Mastek Group

CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT OF MASTEK GROUP

Consolidated Profit and Loss Account

(Rs. in Million)

	As at June 30, 2008	As at June 30, 2007
I. Sources of Funds		
1. Shareholders' Funds		
(a) Share Capital	**135**	142
(b) Reserves and Surplus	**3,811**	3,374
	3,946	3,516
2. Loan Funds	**878**	4
TOTAL	**4,824**	3,520
II. Application of funds		
1. Fixed Assets		
(a) Gross Block	**3,850**	1,921
(b) Less: Depreciation	**1,600**	1,209
(c) Net Block	**2,250**	712
Capital work in progress	**219**	316
	2,469	1,028
2. Investments	**797**	1,096
3. Deferred Taxation	**105**	88
4. Current Assets, Loans and Advances		
(a) Sundry Debtors	**3,112**	2,129
(b) Cash and Bank Balances	**520**	894
(c) Loans and Advances	**553**	137
	4,185	3,160
Less: **Current Liabilities and Provisions**		
(a) Liabilities	**2,049**	1,368
(b) Provisions	**683**	484
	2,732	1,852
Net Current Assets	**1,453**	1,308
TOTAL	**4,824**	3,520

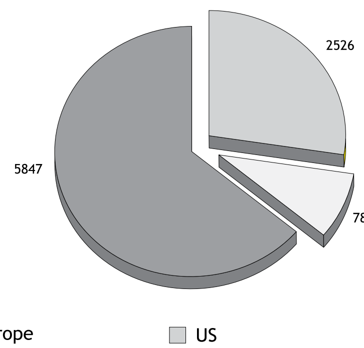
Consolidated Profit and Loss Account

(Rs. in Million)

	As at June 30, 2008	As at June 30, 2007
Income	**9,162**	8,104
Expenditure	**7,342**	6,626
Depreciation	**325**	299
Interest and Financial Charges	**36**	9
Profit before tax	**1,459**	1,170
Provision for tax	**200**	307
Profit after taxation before minority interest and exceptional items	**1,259**	863
Minority Interest	**–**	43
Profit on sale of Investment in Joint Ventures (net)	**–**	273
Share in loss of Associate Company	**–**	24
Profit for the year	**1,259**	1,069

GEOGRAPHICAL CONTRIBUTION TO REVENUE
(Rs. in Million)

2007-2008



AUDITORS' REPORT

REPORT OF THE AUDITORS TO THE BOARD OF DIRECTORS OF MASTEK LIMITED

1. We have audited the attached consolidated Balance Sheet of Mastek Limited and its subsidiaries, joint ventures and associate as at June 30, 2008, the consolidated Profit and Loss Account and the consolidated Cash Flow Statement for the year ended on that date annexed thereto which we have signed under reference to this report. These consolidated financial statements are the responsibility of the management of the Company. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material aspects, in accordance with an identified financial reporting framework and 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We did not audit the financial statements of certain consolidated entities whose financial statements reflects total assets of Rs. 1,814.21 Lakhs as at June 30, 2008 and total revenues amounting to Rs. 253 Lakhs for the year ended on that date out of the related consolidated totals. These financial statements have been audited by other auditor whose report has been furnished to us and our opinion, insofar as it relates to the amounts included in respect of this entity, is based solely on the report of the other auditor.

4. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 – Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Mastek Limited and its subsidiaries, included in the consolidated financial statements.

5. On the basis of the information and explanations given to us and on consideration of the separate audit reports on individual audited financial statements of Mastek Limited and its subsidiaries, in our opinion, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

   (a) in the case of the consolidated Balance Sheet, of the consolidated state of affairs of Mastek Limited and its subsidiaries as at June 30, 2008;

   (b) in the case of the consolidated Profit and Loss Account, of the consolidated results of operations of Mastek Limited and its subsidiaries for the year ended on that date; and

   (c) in the case of the consolidated Cash Flow Statement, of the consolidated cash flows of Mastek Limited and its subsidiaries for the year ended on that date.

Vasant Gujarathi
Partner
Membership No. : 17866
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants

Place : Mumbai
Dated : July 23, 2008

CONSOLIDATED BALANCE SHEET

(Rs. in Lakhs)

	Schedule	As at June 30, 2008	As at June 30, 2007
I. SOURCES OF FUNDS			
1. Shareholders' Funds			
(a) Capital	1	**1,352.85**	1,423.21
(b) Reserves and surplus	2	**38,107.16**	33,741.80
		39,460.01	35,165.01
2. Loan funds			
Secured loans	3	**8,782.09**	37.43
		48,242.10	35,202.44
II. APPLICATION OF FUNDS			
1. Fixed assets	4		
(a) Gross block		**38,498.12**	19,208.74
(b) Less: Depreciation		**16,000.08**	12,090.87
(c) Net block		**22,498.04**	7,117.87
Capital work-in-progress (including capital advances)		**2,190.91**	3,161.74
		24,688.95	10,279.61
2. Investments	5	**7,972.21**	10,957.91
3. Deferred Taxation		**1,046.31**	885.21
(Refer Note 10 of Schedule 15)			
4. Current assets, loans and advances			
(a) Sundry debtors	6	**31,124.30**	21,286.25
(b) Cash and bank balances	7	**5,201.18**	8,939.49
(c) Loans and advances	8	**5,532.18**	1,371.50
		41,857.66	31,597.24
Less: Current liabilities and provisions			
(a) Liabilities	9	**20,490.04**	13,681.30
(b) Provisions	10	**6,832.99**	4,836.23
		27,323.03	18,517.53
Net current assets		**14,534.63**	13,079.71
		48,242.10	35,202.44
Notes to the accounts	15		

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.

Vasant Gujarathi
Partner
Membership Number: 17866
For and on behalf of
Price Waterhouse
Chartered Accountants

Mumbai
Dated : July 23, 2008.

