underlying equity shares. Consequently, there is no compensation cost in the current year. In April, 2006 the Company issued Bonus Shares in the ratio of 1:1 and the number of unvested and unexercised options and the price of the said options have been adjusted accordingly.

(No. of options)

	Year ended June 30 2010	Year ended June 30 2009
Opening Balance	898,624	1,071,038
Granted during the year	-	-
Adjusted for the issue of bonus shares in ratio of 1:1	-	-
Exercised during the year	(26,938)	(8,664)
Cancelled during the year	(324,892)	(163,750)
Balance unexercised options	546,794	898,624

Plan IV

The Shareholders of the Company through Postal Ballot on August 9, 2007 approved the allocation of 1,000,000

stock options to the eligible employees of the Company and its subsidiaries. The Company subsequently established a new scheme in 2007 for granting 1,000,000 stock options to the employees referred to above, each option representing one equity share of the Company. The exercise price is as governed by the guidelines issued by SEBI. The scheme is governed by the Employee Stock Option Scheme and Employee Stock Purchase Guidelines issued in 1999 by SEBI and as amended from time to time. The first vesting of the stock options shall happen only on completion of one year from the date of grant and the options are exercisable within seven years from the date of vesting. As per the SEBI guidelines, the excess of market price of the underlying equity shares as of the date of the grant of the options over the exercise price of the option is to be recognized and amortised on a straight line basis over the vesting period. The options granted during the year have been granted at an exercise price which is equal to the market price of the underlying equity shares. Consequently, there is no compensation cost in the current year.

(No. of options)

	Year ended June 30 2010	Year ended June 30 2009
Opening Balance	614,917	248,876
Granted during the year	-	413,484
Adjusted for the issue of bonus shares in ratio of 1:1	-	-
Exercised during the year	(3,047)	-
Cancelled during the year	(98,156)	(47,443)
Balance unexercised options	513,714	614,917

Plan V

The Company introduced a new scheme in 2009 for granting 1,500,000 stock options to the employees referred to above, each option representing one equity share of the Company. The exercise price as may be determined by the Compensation Committee and such price may be the face value of the share from time to time or may be the Market Price or any price as may be decided by the Committee and will be governed by the guidelines issued by SEBI. The scheme

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DIRECTORS' REPORT (Contd.)

is governed by the Employee Stock Option Scheme and Employee Stock Purchase Guidelines issued in 1999 by SEBI and as amended from time to time. The first vesting of the stock options shall happen only on completion of one year from the date of grant and the options are exercisable within Seven years from the date of vesting. As per the SEBI guidelines, the excess of market price of the underlying equity shares as of the date of the grant of the options over the exercise price of the option is to be recognized and amortised on a straight line basis over the vesting period. The options granted during the year in certain cases were less than the market price of the underlying equity shares. Consequently, Rs 57,00,000 has been provided as compensation cost for the current year.

The Shareholders of the Company through Postal Ballot on March 20, 2009 approved the Scheme, which contained the allocation of 1,500,000 stock options to the eligible employees of the Company and its subsidiaries.

(No. of options)

	Year ended June 30 2010	Year ended June 30 2009
Opening Balance	61,000	-
Granted during the year	1,116,000	61,000
Adjusted for the issue of bonus shares in ratio of 1:1	-	-
Exercised during the year	-	-
Cancelled during the year	(286,000)	-
Balance unexercised options	891,000	61,000

Disclosure required under SEBI (ESOS & ESPS) Guidelines, 1999

In order to enable the Company to continue with its ESOP, the Company passed special resolutions through postal ballot in January, 2002 for issue of 7,00,000 stock options to its employees. At the Annual General Meeting held on September 20, 2004, the Company passed special resolutions to issue 7,00,000 stock options to its employees. The Company passed special resolutions through postal ballot in August 9, 2007 for issue of 10,00,000 stock options to its employees. On March 20, 2009, the shareholders of the Company

approved the further issue of 15,00,000 options to the employees.

- a) Options granted: Opening: : 1,666,061
- b) Issued during the year: 1,116,000
- c) Pricing formula: Market Price as defined by SEBI from time to time or face value or such price as may be decided by the Compensation committee from time to time.
- d) Options vested: 6,99,942
- e) Options exercised: 44,443
- f) Total number of shares arising as a result of exercise of options: 44,443
- g) Options lapsed: 778,360
- h) Variations of terms of options: NIL
- i) Money realized by exercise of options: Rs. 10,524,952
- j) Total number of options in force: 1,959,258
- k) Employee-wise details of options granted to:
 - (1) Senior managerial personnel: 25 (Twentyfive)
 - (2) Any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year: 3 (three)
 - (3) Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant: 1 (One)
- l) Diluted EPS pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS) 20 is Rs 13.66 per share
- m) The impact of this difference on profits and on EPS of the Company

(Rs in lacs)

Profit After Tax (PAT)	3699.84
Less Additional employee compensation based on fair value	372.91
Adjusted PAT	3326.93
Adjusted EPS	12.34

DIRECTORS' REPORT (Contd.)

- n) Weighted-average exercise price and fair value of Stock Options granted during the year:

Stock options granted on	Weighted average exercise price (in Rs)	Weighted Average fair value	Closing market price at BSE on the date of grant (in Rs.)
July, 2009	247	127.65	246.55
October, 2009	295	154.27	294.90
January, 2010	399	212.08	398.75
April, 2010	353	185.42	352.80

- (o) Description of the method and significant assumptions used during the year to estimate the fair value of the options, including the following weighted average information:

The Black Scholes option pricing model was developed for estimating fair value of traded options that have no vesting restrictions and are fully transferable. Since Option pricing models require use of **s u b s t a n t i v e** assumptions, changes therein can materially affect fair value of options. The option pricing models do not necessarily provide a reliable measure of fair value of options.

The main assumptions used in the Black-Scholes option-pricing model during the year were as follows

Sr. no	Grant Date	July 22, 2009	October 8, 2009	January 12, 2010	April 12, 2010
1	Risk Free Interest Rate	6.77%	7.08%	7.36%	7.77%
2	Expected Life (years)	6	6	6	6
3	Expected Volatility	54.08%	54.24%	55.13%	53.04%
4	Dividend Yield	1.49%	1.49%	1.49%	1.49%

13. ADDITIONAL INFORMATION RELATING TO CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Information under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1968, forming part of the Directors' Report for the year ended June 30, 2010:

- a) Conservation of Energy

As a software company, energy costs constitute a small portion of the total cost and there is not much scope for energy conservation.

Form A is not applicable for software industry.

- b) Technology Absorption

Not Applicable

- c) Foreign Exchange Earnings and Outgo -

Total foreign exchange used and earned by the company

(Rs. in Mn.)

	30.6.2010	30.6.2009
Exchange used	1,733	2,310
Exchange earned	3,831	5,592

14. CORPORATE GOVERNANCE

Mastek follows best practices in Corporate Governance by benchmarking them with the best in the world.

The report on corporate governance is included in the latter part of this Annual Report.

15. ACKNOWLEDGEMENTS

The Directors would like to place on record their sincere appreciation for the continued co-operation, guidance, support and assistance provided by the SEEPZ Authorities, MIDC, Department of Electronics, ICICI Bank, Standard Chartered Bank Ltd and other government departments and authorities.

By the Order of the Board

Place: Mumbai
Dated: July 21, 2010

Sudhakar Ram
Chairman and Managing Director

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AUDITORS' REPORT TO THE MEMBERS OF MASTEK LIMITED

1. We have audited the attached Balance Sheet of Mastek Limited (the "Company") as at June 30, 2010, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the "Order"), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
 - (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
 - (e) On the basis of written representations received from the directors, as on June 30, 2010 and taken on record by the Board of Directors, we report that no directors of the Company is disqualified as on June 30, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and Schedules 1 to 16 attached thereto give, in the prescribed manner, the information required by the Act, and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at June 30, 2010;
 - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

For **Price Waterhouse**
Firm Registration Number:007568S
Chartered Accountants

Vasant Gujarathi
Partner

Place : Mumbai
Dated : July 21, 2010

Membership Number 17866

ANNEXURE TO AUDITORS' REPORT

Referred to in paragraph 3 of the Auditors' Report of even date to the members of Mastek Limited on the financial statements for the year ended June 30, 2010

1. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.
(b) The fixed assets of the Company have been physically verified by the Management during the year and no material discrepancies between the book records and the physical inventory have been noticed. In our opinion, the frequency of verification is reasonable.
(c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.
2. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
3. According to the information and explanations given to us, there have been no contracts or arrangements referred to in Section 301 of the Act during the year to be entered in the register required to be maintained under that Section. Accordingly, the question of commenting on transactions made in pursuance of such contracts or arrangements does not arise.
4. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
5. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
6. The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the products of the Company.
7. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities.
(b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of income-tax, sales-tax, wealth-tax, service-tax, customs duty, excise duty and cess which have not been deposited on account of any dispute.
8. The Company has no accumulated losses as at June 30, 2010 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
9. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
10. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
11. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund/ societies are not applicable to the Company.
12. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
13. In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
14. The Company has not obtained any term loans.
15. On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
16. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the Management.
17. The other clauses (ii), (iii), (xviii), (xix) and (xx) of paragraph 4 of the Companies (Auditor's Report) Order 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, are not applicable in the case of the Company for the year, since in our opinion there is no matter which arises to be reported in the aforesaid Order.