For and on behalf of the Board of Directors

Sudhakar Ram
Chairman & Managing Director

Ashank Desai
Director

O. Banerjee
Company Secretary

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Schedule	Year ended June 30, 2008	(Rs. in Lakhs) Year ended June 30, 2007
INCOME			
Information Technology Services and Products		**89,397.53**	79,443.41
Other income	**11**	**2,221.31**	1,592.42
		91,618.84	81,035.83
EXPENDITURE			
Operational expenses	**12**	**64,466.46**	58,861.01
Other expenses	**13**	**8,947.76**	7,394.65
Depreciation		**3,252.34**	2,991.53
Financial costs	**14**	**360.28**	88.88
		77,026.84	69,336.07
Profit before taxation		**14,592.00**	11,699.76
Provision for taxation (Refer note 10 of Schedule 15)			
For the year			
– Current tax		**2,930.52**	3,004.02
Less: MAT credit receivable		**(1,114.74)**	(87.70)
		1,815.78	2,916.32
– Deferred tax		**(149.35)**	12.78
– Fringe benefits tax		**35.60**	140.00
		1,702.03	3,069.10
Income Tax for earlier years		**302.30**	–
Profit after taxation before Minority Interest & exceptional Items		**12,587.67**	8,630.66
Minority interest		**–**	(429.34)
Profit on sale of Investment in Joint Ventures (net) (refer note 11 of Schedule 15)		**–**	2,733.69
Share in loss of Associate Company		**–**	(243.46)
Profit for the year		**12,587.67**	10,691.55
Add: Profit brought forward from previous year		**22,023.55**	16,397.42
Profit available for appropriation		**34,611.22**	27,088.97
Appropriations			
Interim dividend		**998.59**	851.45
Final dividend		**1,758.71**	1,280.89
Corporate dividend tax		**468.48**	369.25
Transferred to retained earnings		**2,480.71**	2,563.83
Balance carried to Balance Sheet		**28,904.73**	22,023.55
		34,611.22	27,088.97
Earnings per share after exceptional item (net of taxes) in Rs.			
– Basic		**44.23**	37.78
– Diluted		**44.03**	37.78
Earnings per share before exceptional item (net of taxes) in Rs.			
– Basic		**44.23**	32.72
– Diluted		**44.03**	32.72
(Refer note 14 of Schedule 15)			
(Nominal value per share Rs. 5/- each)			
Notes to the accounts	**15**		

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

In terms of our report of even date.

Vasant Gujarathi
Partner
Membership Number: 17866
For and on behalf of
Price Waterhouse
Chartered Accountants
Mumbai, Dated : July 23, 2008.

For and on behalf of the Board of Directors

Sudhakar Ram
Chairman & Managing Director

Ashank Desai
Director

O. Banerjee
Company Secretary

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(Rs. in Lakhs)

	As at June 30, 2008	As at June 30, 2007
SCHEDULE 1		
CAPITAL		
Authorised		
4,00,00,000 equity shares of Rs. 5/- each	**2,000.00**	2,000.00
20,00,000 preference shares of Rs. 100/- each	**2,000.00**	2,000.00
	4,000.00	4,000.00
Issued, Subscribed and Paid up:		
Equity Shares		
2,85,40,296 shares of Rs. 5/- each, fully paid up (Previous year 2,84,64,181 shares of Rs. 5/- each, fully paid up) (Refer note 8 of Schedule 15)	**1,427.01**	1,423.21
Less: 915,714 equity shares of Rs. 5 each bought back and extinguished during the year in accordance with Section 77A of the Companies Act, 1956 (Refer note 3 of Schedule 15)	**45.78**	–
2,76,24,582 shares of Rs. 5/- each, fully paid up	**1,381.23**	–
Less: Shares Suspense Account (5,67,518 shares of Rs. 5/- each, fully paid up)	**28.38**	–
(Refer note 3 of Schedule 15)	**1,352.85**	1,423.21

Of the above:

- 1,40,54,594 and 69,13,280 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.
- 6,60,000 equity shares of Rs. 5 each fully paid have been issued as bonus shares by capitalisation of profits transferred from General Reserve.

	As at June 30, 2008	As at June 30, 2007
SCHEDULE 2		
RESERVES AND SURPLUS		
Capital Reserve		
As per last Balance Sheet	**21.44**	21.44
	21.44	21.44
Capital Redemption Reserve Account		
As per last Balance Sheet	**1,212.26**	1,212.26
Add : Transferred from General Reserve	**74.16**	–
	1,286.42	1,212.26
Share Premium Account		
As per last Balance Sheet	**1,031.03**	546.13
Add : Addition on account of ESOP	**125.61**	484.90
Less : Utilised for buy back of shares in accordance with Section 77A of the Companies Act, 1956 (Refer note 3 to Schedule 15)	**1,156.64**	–
	–	1,031.03
General Reserve		
As per last Balance Sheet	**9,183.83**	7,002.42
Add : Transferred from Profit and Loss Account	**2,480.71**	2,563.83
Less : Leave Encashment transitional liability	**–**	382.42
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 15)	**74.16**	–
Less : Utilised for buy back of shares in accordance with Section 77A of the Companies Act, 1956 (Refer note 3 to Schedule 15)	**4,606.92**	–
	6,983.46	9,183.83
Foreign Currency Translation Account		
As per last Balance Sheet	**269.69**	1,081.99
Add : Exchange gain/(loss) on translation	**641.42**	(812.30)
	911.11	269.69
Profit and Loss Account	**28,904.73**	22,023.55
	38,107.16	33,741.80

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET *(Contd.)*

(Rs. in Lakhs)

	As at June 30, 2008	As at June 30, 2007
SCHEDULE 3		
SECURED LOANS		
Term Loan from Bank	**8,607.00**	–
Loan from financial institution – hypothecated against assets [Due within one year Rs 92.15 Lakhs (Previous year – Rs.10.69 Lakhs)]	**175.09**	37.43
	8,782.09	37.43

SCHEDULE 4

FIXED ASSETS

(Rs. in Lakhs)