For Price Waterhouse
Firm Registration Number:007568S
Chartered Accountants

Vasant Gujarathi

Partner

Membership Number 17866

Place : Mumbai
Dated : July 21, 2010

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BALANCE SHEET AS AT JUNE 30, 2010

		As at June 30, 2010	(Rs. in Lakhs) As at June 30, 2009
I. Sources of funds			
1. Shareholders' funds			
(a) Capital	1	1,347.20	1,344.97
(b) Reserves and surplus	2	36,460.55	33,624.61
		<u>37,807.75</u>	<u>34,969.58</u>
2. Loan funds			
Secured loans	3	16.27	17.49
		<u>37,824.02</u>	<u>34,987.07</u>
II. Application of funds			
1. Fixed assets	4		
(a) Gross block		25,191.29	23,222.86
(b) Less : Depreciation		17,500.52	15,057.78
(c) Net block		7,690.77	8,165.08
Capital work in progress (including capital advances)		3,538.45	3,671.36
		<u>11,229.22</u>	<u>11,836.44</u>
2. Investments	5	19,177.51	22,130.41
3. Deferred Taxation	6	1,922.84	1,242.35
4. Current assets, loans and advances			
(a) Sundry debtors	7	6,073.22	5,982.62
(b) Cash and bank balances	8	4,163.78	2,213.77
(c) Loans and advances	9	3,795.90	3,133.47
		<u>14,032.90</u>	<u>11,329.86</u>
Less : Current liabilities and provisions			
(a) Liabilities	10	4,095.00	4,548.49
(b) Provisions	11	4,443.45	7,003.50
		<u>8,538.45</u>	<u>11,551.99</u>
Net current assets		<u>5,494.45</u>	<u>(222.13)</u>
		<u>37,824.02</u>	<u>34,987.07</u>
Notes to the accounts	16		

The Schedules referred to above and the notes thereon form an integral part of the Balance Sheet and should be read in conjunction therewith.

In terms of our report of even date

For Price Waterhouse
Firm Registration Number : 007568S
Chartered Accountants

Vasant Gujarathi
Partner
Membership Number: 17866

Place: Mumbai
Dated: July 21, 2010

For and on behalf of the Board of Directors

Sudhakar Ram
Chairman & Managing Director

Ashank Desai
Director

O. Banerjee
Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2010

	Schedule	Year ended June 30, 2010	(Rs. in Lakhs) Year ended June 30, 2009
INCOME			
Information Technology Services and Products		43,563.64	58,816.53
Other income	12	524.85	959.78
		<u>44,088.49</u>	<u>59,776.31</u>
EXPENDITURE			
Operational expenses	13	35,709.96	42,774.76
Other expenses	14	3,493.14	4,981.16
Depreciation		2,475.62	2,539.03
Financial costs	15	10.89	15.41
		<u>41,689.61</u>	<u>50,310.36</u>
Profit before taxation		2,398.88	9,465.95
Provision for taxation (Refer note 8 of Schedule 16)			
For the year			
– Current tax		673.99	1,497.41
Less: MAT credit receivable		(289.38)	(947.08)
		<u>384.61</u>	<u>550.33</u>
– Deferred tax		(680.49)	(405.35)
– Fringe benefits tax		(29.92)	90.50
		<u>(325.80)</u>	<u>235.48</u>
Income tax for earlier years		(975.16)	(334.11)
Profit after taxation		3,699.84	9,564.58
Add: Profit brought forward from previous year		23,952.52	19,913.90
Profit available for appropriation		27,652.36	29,478.48
Appropriations			
Interim dividend		539.50	661.88
Final dividend		336.80	2,017.46
Corporate dividend tax		147.63	455.47
Transferred to General Reserve		1,692.91	2,391.15
Balance carried to Balance Sheet		24,935.52	23,952.52
		<u>27,652.36</u>	<u>29,478.48</u>
Earnings per share (net of taxes) in Rs.			
– Basic		13.74	35.54
– Diluted		13.66	35.53
(Refer note 11 of Schedule 16)			
(Nominal value per share Rs. 5/- each)			
Notes to the accounts	16		

The Schedules referred to above and the notes thereon form an integral part of the Profit and Loss Account and should be read in conjunction therewith.

In terms of our report of even date

For Price Waterhouse
Firm Registration Number : 007568S
Chartered Accountants

Vasant Gujarathi
Partner
Membership Number: 17866

Place: Mumbai
Dated: July 21, 2010

For and on behalf of the Board of Directors

Sudhakar Ram
Chairman & Managing Director

Ashank Desai
Director

O. Banerjee
Company Secretary

Mastek™

SCHEDULES TO THE BALANCE SHEET AS AT JUNE 30, 2010

	As at June 30, 2010	(Rs. in Lakhs) As at June 30, 2009
Schedule 1 - Capital		
Authorised		
40,000,000 equity shares of Rs. 5/- each	2,000.00	2,000.00
2,000,000 preference shares of Rs. 100/- each	2,000.00	2,000.00
	<u>4,000.00</u>	<u>4,000.00</u>
Issued, Subscribed and Paid up :		
Equity Shares		
26,943,937 shares of Rs.5/- each, fully paid up (Previous year 27,643,875 shares of Rs.5/- each, fully paid up) (Refer note 6 of Schedule 16)	1,347.20	1,382.19
Less: Nil (Previous year 744,381) shares of Rs. 5/- each extinguished of which Nil (Previous year 176,863) shares have been bought back during the year in accordance with Section 77A of the Companies Act, 1956 (Refer note 3 of Schedule 16)	—	37.22
26,943,937 (Previous year 26,899,494) shares of Rs.5/- each, fully paid up	<u>1,347.20</u>	<u>1,344.97</u>
Of the above:		
— 14,054,594 and 6,913,280 equity shares of Rs. 5/- each fully paid, have been issued as bonus shares by utilisation of Capital Redemption Reserve and Share Premium Account respectively.		
— 660,000 equity shares of Rs. 5/- each fully paid have been issued as bonus shares by capitalisation of profits transferred from General Reserve.		

SCHEDULES TO THE BALANCE SHEET AS AT JUNE 30, 2010 (Contd.)

	As at June 30, 2010	(Rs. in Lakhs) As at June 30, 2009
Schedule 2 - Reserves and surplus		
Capital Reserve		
As per last Balance Sheet	0.02	0.02
	<u>0.02</u>	<u>0.02</u>
Capital Redemption Reserve Account		
As per last Balance Sheet	1,295.27	1,286.42
Add : Transferred from General Reserve	—	8.85
	<u>1,295.27</u>	<u>1,295.27</u>
Share Premium Account		
As per last Balance Sheet	36.63	—
Add : Addition on account of ESOP	103.03	36.63
	<u>139.66</u>	<u>36.63</u>
Employees stock options outstanding (Refer note 6 of Schedule 16)		
	57.00	—
General Reserve		
As per last Balance Sheet	8,340.17	6,611.29
Add : Transferred from Profit & Loss Account	1,692.91	2,391.15
Less: Transfer to Capital Redemption Reserve in accordance with Section 77A of the Companies Act, 1956 on buy back of equity shares during the year (Refer note 3 to Schedule 16)	—	8.85
Less: Utilised for buy back of shares in accordance with Section 77A of the Companies Act, 1956 (Refer note 3 to Schedule 16)	—	653.42
	<u>10,033.08</u>	<u>8,340.17</u>
Profit and Loss Account		
	<u>24,935.52</u>	<u>23,952.52</u>
	<u><u>36,460.55</u></u>	<u><u>33,624.61</u></u>
Schedule 3 - Secured loans		
Obligations on assets under Capital Lease (secured by hypothecation of vehicles taken on lease) (Due within one year Rs.10.01 Lakhs (Previous year Rs. 10.44 Lakhs))	16.27	17.49
	<u>16.27</u>	<u>17.49</u>

SCHEDULES TO THE BALANCE SHEET AS AT JUNE 30, 2010 (Contd.)

Schedule 4 - Fixed Assets

(Rs. in Lakhs)

Description	Gross Block (at Cost)				Depreciation					Net Block		
	As at July 01, 2009	Additions	Deletions	Adjustment (Refer Note 3 below)	As at June 30, 2010	As at July 01, 2009	For the year	Deletions	Adjustment (Refer Note 3 below)	As at June 30, 2010	As at June 30, 2010	As at June 30, 2009
Goodwill	–	130.32	–	–	130.32	–	43.44	–	–	43.44	86.88	–
Leasehold Land and Premises	2,637.95	452.49	–	–	3,090.44	599.04	96.53	–	–	695.57	2,394.87	2,038.91
Owned Premises	2,683.06	–	–	–	2,683.06	371.31	117.68	–	–	488.99	2,194.07	2,311.75
Plant and Machinery	7,200.01	256.73	173.13	231.98	7,515.59	5,192.39	943.67	172.88	150.15	6,113.33	1,402.26	2,007.62
Software Designs	5,699.03	950.90	–	62.75	6,712.68	5,290.63	794.11	–	18.87	6,103.61	609.07	408.40
Furniture and Fittings	4,201.65	35.03	8.89	26.51	4,254.30	3,025.40	399.60	8.60	21.55	3,437.95	816.35	1,176.25
Leasehold Improvements	409.24	–	–	–	409.24	381.92	13.23	–	–	395.15	14.09	27.32
Vehicles	391.92	67.40	78.46	14.80	395.66	197.09	67.36	49.51	7.54	222.48	173.18	194.83
Total	23,222.86	1,892.87	260.48	336.04	25,191.29	15,057.78	2,475.62	230.99	198.11	17,500.52	7,690.77	8,165.08
Previous Year	21,562.29	1,994.12	333.55	–	23,222.86	12,833.37	2,539.03	314.62	–	15,057.78	8,165.08	

- Owned premises include subscription towards share capital of Co-operative societies amounting to Rs. 250 (Previous year Rs. 250).
- Net block of vehicles include leased assets amounting to Rs.16.53 Lakhs (Previous year Rs. 17.74 Lakhs)
- Adjustment columns represent value of assets acquired from Keystone Solutions Private Limited on acquisition of business. (Refer note 17 to Schedule 16)

(Rs. in Lakhs)

	As at June 30, 2010	As at June 30, 2009
--	------------------------	------------------------

Schedule 5 - Investments

I. Investments in equity shares of (Long term, trade, unquoted)

Subsidiary companies at cost

MajescoMastek, USA

163,700,000 (Previous year - 131,300,000) Equity

Shares of US \$ 0.002 each, fully paid up

14,392.14

11,412.68

Mastek Asia Pacific Pte Ltd., Singapore

3,650,000 (Previous year - 3,650,000) Equity

Shares of S \$ 1 each, fully paid up

886.22

Less : Provision for diminution in value

(661.40)

224.82

224.82

Mastek MSC Sdn Bhd., Malaysia

11,262,000 Equity Shares (Previous year - 7,700,000)

of RM 1 each, fully paid up

1,443.42

955.66

Mastek UK Ltd., UK

200,000 (Previous year - 200,000) Equity Shares

of £ 1 each, fully paid up

215.81

215.81

Mastek GmbH, Germany

1(Previous year - 1) Share fully paid up

274.11

274.11

MajescoMastek Canada Ltd

1,500,000 (Previous year - 500,000) Shares of CN \$ 1 each, fully paid up

654.48

207.39

Mastek Outsourcing Services Private Limited

Nil shares (Previous year - 19,960) Equity Shares of Rs.10 each, fully paid up

–

1.91

SCHEDULES TO THE BALANCE SHEET AS AT JUNE 30, 2010 (Contd.)

	As at June 30, 2010	(Rs. in Lakhs) As at June 30, 2009
Schedule 5 - Investments (Contd.)		
II. Investment in others - units (Current, non trade, unquoted)		
4,499,550 (Previous year - Nil) units of TATA Fixed Income Portfolio Fund Scheme A2 - Inst. Purchased during the year Rs. 450.00 Lakhs (4,499,550 units) and sold during the year Rs. Nil (Nil units).	450.00	—
Nil (Previous year - 5,469,603) units of Birla Sun Life Savings Fund -Inst. Plan - Daily Dividend Reinvestment. Purchased during the year Rs. 2.02 Lakhs (20,161 units) and sold during the year Rs. 549.35 Lakhs (5,489,764 units).	—	547.33
Nil (Previous year - 8,547,783) units of IDFC Money Manager Treasury - Plan C - Daily Dividend Reinvestment. Purchased during the year Rs. 4.89 Lakhs (48,940 units) and sold during the year Rs. 859.8 Lakhs (8,596,723 units).	—	854.91
Nil (Previous year - 13,388,495) units of JPMorgan India Treasury Fund - Super Inst. Plan - Daily Dividend Reinvestment. Purchased during the year Rs. 3,602.77 Lakhs (35,995,695 units) and sold during the year Rs. 4,942.81 Lakhs (49,384,190 units).	—	1,340.04
Nil (Previous year - 16,683,820) units of ICICI Prudential - Flexible Income Plan - Daily Dividend Reinvestment. Purchased during the year Rs. 7,567.56 Lakhs (18,989,531 units) and sold during the year Rs. 9,331.62 Lakhs (35,673,351 units).	—	1,764.06
Nil (Previous year - 15,379,777) units of LIC MF Savings Plus Fund - Daily Dividend Reinvestment. Purchased during the year Rs. 1,993.44 Lakhs (19,934,404 units) and sold during the year Rs. 3,531.42 Lakhs (35,314,181 units).	—	1,537.98
225,383 (Previous year - 14,196,323) units of Kotak Floater Long Term Fund - Daily Dividend Reinvestment. Purchased during the year Rs. 4,178.67 Lakhs (41,455,876 units) and sold during the year Rs. 5,586.90 Lakhs (55,426,816 units).	22.73	1,430.96
Nil (Previous year - 13,620,241) units of JM Money Manager Fund - Super Plus Plan - Daily Dividend Reinvestment. Purchased during the year Rs. 2,378.36 Lakhs (23,770,999 units) and sold during the year Rs. 3,741.11 Lakhs (37,391,240 units).	—	1,362.75
III. Investment in deposits		
Deposit with Housing Urban Development Corporation	1,500.00	—
	<u>19,177.51</u>	<u>22,130.41</u>
Aggregate of unquoted investments - at cost	19,177.51	22,130.41
Note : Details of Current Investments (other than trade, quoted) purchased and sold during the year other than those disclosed above		
Scheme	Nos. of Units	Cost in Rs. Lakhs
Baroda Pioneer Liquid Fund - Inst. Plan - Daily Dividend Reinvestment	2,324,159.98	232.56
Canara Robeco Liquid - Super Inst. Plan - Daily Dividend Reinvestment	4,133,214.86	415.02
Canara Robeco Treasury Advantage Fund - Super Inst. Plan - Daily Dividend Reinvestment	3,347,253.28	415.30
DBS Chola FI-STF - Inst. Plan - Daily Dividend Reinvestment	2,121,705.98	215.46
DBS Chola Liquid Fund - Inst. Plan - Daily Dividend Reinvestment	2,128,018.55	215.02
Fidelity Cash Fund - Super Inst. Plan - Daily Dividend Reinvestment	14,133,038.17	1,415.11
Fidelity Ultra Short Term Debt Fund - Super Inst. Plan - Daily Dividend Reinvestment	14,201,404.60	1,420.50

SCHEDULES TO THE BALANCE SHEET AS AT JUNE 30, 2010 (Contd.)

(Rs. in Lakhs)

Schedule 5 - Investments (Contd.)

Scheme	Nos. of Units	Cost in Rs. Lakhs
HDFC Floating Rate Income Fund - STP - Wholesale Option - Daily Dividend Reinvestment	10,256,003.09	1,033.90
HDFC Liquid Fund - Premium Plan - Daily Dividend Reinvestment	7,831,172.90	960.09
HDFC-Cash Management Fund-Saving Plan - Daily Dividend Reinvestment	676,987.23	72.01
ICICI Prudential Liquid - Super Inst. Plan - Daily Dividend Reinvestment	42,155,882.58	10,302.22
IDFC Cash Fund Plan C - Super Inst. Plan - Daily Dividend Reinvestment	10,220,821.92	1,022.24
JM High Liquidity Fund - Super Inst. Plan - Daily Dividend Reinvestment	27,120,929.20	2,716.57
JPMorgan India Liquid Fund - Retail - Daily Dividend Reinvestment	49,928.79	5.00
JPMorgan India Liquid Fund - Super Inst. Plan - Daily Dividend Reinvestment	50,987,105.73	5,102.74
Kotak Mahindra Liquid - Inst. Premium Plan -Daily Dividend Reinvestment	44,685,931.74	5,464.24
LIC MF Liquid Fund - Daily Dividend Reinvestment	20,949,796.76	2,300.31
Sundaram BNP Paribas Money Fund - Super Inst. Plan - Daily Dividend Reinvestment	4,953,133.43	500.03
Sundaram BNP Paribas Ultra Short Term - Super Inst. Plan - Daily Dividend Reinvestment	4,998,406.50	501.69
TATA Liquid Super High Investment Fund - Daily Dividend Reinvestment	91,548.86	1,020.33
UTI Money Market - Inst. Plan - Daily Dividend Reinvestment	15,157,713.51	1,625.28
UTI Treasury Advantage Fund - Inst. Plan - Daily Dividend Reinvestment	151,981.15	1,520.14

(Rs. in Lakhs)

As at June 30, 2010 As at June 30, 2009

Schedule 6 - Deferred Taxation

Deferred Tax Asset

Tax effect of timing difference on account of :

– Fixed assets (Excess of written down value as per the provisions of Income Tax Act, 1961 over Net Block)	721.23	609.08
– Provision for Leave encashment	478.20	–
– Provision for Gratuity	723.41	633.27
	<u>1,922.84</u>	<u>1,242.35</u>

Schedule 7 - Sundry debtors (Unsecured)

a. Debts outstanding for a period exceeding six months

Considered good	302.94	45.48
Considered doubtful	102.40	46.42

b. Other debts

	5,770.28	5,937.14
Less : Provision for doubtful debts	102.40	46.42
	<u>6,073.22</u>	<u>5,982.62</u>

Debtors include dues from Subsidiaries Rs. 3,813.74 Lakhs (Previous year Rs. 5,267.53 Lakhs)

SCHEDULES TO THE BALANCE SHEET AS AT JUNE 30, 2010 (Contd.)