Description	Gross Block (at cost)				Depreciation				Net Block	
	As at July 01, 2007	Additions	Deletions/ Adjustments	**As at June 30, 2008**	As at July 01, 2007	For the year	Deletions/ Adjustments	**As at June 30, 2008**	**As at June 30, 2008**	As at June 30, 2007
Goodwill	235.82	13,304.44	–	**13,540.26**	152.92	82.90	–	**235.82**	**13,304.44**	82.90
Leasehold Premises	2,645.86	–	7.91	**2,637.95**	435.18	82.09	0.24	**517.03**	**2,120.92**	2,210.68
Owned Premises	1,681.03	1,080.92	145.67	**2,616.28**	182.63	105.83	33.16	**255.30**	**2,360.98**	1,498.40
Plant and Machinery	6,357.06	2,223.50	175.33	**8,405.23**	4,707.29	1,277.81	162.16	**5,822.94**	**2,582.29**	1,649.76
Software Designs	5,696.78	559.25	72.52	**6,183.51**	4,663.06	1,003.34	72.52	**5,593.88**	**589.63**	1,033.72
Furniture and Fittings	3,203.72	1,126.39	44.23	**4,285.88**	2,455.39	590.44	42.76	**3,003.07**	**1,282.81**	748.33
Leasehold Improvements	599.15	4.98	127.00	**477.13**	497.47	38.37	127.00	**408.84**	**68.29**	101.68
Vehicles	347.56	93.62	89.30	**351.88**	153.39	71.56	61.75	**163.20**	**188.68**	194.17
Total	20,766.98	18,393.10	661.96	**38,498.12**	13,247.33	3,252.34	499.59	**16,000.08**	**22,498.04**	7,519.65
Previous Year	21,423.00	1,396.92	3,611.18	19,208.74	12,193.34	2,991.53	3,094.00	12,090.87	7,117.87	

1. Owned premises include subscription towards share capital of Co-operative societies amounting to Rs. 250 (Previous year Rs. 250).
2. Net block of vehicles include leased assets amounting to Rs. 27.50 Lakhs (Previous year Rs. 39.07 Lakhs).
3. Opening Gross block and opening depreciation balance includes addition on account of new acquisitions during the year. Details are as under:

Description	Gross Block	Depreciation
Goodwill	–	–
Leasehold Premises	–	–
Owned Premises	102.25	12.06
Plant and Machinery	1,057.48	855.45
Software Designs	294.82	247.42
Furniture and Fittings	54.32	31.40
Leasehold Improvements	49.37	10.13
Vehicles	–	–
Total	1,558.24	1,156.46

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET *(Contd.)*

(Rs. in Lakhs)

	As at June 30, 2008	As at June 30, 2007
SCHEDULE 5		
INVESTMENTS		
Investment in units of mutual funds (Current, non trade, unquoted)		
Nil (Previous year – 7.59) units of UTI Liquid Cash Plan Institutional – Daily Income Option – Reinvestment. Purchased during the year Rs. 4,101.22 Lakhs (4,02,298.86 units) and sold during the year Rs. 4,101.3 Lakhs (4,02,306.45 units.)	–	0.08
Nil (Previous year – 23,70,039.99) units of ICICI Prudential FMP Series 30 – 13 Months Plan – Institutional – Growth. Purchased during the year Rs. Nil (Nil units) and sold during the year Rs. 237 Lakhs (23,70,039.99 units.)	–	237.00
Nil (Previous year – 14,63,830.68) units of ICICI Prudential Institutional Liquid Plan – Super Institutional – Daily Dividend Reinvest.Purchased during the year Rs. 16,481.71 Lakhs (16,48,08,955.76 units) and sold during the year Rs. 16,628.1 Lakhs (16,62,72,786.44 units.)	–	146.38
Nil (Previous year – 50,00,000) units of UTI Fixed Maturity Plan Quarterly Series QFMP/0407/I – Dividend Plan. Purchased during the year Rs. Nil (Nil units) and sold during the year Rs. 500 Lakhs (50,00,000 units.)	–	500.00
Nil (Previous year – 40,00,000) units of UTI Fixed Maturity Plan Quarterly Series QFMP/0407/II – Dividend Plan. Purchased during the year Rs. Nil (Nil units) and sold during the year Rs. 400 Lakhs (40,00,000 units.)	–	400.00
Nil (Previous year – 90,00,000) units of Standard Chartered Fixed Maturity Plan – Quarterly Series – 13 – Dividend. Purchased during the year Rs. Nil (Nil units) and sold during the year Rs. 900 Lakhs (90,00,000 units.)	–	900.00
Nil (Previous year – 50,00,000) units of SBI Debt Fund Series – 90 Days (May 07) – Dividend. Purchased during the year Rs. Nil (Nil units) and sold during the year Rs. 500 Lakhs (50,00,000 units.)	–	500.00
Nil (Previous year – 30,14,110.33) units of ING Liquid Plus Fund – Institutional Daily Dividend. Purchased during the year Rs. 3,016 Lakhs (3,01,50,033.69 units) and sold during the year Rs. 3,317.51 Lakhs (3,31,64,144.02 units.)	–	301.51
Nil (Previous year – 1,80,00,000) units of Reliance Quarterly Interval Fund – Series III – Institutional Dividend Plan. Purchased during the year Rs. Nil (Nil units) and sold during the year Rs. 1,800 Lakhs (1,80,00,000 units.)	–	1,800.00
Nil (Previous year – 90,29,086.52) units of Sundaram BNP Paribas Liquid Plus Super Inst. Daily Dividend Reinvest. Purchased during the year Rs. 1,556.91 Lakhs (1,55,58,711.48 units) and sold during the year Rs. 24,60.27 Lakhs (2,45,87,798 units.)	–	903.36
Nil (Previous year – 40,00,000) units of Sundaram BNP Paribas Fixed Term Plan – Series XXIX – Dividend. Purchased during the year Rs. Nil (Nil units) and sold during the year Rs. 400 Lakhs (40,00,000 units.)	–	400.00

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET *(Contd.)*

(Rs. in Lakhs)