	As at June 30, 2010	(Rs. in Lakhs) As at June 30, 2009
Schedule 8 - Cash and Bank balances		
Cash balance on hand	1.51	1.93
Balance with Scheduled banks		
– in Current Accounts *	704.61	574.59
– in Fixed Deposits **	2,104.55	28.92
	<u>2,809.16</u>	<u>603.51</u>
Balance with Unscheduled banks		
– in Fixed Deposits	–	–
– Lloyds TSB Deposit Account, UK	1,353.11	1,608.33
	<u>1,353.11</u>	<u>1,608.33</u>
	<u>4,163.78</u>	<u>2,213.77</u>
Maximum balance held during the year with Unscheduled banks		
– Lloyds TSB Deposit Account, UK	3,772.91	5,435.46
– Lloyds Bank, UK	3.49	3.97
– Volksbank, Germany	–	0.28
* Includes amounts restricted Rs. 53.10 Lakhs (Previous year Rs. 42.27 Lakhs) on account of unpaid dividend		
** Includes Rs. 12.76 Lakhs (Previous year Rs. 28.92 Lakhs) restricted on account of margin money		
Schedule 9 - Loans and advances (Unsecured, considered good unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received	783.27	877.76
MAT credit entitlement	2,438.90	2,149.52
Advance tax (net of provision)	547.42	–
Advance Fringe benefits tax (net of provision)	26.31	106.19
	<u>3,795.90</u>	<u>3,133.47</u>
Schedule 10 - Liabilities		
Sundry Creditors (Refer note 12 of Schedule 16)	3,374.40	3,712.52
Book overdraft in current account with bank	1.17	28.75
Unclaimed dividends *	53.11	42.27
Unearned revenue	27.37	58.57
Other Liabilities	638.95	706.38
	<u>4,095.00</u>	<u>4,548.49</u>
* Note : There is no amount due and outstanding to be credited to Investor Education and Protection Fund		
Schedule 11 - Provisions		
Proposed dividend	336.80	2,017.46
Provision for Corporate Dividend Tax	55.94	342.87
Provision for taxes (net of advance tax)	–	543.17
Provision for gratuity	2,319.76	1,998.55
Provision for leave encashment	1,730.95	2,101.45
	<u>4,443.45</u>	<u>7,003.50</u>

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2010

	Year ended June 30, 2010	(Rs. in Lakhs) Year ended June 30, 2009
Schedule 12 - Other income		
Interest on deposits, etc. (Tax deducted at source Rs. 16.37 Lakhs (Previous year Rs. 1.40 Lakhs)	252.49	133.23
Profit on sale of fixed assets (net)	—	6.22
Profit on sale of investments (current, non trade)	0.03	338.40
Income from investments (current, non trade)	131.90	288.42
Dividend from subsidiary	102.83	—
Miscellaneous income	37.60	193.51
	<u>524.85</u>	<u>959.78</u>
Schedule 13 - Operational expenses		
Salaries, bonus, incentives, etc.*	27,934.28	32,959.68
Gratuity charges	329.79	810.85
Contribution to provident and other funds	1,928.83	2,195.06
Staff Welfare	575.19	607.28
Recruitment and training expenses	187.55	440.17
Travelling and conveyance	1,905.80	2,319.72
Communication charges	328.71	358.21
Electricity	607.52	667.99
Consultancy charges	1,693.75	2,315.03
Purchase of software	218.54	100.77
	<u>35,709.96</u>	<u>42,774.76</u>
* Includes Rs. 57.00 Lakhs (Previous year - Nil) on account of discounting charges on Employee Stock Option		
Schedule 14 - Other expenses		
Rates & Taxes	150.78	217.47
Repairs		
— Building	235.02	228.57
— Machinery	729.11	612.73
Insurance	103.37	72.22
Printing & stationery	61.45	105.88
Professional fees (Refer note 16 of Schedule 16)	939.55	1,507.10
Rent (Refer note 4 of Schedule 16)	259.26	383.44
Advertisement and publicity	164.78	161.19
Exchange loss (net)	372.06	1,326.53
Loss on sale of fixed asset (net)	1.02	—
Donation	37.97	16.80
Provision for doubtful debts	55.98	31.40
Bad debts written off	—	1.16
Loans & advances written off	—	12.47
Hire charges	273.02	226.55
Investments written off	1.91	—
Commission	56.39	—
Miscellaneous expenses	51.47	77.65
	<u>3,493.14</u>	<u>4,981.16</u>
Schedule 15 - Financial costs		
Bank charges	8.57	11.71
Other financial charges	2.32	3.70
	<u>10.89</u>	<u>15.41</u>

NOTES TO THE BALANCE SHEET AS AT JUNE 30, 2010 AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE

Schedule 16

1. Significant Accounting Policies

a. Basis of accounting and preparation of financial statements

The financial statements are prepared to comply in all material aspects with all the applicable accounting principles in India, the applicable accounting standard notified under sub section (3C) of section 211 of 'The Companies Act, 1956' of India (the 'Act') and other relevant provisions of the Act.

The financial statements are prepared in accordance with the historical cost convention.

b. Fixed Assets and Depreciation

Fixed Assets are stated at cost of acquisition less accumulated depreciation. Direct costs are capitalized until the assets are ready for use and include inward freight, duties, taxes and expenses incidental to acquisition and installation.

Depreciation of fixed assets is provided on Straight Line Method over the useful life of assets, as estimated by the management, on a pro-rata basis or as per Schedule XIV of the Act in cases where the rates specified therein are higher. Assets costing less than Rs.5,000/- each are depreciated fully in the year of acquisition. Expenditure incurred on purchase of Design and Software used in operations of the entity is depreciated over its estimated life. The useful lives estimated by the management for amortisation of the assets which are higher than rates specified as per Schedule XIV are as under:

Goodwill on Merger	Amortized over 3 years
Leasehold Land	Over the Lease Term ranging from 95-99 years
Owned/Leasehold Premises	25 - 30 years
Computers (Included in Plant & Machinery)	2 years
Other Plant & Machinery	5 years
Software	1 - 5 years
Furniture and Fixtures	5 years
Leasehold Improvements	5 years or over the primary period of lease whichever is less
Vehicles	5 years

c. Investments

Long term investments are stated at cost less provision made to recognize any decline, other than temporary, in the value of such investments. Investments in subsidiaries are carried at their original rupee cost unless impaired. Current investments are stated at lower of cost and fair value. Any reduction in carrying amount and any reversal of such reductions are charged or credited to the Profit and Loss Account.

d. Foreign Currency Transactions and Translation

Transactions denominated in foreign currencies are recorded at the rates of exchange prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currency are converted at the rate of exchange prevailing on the date of the Balance Sheet, any exchange loss or gain, on such conversion is accounted for in the Profit and Loss Account. Exchange differences arising on foreign currency transactions are recognized as income or expense in the period in which they arise.

In case of forward exchange contract or any other financial instruments that is in substance a forward exchange contract to hedge the foreign currency risk which is on account of firm commitment and/or is a highly probable forecast transaction, the premium or discount arising at the inception of the contract is amortized as expense or income over the life of the contract.

Gains/losses on settlement of transaction arising on cancellation or renewal of such a forward exchange contract are recognized as income or as expense for the period.

In all other cases, the gain or loss on contract is computed by multiplying the foreign currency amount of the forward exchange contract by the difference between the forward rate available at the reporting date for the remaining maturity of the contract and the contracted forward rate (or the forward rate last used to measure a gain or loss on that contract for an earlier period) and is recognized in the profit and loss account for the period.

NOTES TO THE BALANCE SHEET AS AT JUNE 30, 2010 AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE (Contd.)

Schedule 16 (Contd.)

In respect of transactions related to foreign branch, all revenue and expense transactions during the year are reported at average rate. Monetary assets and liabilities are translated at the rate prevailing on the Balance Sheet date whereas non-monetary assets and liabilities are translated at the rate prevailing on the date of the transaction. Net gain/loss on foreign currency translation is recognized in the Profit and Loss Account.

e. Retirement Benefits

1. Defined Contribution Plans

The Company has Defined Contribution Plans for post employment benefits in the form of Provident Fund and Superannuation Fund which are administered through Government of India and/or Life Insurance Corporation of India (LIC). Provident Fund and Superannuation Fund (which constitutes an insured benefit) are classified as Defined Contribution Plans as the Company has no further obligation beyond making the contributions. The Company's contributions to Defined Contribution Plans are charged to the Profit and Loss Account as incurred.

2. Defined Benefit Plans

The Company has Defined Benefit Plans for post employment benefits in the form of Gratuity and Leave Encashment. Liability for Defined Benefit Plans is provided on the basis of actuarial valuations, as at the Balance Sheet date, carried out by independent actuary. The actuarial valuation method used by independent actuary for measuring the liability is the Projected Unit Credit method. Actuarial gains and losses comprise experience adjustments and the effects of changes in actuarial assumptions and are recognized immediately in the Profit and Loss Account as income or expense.

f. Revenue Recognition

The Company derives its revenues primarily from software services.

Revenues from customer support services are recognized ratably over the term of the support period.

Revenues from software related services are primarily related to implementation services performed on a time and materials basis under separate service arrangements. Revenues with respect to time and material contracts are recognized as and when services are rendered.

Revenues from fixed price, fixed time frame contracts are recognized in accordance with the percentage of completion method measured by the percentage of cost incurred over the estimated total cost for each contract. The cumulative impact of any revision in estimates of the percentage of work completed is reflected in the period in which the change becomes known. Provisions for estimated losses on such engagements are made during the period in which a loss becomes probable and can be reasonably estimated.

Amounts received or billed, in advance of services performed are recorded as unearned revenue. Unbilled revenue included in debtors represents amounts recognized based on services performed in accordance with contract terms and where billings are pending.

Dividend income from investments is recognized when the right to receive payment is established. Dividend declared by the subsidiary companies after the date of the Balance Sheet is accounted during the year as required by Accounting Standard (AS) 9 - 'Revenue Recognition'.

Interest income is recognized on time proportion basis.

g. Borrowings Costs

Borrowing costs that are incurred on borrowings made specifically for the acquisition, construction or production of a qualifying asset are capitalized as a part of that asset. The amount of borrowing costs from funds that are borrowed generally and used for the purpose of obtaining a qualifying asset are calculated by applying a weighted average capitalization rate to the expenditure on that asset. Other borrowing costs are recognized as an expense in the period in which they are incurred.

h. Leases

Assets taken on leases which transfer substantially all the risks and rewards incidental to ownership of the assets i.e. finance leases, in terms of provisions of Accounting Standard (AS) 19 - 'Leases', are capitalized. The assets are capitalized at the lower of the fair value at the inception of the lease and the present value of minimum lease payments. Such assets are disclosed as a part of the class of owned assets to which they belong and are depreciated accordingly.

NOTES TO THE BALANCE SHEET AS AT JUNE 30, 2010 AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE (Contd.)

Schedule 16 (Contd.)

i. Earnings per share

Basic earnings per share (EPS) is calculated by dividing the net profit after tax for the year (including the post-tax effect of extraordinary items, if any) attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Diluted earnings per share is computed by adjusting the number of shares used for basic EPS with the weighted average number of shares that could have been issued on the conversion of all dilutive potential equity shares.

Dilutive potential equity shares are deemed converted as of the beginning of the year, unless they have been issued at a later date. The diluted potential equity shares have been adjusted for the proceeds receivable had the shares been actually issued at fair value i.e. average market value of outstanding shares. The number of shares and potentially dilutive shares are adjusted for share splits and bonus shares, as appropriate.

j. Income taxes

Provision for tax for the year comprises of current tax and deferred tax. Current tax provision is measured by the amount of tax expected to be paid on the taxable profits after considering tax allowances and exemptions and using applicable tax rates and laws. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to timing differences between the financial statements' carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carry forwards. Deferred tax assets and liabilities are measured on the timing differences applying the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date. Changes in deferred tax assets and liabilities between one Balance Sheet date and the next are recognized in the Profit and Loss Account in the year of change. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the Profit and Loss Account in the year of change. Deferred tax assets are recognized only if there is reasonable certainty that they will be realized by way of future taxable income. Deferred tax assets related to unabsorbed depreciation and carry forward losses are recognized only to the extent that there is virtual certainty of realization. Deferred tax assets are reviewed for appropriateness of their carrying amounts at each Balance Sheet date.

k. Accounting for Employee Stock Options

Stock options granted to the employees of the Company and its subsidiaries under the stock option schemes established after June 19, 1999 are accounted as per the treatment prescribed by Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines 1999 (SEBI guidelines) as amended from time to time, issued by the Securities and Exchange Board of India. According to the above guidelines, the excess of market value of the stock options as on the date of grant over the exercise price of the options, if any is to be recognized as deferred employee compensation and is charged to the Profit and Loss account ratably over the vesting period of the options.

2. CONTINGENT LIABILITIES AND COMMITMENTS

	As at June 30, 2010	(Rs. in Lakhs) As at June 30, 2009
(i) Counter guarantees outstanding in respect of guarantees given by banks on behalf of the Company	103.19	157.18
(ii) Corporate guarantees given		
— on behalf of subsidiary, Majesco Mastek	4,180.05	6,946.23
— on behalf of subsidiary, Majesco Mastek Enterprises Solutions Canada Co. Ltd	967.53	—
— on behalf of subsidiary, Mastek MSC Thailand Co Ltd	153.49	—
— on behalf of subsidiary, Mastek (UK) Limited	36,462.26	32,256.67
(iii) Claim against the Company not acknowledged as debts	105.78	105.78
(iv) Estimated amount of contracts remaining to be executed on capital account not provided for	1,813.15	2,153.19

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NOTES TO THE BALANCE SHEET AS AT JUNE 30, 2010 AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE (Contd.)

Schedule 16 (Contd.)

3. BUYBACK OF SHARES

The Board of Directors at their Meeting held on October 11, 2007 had announced buy back of its fully paid equity shares from existing shareholders and beneficial owners in accordance with the relevant provisions of Companies Act, 1956 and Securities and Exchange Board of India (Buy Back of Securities) Regulations, 1998 at a price not exceeding Rs. 750 per share. The Company opted to buy back shares from open market through stock exchange route and the total offer size aggregates to Rs. 65 crores representing 25% of the Company's paid up capital and free reserves as on June 30, 2007.

During current year, the Company had bought back Nil (Previous year 176,863) equity shares of Rs. 5/- each at an average price of Nil (Previous year Rs. 374.45) per share and extinguished Nil (Previous year 744,381) equity shares of Rs. 5/- each. The difference between the nominal value and amount spent for buy back, amounting to Nil (Previous year Rs. 653.42 Lakhs) which has been appropriated from General Reserve to the tune of Nil (Previous year Rs. 653.42 Lakhs).

The Company has transferred Rs. Nil (Previous year Rs. 8.85 Lakhs) from General Reserve to Capital Redemption Reserve which represented the nominal value of shares bought back during the year.

4. LEASES

	As at Jun 30, 2010	(Rs. In Lakhs) As at Jun 30, 2009
a) Future minimum non-cancellable capital lease commitments on account of finance leases:		
Due within one year	10.01	10.44
Due later than 1 year but not later than 5 years	9.07	9.21
Due later than 5 years	—	—
Total minimum lease payments	<u>19.08</u>	<u>19.65</u>
Less: Interest portion	<u>(2.81)</u>	<u>(2.16)</u>
Present value of net minimum capital leases payments	<u>16.27</u>	<u>17.49</u>
b) Lease rentals recognized in the profit and loss account	259.26	383.44
c) Future non - cancelable operating lease rental commitments		
Due within one year	41.16	35.50
Due later than 1 year but not later than 5 years	—	—
Due later than 5 years	—	—
Total minimum lease payments	<u>41.16</u>	<u>35.50</u>
d) Description of significant lease agreements:		
— The Company has given refundable interest free security deposit under the lease agreements.		
— All agreements contain provision for renewal at the option of either parties.		
— All agreements provide for restriction on sub lease.		

5. FORWARD CONTRACTS

Forward Contracts outstanding as on June 30, 2010 amount to Rs. 7,250.52 Lakhs (Previous year Rs. 958.10 Lakhs). Gain / (loss) of foreign exchange forward contracts are included under the head Exchange loss (net). Forward contracts amounting to Rs. 3,830.93 Lakhs (Previous year Rs. 958.10 Lakhs) are backed by receivables.

6. EMPLOYEE STOCK OPTIONS

Plan II

The Company established a new scheme in 2002 for granting 700,000 stock options to employees and each option representing one equity share of the Company. The exercise price is as governed by the guidelines issued by SEBI.

NOTES TO THE BALANCE SHEET AS AT JUNE 30, 2010 AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE (Contd.)

Schedule 16 (Contd.)

The scheme is governed by the Employee Stock Option Scheme and Employees Stock Purchase Guidelines issued in 1999 by SEBI. There is a minimum period of twelve months for the first vesting from the date of the grant of options. The options are exercisable within two years of their vesting. As per the SEBI guidelines issued in 1999, and as amended from time to time, the excess of the market price of the underlying equity shares as of the date of the grant of the option over the exercise price of the option is to be recognized and amortized on a straight line basis over the vesting period. The options granted during the year have been granted at an exercise price which is equal to the market price of the underlying equity shares. Consequently, there is no compensation cost in the current year. In April, 2006, the Company issued Bonus Shares in the ratio of 1:1 and the number of unvested and unexercised options and the price of the said options have been adjusted accordingly.

In accordance with the Guidelines, the Company has passed the necessary special resolutions in January 2002 to approve the scheme and to extend the plan to the employees of its subsidiaries.

	(No. of options)	
	Year ended Jun 30, 2010	Year ended Jun 30, 2009
Opening Balance	91,520	250,579
Granted during the year	—	—
Exercised during the year	(14,458)	(10,629)
Cancelled during the year	(69,312)	(148,430)
Balance unexercised options	7,750	91,520

Plan III

The Company passed special resolutions at its Annual General Meeting held on September 20, 2004 approving the allocation of 700,000 stock options to the eligible employees of the Company and its subsidiaries.

The Company subsequently established a new scheme in 2004 for granting 700,000 stock options to the employees referred to above, each option representing one equity share of the Company. The exercise price is as governed by the guidelines issued by SEBI. The scheme is governed by the Employee Stock Option Scheme and Employee Stock Purchase Guidelines issued in 1999 by SEBI and as amended from time to time. The first vesting of the stock options shall happen only on completion of one year from the date of grant and the options are exercisable within two years from the date of vesting. As per the SEBI guidelines, the excess of market price of the underlying equity shares as of the date of the grant of the options over the exercise price of the option is to be recognized and amortized on a straight line basis over the vesting period. The options granted during the year have been granted at an exercise price which is equal to the market price of the underlying equity shares. Consequently, there is no compensation cost in the current year. In April, 2006 the Company issued Bonus Shares in the ratio of 1:1 and the number of unvested and unexercised options and the price of the said options have been adjusted accordingly.

	(No. of options)	
	Year ended Jun 30, 2010	Year ended Jun 30, 2009
Opening Balance	898,624	1,071,038
Granted during the year	—	—
Exercised during the year	(26,938)	(8,664)
Cancelled during the year	(324,892)	(163,750)
Balance unexercised options	546,794	898,624

Plan IV

The Shareholders of the Company through Postal Ballot on August 9, 2007 approved the allocation of 1,000,000 stock options to the eligible employees of the Company and its subsidiaries.

The Company subsequently established a new scheme in 2007 for granting 1,000,000 stock options to the employees referred to above, each option representing one equity share of the Company. The exercise price is as governed by

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NOTES TO THE BALANCE SHEET AS AT JUNE 30, 2010 AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE (Contd.)