	As at June 30, 2008	As at June 30, 2007
SCHEDULE 5 (Contd.)		
Nil (Previous year – 46,41,080.13) units of Principal Floating Rate Fund FMP Instl. Option – Dividend Reinvestment Daily. Purchased during the year Rs. 2,894.48 Lakhs (2,89,09,210.4 units) and sold during the year Rs. 3,359.16 Lakhs (3,35,50,290.53 units.)	–	464.68
Nil (Previous year – 30,00,000) units of ABN Amro Flexible Short Term Plan – Srs. D – 90 Days. Purchased during the year Rs. Nil (Nil units) and sold during the year Rs. 300 Lakhs (30,00,000 units.)	–	300.00
Nil (Previous year – 1,25,00,000) units of LICMF FMP Series 26 – 3 Months – Dividend Plan. Purchased during the year Rs. Nil (Nil units) and sold during the year Rs. 1,250 Lakhs (1,25,00,000 units.)	–	1,250.00
Nil (Previous year – 72,53,145.8) units of Birla Sun Life Liquid Plus – Instl. – Daily Dividend Reinvestment. Purchased during the year Rs. 501.97 Lakhs (50,18,789.09 units) and sold during the year Rs. 1,227.48 Lakhs (1,22,71,934.89 units.)	–	725.51
Nil (Previous year – 50,00,000) units of UTI Fixed Maturity Plan Quarterly Series QFMP/0607/II – Institutional Dividend Plan.Purchased during the year Rs. Nil (Nil units) and sold during the year Rs. 500 Lakhs (50,00,000 units.)	–	500.00
Nil (Previous year – 1,49,88,993.68) units of Templeton Floting Rate INCOME FUND Long Term Plan Super Institutional Option – Daily Dividend Reinvestment. Purchased during the year Rs. 2,402.97 Lakhs (2,39,79,887.6 units) and sold during the year Rs. 3,903.28 Lakhs (3,89,68,881.28 units.)	–	1,500.31
1,66,44,206.45 (Previous year – Nil) units of Principal Cash Management Fund – Liquid option Instl. Prem. Plan – Dividend Reinvestment Daily. Purchased during the year Rs. 17,313.01 Lakhs (17,31,17,951.23 units) and sold during the year Rs. 15,648.47 Lakhs (15,64,73,744.78 units.)	**1,664.54**	–
18,26,022.97 (Previous year – Nil) units of JM Money Manager Fund Super Plus Plan – Daily Dividend. Purchased during the year Rs. 7,766.17 Lakhs (7,76,29,886.72 units) and sold during the year Rs. 7,583.49 Lakhs (7,58,03,863.75 units.)	**182.68**	–
50,00,000 (Previous year – Nil) units of LICMF Interval Fund – Series 1 – Annual Dividend Plan. Purchased during the year Rs. 500 Lakhs (50,00,000 units) and sold during the year Rs. Nil (Nil units.)	**500.00**	–
2,09,87,235.68 (Previous year – Nil) units of Templeton India Ultra Short Bond Fund Super Institutional Plan – Daily Dividend Reinvestment. Purchased during the year Rs. 8,155.82 Lakhs (8,14,05,131.45 units) and sold during the year Rs. 6,053.15 Lakhs (6,04,17,895.77 units.)	**2,102.67**	–
50,00,000 (Previous year – Nil) units of ICICI Prudential FMP – Series 42 – 16 Months – Institutional Growth. Purchased during the year Rs. 500 Lakhs (50,00,000 units) and sold during the year Rs. Nil (Nil units.)	**500.00**	–
70,00,000 (Previous year – Nil) units of LICMF Fixed Maturity Plan – Series 35 – 15 Months – Growth Plan. Purchased during the year Rs. 700 Lakhs (70,00,000 units) and sold during the year Rs. Nil (Nil units.)	**700.00**	–
80,00,000 (Previous year – Nil) units of Birla Sun Life FTP – INSTL – Series AJ – Growth. Purchased during the year Rs. 800 Lakhs (80,00,000 units) and sold during the year Rs. Nil (Nil units.)	**800.00**	–

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET *(Contd.)*

(Rs. in Lakhs)

	As at June 30, 2008	As at June 30, 2007
SCHEDULE 5 (Contd.)		
50,00,000 (Previous year – Nil) units of Kotak FMP 12M Series 3 Institutional – Growth. Purchased during the year Rs. 500 Lakhs (50,00,000 units) and sold during the year Rs. Nil (Nil units.)	**500.00**	—
50,00,000 (Previous year – Nil) units of HSBC Fixed Term Series 52 Inst Growth. Purchased during the year Rs. 500 Lakhs (50,00,000 units) and sold during the year Rs. Nil (Nil units.)	**500.00**	—
35,76,429.82 (Previous year – Nil) units of HDFC Cash Management Fund– Savings Plus Plan – Wholesale – Daily Dividend Option_reinvest. Purchased during the year Rs. 358.77 Lakhs (35,76,429.82 units) and sold during the year Rs. Nil (Nil units)	**358.77**	—
687.5 (Previous year – 6,74,036) units of Dresdner Bank Money Market Fund– Geldmarktfds	**24.23**	19.18
203.0 (Previous year – 1,98,304) units of Allianz Princo Liquiditatsmanager Anteile A Fonds	**139.32**	109.90
	7,972.21	10,957.91

	As at June 30, 2008	As at June 30, 2007
SCHEDULE 6		
SUNDRY DEBTORS – (UNSECURED)		
(a) Debts outstanding for a period exceeding six months		
— Considered good		
— Considered doubtful	**—**	—
	694.88	174.53
	694.88	174.53
(b) Other debts	**31,124.30**	21,286.25
Less : Provision for doubtful debts	**694.88**	174.53
	31,124.30	21,286.25

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET *(Contd.)*

(Rs. in Lakhs)

	As at June 30, 2008	As at June 30, 2007
SCHEDULE 7		
CASH AND BANK BALANCES		
Cash balance on hand	**1.97**	3.18
Balances with banks #		
- in Current Accounts*	**1,624.47**	1,219.36
- in Fixed Deposits**	**3,574.74**	7,716.95
	5,201.18	8,939.49

* Includes amounts restricted Rs. 32.30 Lakhs (Previous year - Rs. 12.79 Lakhs) on account of unpaid dividends.

** Includes Rs. 123.92 Lakhs (Previous year - Rs. 11.74 Lakhs) restricted on account of margin money.

\# Consists of balance with unscheduled banks Rs. 1,022.41 Lakhs (Previous year - Rs. 553.37 Lakhs)

(Rs.in Lakhs)

Name of the Bank	Balance as at June 30, 2008	Balance as at June 30, 2007
Chase Bank of Texas	**467.38**	393.39
JP Morgan Chase Bank, New Jersey	**176.52**	—
Dresdner Bank, Germany	**2.04**	61.91
The National bank of Indianapolis, Indianapolis	**20.73**	—
MayBank-Malaysia	**19.51**	14.56
Citibank, Newyork	**335.66**	—
Ayudhya Bank, Thailand	**0.33**	—
Bank of America	**—**	19.14
Lloyds Bank - UK	**—**	48.98
Bank of Tokyo Mitsubishi	**—**	15.07
Volksbank	**0.24**	0.32
Total	**1,022.41**	553.37

SCHEDULE 8		
LOANS AND ADVANCES (Unsecured, considered good unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received		
Considered good	**4,228.05**	1,283.80
Considered doubtful	**—**	—
Advance Payment of taxes (net of provisions)	**—**	—
	4,228.05	1,283.80
Less : Provision for doubtful advances	**—**	—
	4,228.05	1,283.80
Advance Fringe benefits tax (net of provision)	**101.69**	—
MAT credit entitlement	**1,202.44**	87.70
	5,532.18	1,371.50

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET *(Contd.)*

(Rs. in Lakhs)

	As at June 30, 2008	As at June 30, 2007
SCHEDULE 9		
LIABILITIES		
Sundry Creditors	**15,187.15**	10,008.53
Unclaimed dividends*	**32.30**	12.72
Unearned revenue	**876.16**	618.30
Book overdraft in current account with bank	**164.20**	239.46
Other Liabilities	**4,230.23**	2,802.29
	20,490.04	13,681.30

* Note : There is no amount due and outstanding to be credited to Investor Education and Protection Fund.

	As at June 30, 2008	As at June 30, 2007
SCHEDULE 10		
PROVISIONS		
Proposed dividend	**1,758.71**	1,280.89
Provision for Corporate Dividend Tax	**298.89**	217.69
Provision for taxes (net of advances)	**1,751.50**	788.60
Provision for Fringe Benefits Tax (net of advance tax)	**—**	18.06
Provision for gratuity and leave encashment	**3,023.89**	2,530.99
	6,832.99	4,836.23

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

(Rs. in Lakhs)

	Year ended June 30, 2008	Year ended June 30, 2007
SCHEDULE 11		
OTHER INCOME		
Interest on deposits etc. [Tax deducted at source Rs. Nil (Previous year – Rs. 0.2 Lakhs)]	**363.26**	226.03
Profit on sale of fixed assets (net)	**473.20**	56.27
Profit on sale of investments (current, non-trade)	**18.67**	4.11
Income from investments (current, non-trade)	**790.88**	601.05
Miscellaneous income	**575.30**	704.96
	2,221.31	1,592.42

	Year ended June 30, 2008	Year ended June 30, 2007
SCHEDULE 12		
OPERATIONAL EXPENSES		
Salaries, bonus, incentives, etc.	**47,068.84**	44,601.73
Contribution to provident and other funds	**3,269.22**	2,761.24
Staff Welfare	**1,092.34**	1,133.71
Recruitment and training expenses	**685.91**	580.52
Traveling and conveyance	**4,364.40**	4,408.23
Communication charges	**1,067.61**	1,090.61
Electricity	**591.01**	509.59
Consulting charges	**6,005.07**	3,763.15
Purchase of software for resale	**322.06**	12.23
	64,466.46	58,861.01

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT *(Contd.)*

(Rs. in Lakhs)

	Year ended June 30, 2008	Year ended June 30, 2007
SCHEDULE 13		
OTHER EXPENSES		
Rates and Taxes	**362.62**	207.31
Repairs		
— Building	**273.65**	261.83
— Machinery	**794.85**	651.18
Insurance	**411.27**	337.98
Printing and stationery	**194.92**	163.98
Exchange loss (net)	**281.62**	260.73
Professional Fees	**2,730.87**	2,151.69
Rent	**1,047.76**	1,011.16
Advertisement and publicity	**743.84**	975.08
Provision for doubtful debts	**484.23**	39.01
Bad debts/Advances written off	**29.39**	—
Miscellaneous expenses	**1,592.74**	1,334.70
	8,947.76	7,394.65

	Year ended June 30, 2008	Year ended June 30, 2007
SCHEDULE 14		
FINANCIAL COSTS		
Interest on cash credit	**24.96**	18.72
Interest on Term loan	**134.70**	—
Bank charges	**33.29**	54.13
Other financial charges	**167.33**	16.03
	360.28	88.88

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED ON JUNE 30, 2008

SCHEDULE 15

1. **Description of Business**

   Mastek Limited and its subsidiaries (hereinafter referred to as "Mastek") are engaged in software development, technical and consultancy services. Mastek adopts a cost effective synthesis of onsite and offshore development teams to enhance the value generation to its clients. Mastek also customizes software products for insurance sector and stock broking services in the Asia-Pacific region.

   Mastek Limited has evolved a subsidiary model of operations. It has international subsidiaries in Germany, USA, UK, Singapore, Thailand and Malaysia and a branch office in Japan, Korea and UK which cater to the needs of the specific regions. The offshore software development centres are located at Mumbai, Pune, Chennai and Mahape.

2. **Significant Accounting Policies**

   (a) **Basis of consolidation**

   The consolidated financial statements of Mastek are prepared under historical cost convention in accordance with generally accepted accounting principles applicable in India and the Accounting Standard 21 on Consolidated Financial Statements issued by the Institute of Chartered Accountants of India to the extent possible in the same format as that adopted by the parent company (Mastek Limited) for its separate financial statements.

   The financial statements of subsidiaries (including joint venture in the nature of subsidiary) have been combined in full, of the joint venture other than those in the nature of subsidiary, to the extent of the proportionate holding, on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses and of the associates as per equity method of accounting. Intra group balances and intra group transactions and resulting unrealized profits are eliminated in full. Unrealised losses resulting from intra group transactions are also eliminated unless cost cannot be recovered.

   The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

   (b) **Use of Estimates**

   The preparation of the financial statements in conformity with the generally accepted accounting principles requires that the management makes estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

   (c) **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	Amortised 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 and 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

   (d) **Investments**

   Long-term investments are stated at cost less provision made to recognize any decline, other than temporary, in the value of such investments.

SCHEDULE 15 (Contd.)

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.