Schedule 16 (Contd.)

the guidelines issued by SEBI. The scheme is governed by the Employee Stock Option Scheme and Employee Stock Purchase Guidelines issued in 1999 by SEBI and as amended from time to time. The first vesting of the stock options shall happen only on completion of one year from the date of grant and the options are exercisable within two years from the date of vesting. During the year the Company has extended the vesting period from two years to seven years. As per the SEBI guidelines, the excess of market price of the underlying equity shares as of the date of the grant of the options over the exercise price of the option is to be recognized and amortized on a straight line basis over the vesting period. The options granted during the year have been granted at an exercise price which is equal to the market price of the underlying equity shares. Consequently, there is no compensation cost in the current year.

	(No. of options)	
	Year ended Jun 30, 2010	Year ended Jun 30, 2009
Opening Balance	614,917	248,876
Granted during the year	—	413,484
Exercised during the year	(3,047)	—
Cancelled during the year	(98,156)	(47,443)
Balance unexercised options	513,714	614,917

Plan V

The Company introduced a new scheme in 2008 for granting 1,500,000 stock options to the employees, each option representing one equity share of the Company. The exercise price as may be determined by the Compensation Committee and such price may be the face value of the share from time to time or may be the Market Price or any price as may be decided by the Committee and will be governed by the guidelines issued by SEBI. The scheme is governed by the Employee Stock Option Scheme and Employee Stock Purchase Guidelines issued in 1999 by SEBI and as amended from time to time. The first vesting of the stock options shall happen only on completion of one year from the date of grant and the options are exercisable within seven years from the date of vesting. As per the SEBI guidelines, the excess of market price of the underlying equity shares as of the date of the grant of the options over the exercise price of the option is to be recognized and amortized on a straight line basis over the vesting period. The options granted during the year have been granted at an exercise price which is equal to the market price of the underlying equity shares except for 25,000 options, which have been granted at a price less than the market price. Consequently, compensation cost of Rs 57.00 Lakhs (Previous Year Rs. Nil) has been charged to the Profit and Loss account during the current year.

	(No. of options)	
	Year ended Jun 30, 2010	Year ended Jun 30, 2009
Opening Balance	61,000	—
Granted during the year	1,116,000	61,000
Exercised during the year	—	—
Cancelled during the year	(2,86,000)	—
Balance unexercised options	8,91,000	61,000

7. RETIREMENT BENEFIT PLANS

a) Defined contribution plans

The Company makes contribution towards provident fund and superannuation fund to a defined contribution retirement benefit plan for qualifying employees. The provident fund plan is operated by the Regional Provident Fund Commissioner and the superannuation fund is maintained by making contribution to Life Insurance Corporation of India. Under the schemes, the Company is required to contribute a specified percentage of payroll cost to the retirement benefit schemes to fund the benefits.

NOTES TO THE BALANCE SHEET AS AT JUNE 30, 2010 AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE (Contd.)

Schedule 16 (Contd.)

The Company recognized Rs. 694.53 Lakhs (Previous year Rs. 715.61 Lakhs) for provident fund contribution and Rs. 30.16 Lakhs (Previous year Rs. 29.18 Lakhs) for superannuation contribution in the Profit and Loss account. The contributions payable to these plans by the Company are at rates specified in the rules of the schemes.

b) Defined benefit plans

The Company provided for liabilities towards gratuity and leave encashment payable to the employees. Gratuity vests to the employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days salary payable for each completed year of service or part thereof in excess of six months. Vesting occurs upon completion of five years of service. Leave encashment vest to the employees at the time of retirement, death while in employment or on termination of employment equivalent to salary payable for number of days of accumulated leave balance.

c) The following table sets out the status of gratuity (unfunded) and the amounts recognized in the Company's financial statements as at June 30, 2010 and June 30, 2009.

	As at June 30, 2010	(Rs. in Lakhs) As at June 30, 2009
1. Change in defined benefit obligations:		
Projected benefit obligation, beginning of the year (July 1, 2009)	1,998.55	1,284.64
Transfer from Keystone Solutions Private Limited	115.05	—
Service cost	461.62	311.04
Interest cost	186.31	135.56
Actuarial (gain) / loss	(318.14)	364.25
Benefits paid	(123.63)	(96.94)
Projected benefit obligation, closing of the year (June 30, 2010)	2,319.76	1,998.55
2. Change in fair value of assets:		
Fair value of plan assets, beginning of the year (July 1, 2009)	—	—
Expected return on plan assets	—	—
Employer's contribution	123.63	96.94
Acquisitions	—	—
Benefit paid	(123.63)	(96.94)
Actuarial (gain) / loss	—	—
Fair value of plan assets, closing of the year (June 30, 2010)	—	—
3. Amount recognized in the Balance Sheet		
Present value of obligations as at June 30, 2010	2,319.76	1,998.55
Fair value of plan assets as at June 30, 2010	—	—
Amount not recognized as an asset	—	—
Net Liability recognized as at June 30, 2010	2,319.76	1,998.55
4. Net gratuity cost for the year ended June 30, 2010		
Service cost	461.62	311.04
Interest cost	186.31	135.56
Expected return on plan assets	—	—
Net actuarial (gain) / loss recognized in the year	(318.14)	364.25
Net gratuity cost	329.79	810.85
5. Assumptions used in accounting for the gratuity plan:		
Discount rate (p.a.)	8.15%	7.50%
Salary escalation rate (p.a.)	20 % p.a. for 1st year & 10% p.a. thereafter	15 % p.a. for 1st year & 10% p.a. thereafter
6. Return on Plan Assets (p.a.)	N.A.	N.A.

d) Leave encashment charged during the year amount to Rs. 230.29 Lakhs (Previous year Rs. 923.38 Lakhs).

NOTES TO THE BALANCE SHEET AS AT JUNE 30, 2010 AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE (Contd.)

Schedule 16 (Contd.)

8. INCOME TAXES

The Company follows Accounting Standard 22 'Accounting for taxes on income'.

- a) The Company's operations are eligible for significant tax incentives under the Indian taxation laws. These incentives presently include an exemption from payment of Indian corporate taxes for a period of ten consecutive years of operations of software development facilities designated as Software Technology Park or in Special Economic Zone. The management estimates the provision for current taxes and deferred taxes after considering such tax benefits and the expected results of the future operations of the Company.
- b) Pursuant to the changes in the Indian Income Tax Act, the Company has calculated its tax liability after considering Minimum Alternate Tax (MAT). The MAT liability can be carry forward and set off against future tax liability. Accordingly, a sum of Rs. 289.38 Lakhs (Previous year Rs. 947.08 Lakhs) has been carried forward and shown under 'Loans and Advances'.

9. RELATED PARTY DISCLOSURES

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

Subsidiaries: MajescoMastek USA; Mastek UK Ltd., UK; Mastek GmbH, Germany; Mastek Asia Pacific Pte. Ltd., Singapore; Mastek MSC Sdn. Bhd., Malaysia; Mastek Outsourcing Services Private Limited (closed down w.e.f August 21,2009), Majesco Mastek Canada Ltd, Canada; Keystone Solutions Private Limited, Mastek MSC Thailand Co Ltd, Thailand; System Task Group International Ltd., USA; and Carreteck LLC, USA. These companies constitute entities under the control of the Company.

Key Management Personnel: Sudhakar Ram (Chairman & Managing Director) R Sundar (Director)

(Rs. in Lakhs)

	Transactions during the year ended	
	June 30, 2010	June 30,2009
Income from services		
Mastek (UK) Ltd.	28,677.51	46,181.98
MajescoMastek	8,146.83	7,783.10
Others	1,275.74	1,474.51
Purchase of Services		
Keystone Solutions Private Limited	–	0.81
Commission expenses		
Mastek (UK) Ltd.	56.39	–
Purchase of Business operations		
Keystone Solutions Private Limited	2,036.00	–
Investment in Equity Shares		
MajescoMastek	2,979.46	3,944.82
Mastek Msc Sdn Bhd	487.76	599.97
MajescoMastek Enterprise Solutions Canada Co. Ltd.	447.09	207.39

(Rs. in Lakhs)

	Transactions during the year ended	
	Jun 30, 2010	June 30,2009
Remuneration to Key Management Personnel		
– Sudhakar Ram	175.12	66.14
– R Sundar	73.38	68.25

NOTES TO THE BALANCE SHEET AS AT JUNE 30, 2010 AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE (Contd.)

Schedule 16 (Contd.)

(Rs. in Lakhs)

	Closing Balance as at	
	June 30, 2010	June 30, 2009
Outstanding receivables		
Mastek (UK) Ltd.	2,532.80	4,308.90
MajescoMastek	1,157.76	626.85
Others	123.18	331.78
Corporate guarantees given on behalf of subsidiaries		
Mastek (UK) Ltd.	36,462.26	32,256.67
MajescoMastek	4,180.05	6,946.23
Majesco Mastek Canada Ltd	967.53	—
Mastek MSC Thailand Co Ltd	153.49	—
* Refer note 2 (ii) of Schedule 16		
Investments in Equity shares		
MajescoMastek, USA	14,392.14	11,412.68
Others	3,474.04	2,541.10

(Rs. in Lakhs)

	Closing Balance as at	
	June 30, 2010	June 30, 2009
Remuneration payable to Key Management Personnel	—	48.05

Notes:

- i) Reimbursement of expenses incurred by related parties for and on behalf of the Company and vice versa has not been included above.
- ii) The disclosures given above have been reckoned on the basis of information available with the Company.
- iii) Remuneration to key management personnel given above includes commission Nil (Previous year Rs. 48.05 Lakhs).