(e) **Foreign Currency Transactions and Translation**

The consolidated financial statements are prepared in Indian Rupees. The Indian Rupee is the functional currency for Mastek Limited. However, the Japanese Yen, U.S. Dollar, Pound Sterling, Singapore Dollar, Malaysian Ringitts, Thai Baht, Korean Won and Euro are the functional currencies for its foreign branches and its subsidiaries located in Japan, United States of America, United Kingdom, Singapore, Malaysia, Thailand, Korea and Europe (Germany) respectively. The translation of the functional currencies into Indian Rupees (reporting currency) is performed for assets and liabilities using the current exchange rates in effect at the Balance Sheet date, for revenues, costs and expenses using average exchange rates prevailing during the reporting periods and for share capital and reserves using the exchange rate at the date of transaction. The differences on translation are taken directly to reserves, under Foreign Currency Translation Reserve Account.

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.

Fixed assets purchased from a country outside India are recorded at cost, based on the exchange rate as of date of purchase.

In respect of transactions related to foreign branches, 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. Fixed assets are carried at the exchange rate prevailing on the date of transaction.

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, 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.

(f) **Retirement Benefits**

(i) **Long-term Employee Benefits**

(a) **Defined Contribution Plans**

The Company has Defined Contribution Plans for post employment benefits in the form of Provident Fund and Superannuation Fund for eligible employees in India, 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. In case of certain overseas subsidiaries, the Company also provides for defined contribution plans in accordance with the local laws.

SCHEDULE 15 (Contd.)

In case of Mastek (UK) Limited, the contribution in respect of pension plan for employees is charged to the revenue every year. The assets of the scheme are held separately from those of the company in an independently administered fund.

(b) **Defined Benefit Plans**

The Company has Defined Benefit Plans for post employment benefits in the form of Gratuity and Leave Encashment for the employees in India. 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 recognised immediately in the Profit and Loss Account as income or expense.

(ii) **Short-term Employee Benefits**

The undiscounted amount of short term employee benefits expected to be paid in exchange for the services rendered by employees is recognised during the period when the employee rendered the services. These benefits include compensated absences such as paid annual leave, overseas social security contributions and performance incentives.

(g) **Revenue Recognition**

Mastek derives its revenues primarily from software services and from the licensing of software products. Revenues from software license agreements are recognised upon shipment of the software.

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

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

Revenue from fixed price, fixed time frame contracts is recognised 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.

Interest income is recognised on time proportion basis.

(h) **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.

(i) **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 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.

SCHEDULE 15 (Contd.)

(j) **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.

(k) **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.

(l) **Accounting for Investment in Joint Venture**

Investments in Joint Ventures in which the Company has a joint control in terms of the definitions prescribed under Accounting Standard (AS) 27, 'Financial Reporting of Interests in Joint Ventures' is accounted for at the cost of investment, subject to impairment test. Proportionate consolidation of the financial results of the joint venture, not in nature of subsidiary, is applied only in the consolidated financial statements of the Company. In case of joint venture in the nature of subsidiary, within the meaning of Accounting Standard (AS) 21, 'Consolidated Financial Statements', consolidation of Financial Results is done in accordance with that standard.

(m) **Accounting for Investment in Associate**

The investment in Associates in which the Company has significant influence and which is neither a subsidiary nor a joint venture in terms of definitions prescribed under Accounting Standard (AS) 23, 'Accounting for investments in Associates in Consolidated Financial Statements' is accounted by way of equity method of accounting in the consolidated financial statement of Mastek.

(n) **Accounting for Employee Stock Options**

Stock options granted to the employees of Mastek Limited 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 Guidelines issued in 1999 (SEBI guidelines) issued by the Securities and Exchange Board of India (SEBI) and as amended from time to time. 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 is to be recognised as deferred employee compensation and is to be charged to profit and loss account ratably over the vesting period of the options.

3. **Buyback of shares**

The Board of Directors at their Meeting held on October 11, 2007 had announced buy back of its

SCHEDULE 15 (Contd.)

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.

As of June 30, 2008, the Company had bought back 14,83,232 equity shares of Rs. 5/- each at an average price of Rs. 393.58 per share. Out of this, 9,15,714 equity shares of Rs. 5/- each have been extinguished. Balance 5,67,518 shares have been extinguished subsequent to balance sheet date i.e. by July 11, 2008 and have accordingly been shown under the Share Capital Suspense Account and disclosed as a reduction from Issued and paid up Share Capital amounting to Rs. 74.16 lakhs. The difference between the nominal value and amount spent for buy back, amounting to Rs. 5,763.56 lakhs has been appropriated from the share premium account to the tune of Rs. 1,156.64 lakhs and from General Reserve to the tune of Rs. 4,606.92 lakhs.

The Company has transferred Rs. 74.16 Lakhs from General Reserve to Capital Redemption Reserve which represented the nominal value of shares bought back during the year.

4. **List of subsidiaries considered for consolidation:**

Name of Subsidiary Company	Country of Incorporation	Extent of Holding (%) as on June 30, 2008	Extent of Holding (%) as on June 30, 2007
MajescoMastek	USA	100%	100%
Mastek (UK) Ltd.	UK	100%	100%
Mastek GmbH	Germany	100%	100%
Mastek Asia Pacific Pte. Ltd.	Singapore	100%	100%
Mastek MSC Software Sdn. Bhd.	Malaysia	100%	100%
Mastek D.C. Offshore Development Company Private Limited (DCOTG) #	India	–	–
Mastek Outsourcing Services Private Limited	India	100%	100%
Carretek LLC *	USA	100%	100%
Mastek MSC Thailand Co. Ltd **	Thailand	100%	100%
Vector Insurance Services LLC<	USA	90%	–
System Task Group International Ltd. >	USA	100%	–
Systems Task Group International (India) Private Limited @	India	100%	–
Keystone Solutions Private Limited @	India	100%	–

* Held by MajescoMastek - 100% subsidiary w.e.f. January 01, 2007.

** Incorporated on February 05, 2007 and 100% held by Mastek MSC Software Sdn. Bhd.

(#) Represents entity jointly controlled and results consolidated till March 09, 2007.

< Acquired w.e.f. July 1, 2007 and 90% held by MajescoMastek.

> Acquired w.e.f. January 1, 2008 and 100% held by MajescoMastek.