10. SEGMENTS

The Company has presented data relating to its segments in its consolidated financial statements which are presented in the same annual report as Mastek Limited. In terms of provisions of Accounting Standard (AS) 17 - 'Segment Reporting', no disclosures related to segments are presented in its stand-alone financial statements.

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NOTES TO THE BALANCE SHEET AS AT JUNE 30, 2010 AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE (Contd.)

Schedule 16 (Contd.)

11. EARNINGS PER SHARE (EPS)

The components of basic and diluted earnings per share are as follows:

	As at June 30, 2010	As at June 30, 2009
– Net income available to equity shareholders (Rs. in Lakhs)	3,699.84	9,564.58
– Weighted average number of outstanding equity shares		
Considered for basic EPS	26,923,796	26,914,521
Add : Effect of dilutive issue of stock options	168,742	1,469
Considered for diluted EPS	27,092,538	26,915,990
– Earnings per share (net of taxes) in Rs.		
Basic	13.74	35.54
Diluted	13.66	35.53

(Nominal value per share Rs.5/- each)

12. MICRO, SMALL AND MEDIUM ENTERPRISES

There are no dues to micro and small enterprises which are outstanding at the Balance Sheet date. The information regarding micro and small enterprises has been determined on the basis of the information available with the Company. This has been relied on by the auditors.

13. DIRECTORS REMUNERATION

	Year ended Jun 30, 2010	Year ended June 30, 2009
		(Rs. in Lakhs)
Directors' Remuneration		
Salary	211.37	75.03
Contribution to Provident Fund	8.21	4.10
Perquisites	28.92	7.20
Sitting Fees	4.60	6.90
Total	<u>253.10</u>	<u>93.23</u>
Commission to Wholetime Director (see Note no. 14 below)	–	48.05
Commission to Non Wholetime Director (see Note no. 14 below)	26.00	44.00
Total	<u>26.00</u>	<u>92.05</u>
Grand Total	<u>279.10</u>	<u>185.28</u>

Provision for gratuity and leave encashment benefit which is based on actuarial valuation carried out on an overall basis for the Company. Therefore, excluded from the above remuneration.

NOTES TO THE BALANCE SHEET AS AT JUNE 30, 2010 AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE (Contd.)

Schedule 16 (Contd.)

14. COMPUTATION OF NET PROFIT IN ACCORDANCE WITH SECTION 349 OF THE COMPANIES ACT, 1956 AND COMMISSION PAYABLE TO DIRECTORS:

	Year ended Jun 30, 2010	(Rs. in Lakhs) Year ended June 30, 2009
Profit before tax as per Profit and Loss Account	2,398.88	9,465.95
Add:		
Managerial Remuneration (excludes sitting fees)	274.50	178.38
Depreciation charge as per accounts	2,475.62	2,539.03
Loss on scrapped assets as per accounts	1.02	—
	<u>5,150.02</u>	<u>12,183.36</u>
Less :		
Depreciation under Section 350 of the Companies Act, 1956 *	2,475.62	2,539.03
Profit on sale of assets (net)	—	6.22
Net profit as per Section 349 of the Companies Act, 1956	<u>2,674.40</u>	<u>9,638.11</u>
Maximum commission allowable to Non-Wholetime Directors as per the Companies Act, 1956 at 1%	26.74	96.38
Commission payable to Non-Wholetime Directors, restricted by the Board of Directors to	26.00	44.00
Commission payable to Wholetime Directors, restricted by the Board of Directors to	—	48.05
Total commission payable	<u>26.00</u>	<u>92.05</u>

* The Company depreciates fixed assets based on estimated useful lives that are lower than those implicit in Schedule XIV of the Companies Act, 1956. Accordingly, the rates of depreciation used by the Company are higher than the minimum rates prescribed by Schedule XIV.

15. ADDITIONAL INFORMATION PURSUANT TO THE PROVISIONS OF PART II OF SCHEDULE VI OF THE COMPANIES ACT, 1956.

(i) The Company is engaged in the development of computer software and other software related services. Considering the nature of business, certain details required under Part II of schedule VI are not applicable.

	Year ended Jun 30, 2010	(Rs. in Lakhs) Year ended June 30, 2009
(ii) Value of Imports on C.I.F basis		
Capital Goods	296.57	567.68
(iii) Expenditure in Foreign Currency		
(Including expenditure incurred by the Company's overseas branch)		
Travel	1,010.57	1,278.03
Professional fees	1,915.85	2,692.44
Salaries	13,569.92	18,293.99
Other matters	541.19	264.84
	<u>17,037.53</u>	<u>22,529.30</u>
(iv) Earnings in foreign exchange		
Income from services	38,151.65	55,819.30
Others	155.34	98.85

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NOTES TO THE BALANCE SHEET AS AT JUNE 30, 2010 AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AS ON THAT DATE (Contd.)

Schedule 16 (Contd.)

16. Professional fees include remuneration to auditors:	(Rs. in Lakhs)	
	Year ended Jun 30, 2010	Year ended June 30, 2009
Audit Fees	66.50	75.00
Out of pocket expenses	1.90	2.10

17. ACQUISITION OF KEYSTONE BUSINESS

The Board of Directors of the Company at its meeting held on May 9, 2009 approved the acquisition of business activities pertaining to "Keystone Solutions Private Limited" ('Keystone'). Consequent to this, the Company has entered into a business transfer agreement dated June 8, 2009 and addendum to agreement dated August 1, 2009 with Keystone to purchase the entire business on a slump sale basis as a going concern for a total consideration of Rs. 2,036 Lakhs with effect from August 31, 2009.

On acquisition, the Company has recorded net assets of Rs.1,905.68 Lakhs and the balance of Rs 130.32 Lakhs is shown as Goodwill (to be amortized over a period of 3 years).

Accordingly, figures for the current year are not comparable with figures of the previous year.

18. The previous year's figures have been regrouped and reclassified, wherever necessary.

Signatures to Schedules 1 to 16

For Price Waterhouse
Firm Registration Number : 007568S
Chartered Accountants

Sudhakar Ram
Chairman & Managing Director

Vasant Gujarathi
Partner
Membership Number: 17866

Ashank Desai
Director

Place: Mumbai
Dated: July 21, 2010

O.Banerjee
Company Secretary

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2010

	(Rs. in Lakhs)	
	Year ended June 30, 2010	Year ended June 30, 2009
Cash flows from operating activities		
Net Profit before tax	2,398.88	9,465.95
Adjustments for :		
Interest on deposits, etc.	(252.49)	(133.23)
Income from investments	(131.90)	(288.42)
Employee stock compensation expense	57.00	—
Financial expenses	2.32	3.70
Loss on Investments written off	1.91	—
Depreciation and amortisation	2,475.62	2,539.03
Provision for doubtful debts	55.98	31.40
Dividend from subsidiary	(102.83)	—
Profit on sale of investments	(0.03)	(338.40)
Loss / (Profit) on sale of fixed assets (net)	1.02	(6.22)
Unrealised Foreign exchange gain	644.43	72.24
Operating profit before working capital changes	<u>5,149.91</u>	<u>11,346.05</u>
Decrease / (Increase) in sundry debtors	(167.63)	2,310.99
Decrease / (Increase) in loans and advances	(528.63)	2,223.55
Decrease in liabilities	(513.82)	(2,175.44)
Cash generated from operations	<u>3,939.83</u>	<u>13,705.15</u>
Income taxes paid (net of refunds received)	(679.62)	(1,713.71)
<i>Net cash from operating activities</i>	<u>3,260.21</u>	<u>11,991.44</u>
Cash flows from investing activities		
Proceeds from sale of fixed assets	28.47	25.15
Purchase of fixed assets (including leasehold improvements and capital work in progress)	(1,897.89)	(3,469.61)
Interest received	252.49	130.64
Dividend received from subsidiary	102.83	—
Acquisition of shares in subsidiaries	(3,914.31)	(4,752.18)
Sale proceeds of current investments	67,018.72	91,514.26
Dividend from current investments	131.90	288.42
Purchase of current investments	(60,153.45)	(92,564.00)
<i>Net cash from / (used in) investing activities</i>	<u>1,568.76</u>	<u>(8,827.32)</u>

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2010 (Contd.)

	Year ended June 30, 2010	Year ended June 30, 2009
		(Rs. in Lakhs)
Cash flows from financing activities		
Payments for Buyback of share capital	—	(662.27)
Proceeds from Issue of share capital	105.26	37.59
Payment of Lease obligation (net)	(1.22)	(24.93)
Dividends paid (including Corporate dividend tax)	(2,980.68)	(2,822.11)
Interest paid on loans and lease obligations	(2.32)	(3.70)
<i>Net cash used in financing activities</i>	<u>(2,878.96)</u>	<u>(3,475.42)</u>
Total increase/(decrease) in cash and equivalents during the year	1,950.01	(311.30)
Cash and cash equivalents at the beginning of the year	<u>2,213.77</u>	<u>2,525.07</u>
Cash and cash equivalents at the end of the year	<u><u>4,163.78</u></u>	<u><u>2,213.77</u></u>

- 1 The above cash flow statement has been prepared under the "Indirect Method" as set out in the Accounting Standard-3 on Cash Flow Statement issued by the Institute of Chartered Accountants of India.
- 2 For reasons, principally the effects of translation differences, certain items in the statement of cash flow do not correspond to the differences between the balance sheet amounts for the respective items.
- 3 Assets acquired on lease - Rs.8.88 lakhs (Previous year Rs. 4.96 Lakhs) being a non-cash transaction has not been considered in the cash flow statement.
- 4 Cash and cash equivalents includes Rs.53.10 Lakhs Lakhs (Previous year Rs.42.27 Lakhs) restricted on account of unpaid dividend.
- 5 Figures in brackets indicate cash outgo.
- 6 Previous year's figures have been regrouped and reclassified wherever necessary.