@ Held by System Task Group International Limited - 100% subsidiary w.e.f. January 01, 2008.

5. **Contingent Liabilities and Commitments:**

(Rs. in Lakhs)

		As at June 30, 2008	As at June 30, 2007
(i)	Counter Guarantees outstanding in respect of guarantees given by banks on behalf of the Company	**154.12**	63.02
(ii)	Corporate guarantees given		
	– on behalf of subsidiary, MajescoMastek	**10,328.40**	–
	– on behalf of subsidiary, Mastek (UK) Limited	**17,797.28**	*
	(*) – Corporate guarantee given on behalf of the subsidiary to a key customer for performance of the contractual obligations by the subsidiary. Though there is no specific limitation on the amount to be indemnified, the Company has not received any claim from the beneficiary as on date.		
(iii)	Guarantees given by bank on behalf of the company to custom authorities	**1.42**	–
(iv)	Claim against the Company not acknowledged as debts	**105.78**	105.78
(v)	Estimated amount of contracts remaining to be executed on capital account not provided for	**3,087.44**	2,882.99

SCHEDULE 15 (Contd.)

(Rs. In Lakhs)

			As at June 30, 2008	As at June 30, 2007
6.	(1)	Future minimum capital lease commitments on account of finance leases		
		Due within one year	**95.79**	14.39
		Due later than 1 year but not later than 5 years	**85.63**	31.61
		Total minimum lease payments	**181.42**	46.00
		Less: Interest portion	**(6.33)**	(8.58)
		Present value of net minimum capital leases payments	**175.09**	37.42
	(2)	Lease rentals recognised in the profit and loss account	**1,047.76**	1,011.16
			1,047.76	1,011.16
	(3)	Future non-cancelable operating lease rental commitments		
		Due within one year	**222.38**	146.48
		Due later than 1 year but not later than 5 years	**32.97**	151.31
		Due later than 5 years	**–**	–
		Total minimum lease payments	**255.35**	297.79
	(4)	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		

7. Forward Contracts outstanding Rs.10,866.34 Lakhs (Previous year Rs. 6,822.04 Lakhs). Gain/(Loss) on foreign exchange forward contracts are included under the head Exchange gain/(loss).

   Exchange loss (net) includes an amount of Rs. 49.35 Lakhs being exchange loss incurred on forward contracts taken to cover future projected receivables.

8. **Employee Stock Options**

   Plan I

   The Company established a plan in June 1999 for granting 150,000 options to the employees of the Company at an issue price of Rs. 320 per option representing one equity share of the Company. The scheme is governed by the guidelines issued in 1996 by the Securities and Exchange Board of India (SEBI) which did not specify the accounting treatment. Consequently, there is no compensation cost recognised. The Company passed a special resolution at the Extraordinary General Meeting held on April 18, 2000 to extend the plan to the employees of its subsidiaries. Further, in view of the bonus shares of 1:1 allotted to the shareholders of the Company in January, 2000, and also, in view of the sub-division of the shares in the ratio 2:1 in November, 2000, the Company passed a special resolution in October, 2000 giving effect to the number of total options reserved as also the price of the options. Subsequently, the total number of options reserved under the plan got enhanced to 600,000 and the issue price got adjusted to Rs. 80 per option, one option being equivalent to an equity share of Rs. 5 each. 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.

   Period for unexercised options has expired during the year consequent to which the balance unexercised options have been cancelled.

(No. of options)

	Year ended June 30, 2008	Year ended June 30, 2007
Opening Balance	**–**	23,808
Granted during the year	**–**	–
Exercised during the year	**–**	(9,714)
Cancelled during the year	**–**	(14,094)
Balance unexercised 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

SCHEDULE 15 (Contd.)

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, 2008	Year ended June 30, 2007
Opening Balance	**403,655**	840,234
Granted during the year	**—**	—
Exercised during the year	**(61,374)**	(284,842)
Cancelled during the year	**(91,702)**	(151,737)
Balance unexercised options	**250,579**	403,655

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, 2008	Year ended June 30, 2007
Opening Balance	**1,007,745**	536,024
Granted during the year	**347,500**	587,040
Exercised during the year	**(14,741)**	(31,991)
Cancelled during the year	**(269,466)**	(83,328)
Balance unexercised options	**10,71,038**	1,007,745

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 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.

(No. of options)

	Year ended June 30, 2008
Opening Balance	**—**
Granted during the year	**463,676**
Exercised during the year	**—**
Cancelled during the year	**(214,800)**
Balance unexercised options	**248,876**

SCHEDULE 15 (Contd.)

9. **Retirement benefit plans**

(a) Defined contribution plans

The Company makes contribution towards provident fund and superannuation fund to 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.

The Company recognized Rs. 3,233.05 Lakhs (Previous year Rs. 2,738.31 Lakhs) for provident fund & Pension contribution and Rs. 36.17 Lakhs (Previous year Rs. 22.93 Lakhs) for superannuation contribution in the profit & loss account. The contributions payable to these plans by the Company are at rates specified in the rules of the schemes.

(b) Defined benefit plan

The Company provides for liability 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 time of retirement, death while in employment or on termination of employment of amount equivalent to salary payable for number of days of accumulated leave balance.

The present value of the defined benefit obligation and the related current service cost are measured using the Projected Unit Credit Method with actuarial valuations being carried out at the balance sheet date, made by independent actuaries.

(c) The following table sets out the accrual status of gratuity liability of Mastek Limited and the amounts recognized in the Company's financial statements as at June 30, 2008.