This is the cash flow referred to in our report of even date

For Price Waterhouse
Firm Registration Number : 007568S
Chartered Accountants

Sudhakar Ram
Chairman & Managing Director

Vasant Gujarathi
Partner
Membership Number: 17866

Ashank Desai
Director

Place : Mumbai
Dated : July 21, 2010

O.Banerjee
Company Secretary

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I Registration Details :

Registration No.	04-5215	State code	04
Balance Sheet Date	30-Jun-10		

II Capital Raised during the Year (Amount in Rs. Thousands)

Public Issue	—	Rights Issue	—
Bonus Issue	—	Private Placement *	10,526.00

* Options exercised by employees as per ESOP

III Position of Mobilisation and Deployment of Funds - (Amount in Rs. Thousands)

Total Liabilities	3,782,402	Total Assets	3,782,402
Source of Funds			
Paid-Up Capital	134,720	Reserves & Surplus	3,646,055
Secured Loans	1,627	Unsecured Loans	—
Application of Funds			
Net Fixed Assets	1,122,922	Investments	1,917,751
Deferred Tax Assets	192,284	Net Current Assets	5,49,445
Accumulated Losses			

IV Performance of Company (Amount in Rs. Thousands)

Turnover (including other income)	4,408,849
Total Expenditure	4,168,962
Profit/Loss Before Tax	239,887
Profit/Loss after Tax	369,983
Earning Per Share in Rs.	13.74
Dividend rate %	65%

V Generic Names of Three Principal Products / Services of Company

(as per monetary terms)

Item Code No	85249113
(ITC Code)	
Product Description	Computer software and consulting services

Sudhakar Ram
Chairman & Managing Director

Ashank Desai
Director

Place : Mumbai
Dated : July 21, 2010

O. Banerjee
Company Secretary

Mastek™

STATEMENT OF HOLDING COMPANY'S INTEREST IN SUBSIDIARY COMPANIES

1	Name of the Subsidiary	Mastek (UK) Ltd.	MajescoMastek USA	Mastek, GmbH	Mastek Asia Pacific Pte Ltd.	Mastek MSC Software Sdn Bhd.	Mastek MSC (Thailand) Co. Ltd.*	Majesco Mastek Canada Ltd (Previously known as Majesco Mastek Enterprise Solutions Canada Co. Ltd.	Vector Insurance LLC** Group International Ltd.**	System Task International Ltd.**	Keystone Solutions Pvt Ltd.***
2	Financial year of the Subsidiary Company ended on	30th June, 2010	30th June, 2010	30th June, 2010	30th June, 2010	30th June, 2010	30th June, 2010	30th June, 2010	30th June, 2010	30th June, 2010	30th June, 2010
3	i) Number of equity shares held by Mastek Limited/its subsidiaries in the Subsidiary Company on the above date.	200,000	163,700,000	1	3,650,000	11,262,000	70,000	1,500,000	2,700	27,218,500	1,060,512
	ii) Holding Company's interest %	100	100	100	100	100	100	100	90	100	100
4	The net aggregate profit/ (loss) of Subsidiary Company so far as it concerns the Holding Company										
	I Not dealt with in the accounts of Mastek Limited										
	a) For the Subsidiary's financial year ended as above	GBP 1,967,947	(US \$ 1,232,931)	(Euro 25,579)	(Sing \$ 80,427)	RM 1,718,648	(Bath 874,881)	(CAD 878,623)	US \$289,751	US \$2,493,861	Rs.25,876,790
	b) For the previous financial years of the Subsidiary since it became a subsidiary of Mastek Limited	Rs 1,448.44 Lakhs	(Rs 574.55 Lakhs)	(Rs 16.52 Lakhs)	(Rs 26.67 Lakhs)	Rs 237.28 Lakhs	(Rs.12.30 Lakhs)	(Rs.387.34 Lakhs)	Rs 135.02 Lakhs	Rs-1,162.14 Lakhs	Rs-258.77 Lakhs
	II Dealt with in the accounts of Mastek Limited										
	a) For the Subsidiary's financial year ended as above	GBP 16,784,872	(US \$ 3,784,606)	Euro 217,947	(Sing \$ 2,482,680)	(RM 88,398)	(Bath 3,644,664)	(CAD 245,429)	(US \$ 1,340,540)	US \$ 2,894,091	Rs. 172,322,282
	b) For the previous financial years of the Subsidiary since it became a subsidiary of Mastek Limited	Rs 13,579.10 Lakhs	(Rs 1,584.38 Lakhs)	Rs 150.55 Lakhs	(Rs 660.62 Lakhs)	(Rs 0.63 Lakhs)	(Rs. 47.68 Lakhs)	(Rs.100.90 Lakhs)	(Rs 628.64 Lakhs)	Rs. 159.31 Lakhs	Rs-1,723.22 Lakhs

Note:

* Fellow Subsidiary of Mastek MSC Sdn Bhd

** Fellow subsidiary of MajescoMastek. MajescoMastek acquired Vector Insurance Services LLC w.e.f July 1st, 2007 and System Task Group International Ltd w.e.f January 1st, 2008

*** Fellow subsidiary of System Task Group International Limited(STG). MajescoMastek acquired STG and Keystone Solutions Pvt. Ltd (subsidiary of STG) w.e.f January 1st, 2008

Place: Mumbai,

Dated: July 21, 2010

Sudhakar Ram
Chairman & Managing Director

Ashank Desai
Director

O. Banerjee
Company Secretary

DETAILS OF SUBSIDIARIES AS AT JUNE 30, 2010

Subsidiaries	Mastek (UK) Limited		MajescoMastek USA		Mastek, GmbH		Mastek Asia Pacific Pte Ltd.		Mastek MSC Son Bhd		Mastek MSC (Thailand) Co. Ltd*		Majesco Mastek Canada Ltd (Previously known as Majesco Mastek Enterprises Solutions Canada Co. Ltd)		Vector Insurance Services LLC **		System Task Group International Ltd **		Keystone Solution Pvt Ltd.***
	GBP	Rs. Equivalent	USD	Rs. Equivalent	Euro	Rs. Equivalent	SGD	Rs. Equivalent	RM	Rs. Equivalent	Baht	Rs. Equivalent	CAD	Rs. Equivalent	USD	Rs. Equivalent	USD	Rs. Equivalent	Rs.
Share Capital	200.00	13,974.00	327.40	15,206.09	540.00	30,838.05	3,650.00	121,590.63	11,262.00	161,553.42	7,000.00	10,027.50	1,500.00	66,461.25	932.52	43,310.98	2.72	126.28	10,605.12
Reserves	18,752.82	1,310,259.41	28,474.14	1,322,481.49	45.37	2,591.19	(2,563.11)	(85,383.50)	1,655.93	23,754.34	(4,519.55)	(6,474.25)	(1,124.05)	(49,803.85)	(1,990.71)	(92,458.53)	3,572.48	165,923.83	199,198.64
Total Assets	25,449.25	1,778,139.10	44,178.21	2,051,856.97	596.96	34,090.88	1,201.40	40,021.76	14,570.94	209,020.13	10,977.81	15,725.71	1,216.36	53,893.87	554.00	25,730.53	9,213.63	427,927.05	211,893.00
Total Liabilities	6,496.43	453,905.69	15,376.67	714,169.38	11.59	661.63	114.51	3,814.63	1,653.01	23,712.37	8,497.35	12,172.46	840.41	37,236.47	1,612.19	74,878.07	5,638.43	261,876.93	2,091.24
Details of Investment (except in case of subsidiaries)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment in subsidiary	-	-	31,585.79	1,467,001.82	-	-	-	-	701.11	10,057.42	-	-	-	-	-	-	413.97	10,226.60	-
Income	47,145.50	3,469,975.02	35,401.84	1,649,725.52	4.28	276.46	619.16	20,536.76	13,232.50	182,687.89	10,978.96	15,441.91	2,739.83	127,676.08	2,739.83	127,676.08	22,271.99	1,037,874.66	81,350.00
Profit before taxation	2,746.71	202,161.65	(1,176.85)	(54,841.16)	(18.30)	(1,181.56)	(80.43)	(2,467.65)	1,720.83	23,757.72	(874.88)	(1,230.52)	(1,255.18)	(56,238.62)	290.28	13,527.05	4,011.73	186,946.48	32,665.68
Provision for taxation	778.76	57,318.12	56.08	2,613.44	7.28	470.40	-	-	2.18	29.73	-	-	(376.55)	(16,871.47)	0.53	24.70	1,517.87	70,732.55	6,788.31
Profit after taxation	1,967.95	144,843.53	(1,232.93)	(57,454.60)	(25.58)	(1,651.96)	(80.43)	(2,467.65)	1,718.65	23,727.99	(874.88)	(1,230.52)	(878.63)	(39,367.14)	289.75	13,502.35	2,493.86	116,213.93	25,877.37
Proposed Dividend	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Note :-

* Fellow Subsidiary of Mastek MSC Son Bhd

** Fellow Subsidiary of Majesco Mastek, MajescoMastek acquired Vector Insurance LLC w.e.f July 1st, 2007 and System Task Group International Ltd w.e.f January 1st, 2008

*** Fellow Subsidiary of System Task Group International Ltd(STG), MajescoMastek acquired STG and Keystone solutions Pvt. Ltd. (subsidiary of STG) w.e.f. January 1, 2008.

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