(Rs. in lakhs)

		As at June 30, 2008	As at June 30, 2007
1.	**Change in benefit obligations:**		
	Projected benefit obligation, beginning of the year (July 1, 2007)	**1,159.48**	1,035.90
	Service cost	**278.19**	238.98
	Interest cost	**93.54**	80.58
	Actuarial gain	**(124.51)**	(96.99)
	Benefits paid	**(122.06)**	(98.99)
	Projected benefit obligation, closing of the year (June 30, 2008)	**1,284.64**	1,159.48
2.	**Change in plan assets:**		
	Fair value of plan assets, beginning of the year (July 1, 2007)	**–**	–
	Expected return on plan assets	**–**	–
	Employer's contribution	**116.63**	98.99
	Acquisitions	**–**	–
	Benefit paid	**(116.63)**	(98.99)
	Actuarial (gain)/loss	**–**	–
	Fair value of plan assets, closing of the year (June 30, 2008)	**–**	–
3.	**Net gratuity cost for the year ended June 30, 2008:**		
	Service cost	**278.19**	238.98
	Interest cost	**93.54**	80.58
	Expected return on plan assets	**–**	–
	Net actuarial (gain)/loss recognized in the year	**(124.51)**	(96.99)
	Net gratuity cost	**247.22**	222.57
4.	**Assumptions used in accounting for the gratuity plan:**		
	Discount rate	**8.70%**	8.30%
	Salary escalation rate	**15% p.a. for the 1st year & 10% p.a. thereafter**	15% p.a. for the 1st year & 10% p.a. thereafter
	Expected rate of return on plan assets	**N.A.**	N.A.

(d) Leave encashment charged during the year amount to Rs. 648.24 Lakhs (Previous year Rs. 453.47 Lakhs).

10. **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

SCHEDULE 15 (Contd.)

for current taxes and deferred taxes after considering such tax benefits and the expected results of the future operation 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. 1,114.74 Lakhs (Previous year Rs. 87.70 Lakhs) has been carried forward and shown under 'Loans and Advances'.

(c) The Finance Act 2007 included 'Fringe Benefits Tax' (FBT) on Employees' Stock Option Plan (ESOP). FBT liability crystallizes on the date of exercise of stock options. The Company has recovered FBT liability on ESOP's from its employees.

(d) Provision for tax includes additional provision amounting to Rs. 302.30 Lakhs (Previous year Rs. Nil) relating to prior periods.

In addition to Indian operations, the Company is liable to income taxes overseas relating to income of its foreign subsidiaries and branches. Significant components of activities that gave rise to deferred tax assets and liabilities included on the balance sheet were as follows:

(Rs. in Lakhs)

	As at June 30, 2008	As at June 30, 2007
Deferred tax assets:		
Operating loss carry forwards	–	–
Doubtful debts	**34.31**	32.45
Premises and equipment	**551.50**	460.12
Employee benefits	**449.60**	405.94
Other	**10.90**	(13.30)
Total deferred tax assets	**1046.31**	885.21
Deferred tax liabilities	–	–
Net deferred tax assets	**1046.31**	885.21

11. **Joint venture with Deloitte Consulting**

The Company had during the year 2001-02 established a joint controlled entity in India, named 'Mastek – DC Offshore Development Private Limited' (DCOTG) with Deloitte Consulting LLP, USA ('Deloitte'), to set up and operate an offshore development centre for developing IT and other related services. The Company owned 50.1% of the shares in the joint venture. Both the venturers had equal voting rights in the entity.

On March 9, 2007, the Company had sold its entire stake in the joint venture to Deloitte for a consideration of Rs. 5,844.40 Lakhs. The excess of sale consideration over the net asset value of the investment amounting to Rs. 2,706.59 has been disclosed as an 'Exceptional Item' in the profit and loss account for the year ended June 30, 2007.

The Company follows Accounting Standard 27 'Financial Reporting of Investments in Joint Ventures' and in terms of the disclosure requirements contained therein, following is the Company's shares of the assets, liabilities, income and expenses of the jointly controlled entity as at March 9, 2007:

(Rs. in Lakhs)

	As at June 30, 2008	As at June 30, 2007
Assets and Liabilities		
Fixed Assets	–	–
Investments	–	–
Current Assets	–	–
Current Liabilities	–	–
Secured Loan	–	–
Deferred Tax	–	–
Minority Interest	–	–

	Year ended June 30, 2008	Year ended June 30, 2007
Income Statement		
Income	–	6,893.69
Profit before tax	–	1,196.30
Income taxes	–	335.91
Profit after tax	–	860.39
Minority Interest	–	429.34
Mastek's proportionate interest in joint venture's contingent liabilities	–	–
Capital Commitments	–	–

During the year, Company has received dividend amounting to Rs. Nil (Previous year Rs. 229.22 Lakhs).

12. **Related parties**

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

Joint Venture Partner:

Deloitte Consulting L.L.P (ceased to be a Joint Venture Partner on March 9, 2007).

Key Management Personnel:

Sudhakar Ram (Chairman & Managing Director).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED ON JUNE 30, 2008 *(Contd.)*

SCHEDULE 15 (Contd.)

(Rs. in Lakhs)

	Transactions during the year ended			
	June 30, 2008		June 30, 2007	
	Joint Venture Partner	**Key Management Personnel**	Joint Venture Partner	Key Management Personnel
Income from services	–	–	6,766.21	–
Other Income	–	–	18.46	–
Remuneration paid/payable:				
Ashank Desai	–	–	–	208.12
Sudhakar Ram	–	**286.24**	–	221.82
Payment for Services Rendered	–	–	485.31	–
Sales of equity shares	–	–	5,844.40	–

(Rs. in Lakhs)

	Closing Balance as at			
	June 30, 2008		June 30, 2007	
	Joint Venture Partner	**Key Management Personnel**	Joint Venture Partner	Key Management Personnel
Outstanding Receivables	–	–	–	–
Remuneration payable	–	**144.81**	–	135.65
Outstanding Payables	–	–	–	–

Notes:

(i) Reimbursement of expenses incurred by related parties for and on behalf of the Group and vice versa has not been included above.

(ii) The disclosure given above has been reckoned on the basis of information available with the Group.

13. **Segment Reporting**

Mastek follows AS 17, 'Segment Reporting' issued by the Institute of Chartered Accountants of India, which requires disclosures of financial and descriptive information about Mastek's reportable segments, both primary and secondary.

Mastek's operations predominantly relate to providing IT services, delivered to customers globally. The organizational and reporting structure of Mastek is based on Strategic Business Units (SBU) concept. The SBU's are primarily geographical segments of Mastek. SBU's are the operating segments of Mastek for which separate financial information is available and for which operating profit/loss amounts are evaluated regularly by the executive management in deciding how to allocate resources and in assessing performance. These SBU's primarily provide end-to-end information technology solution that includes consulting on time and material basis contracts and fixed bid contracts.

Mastek's reportable primary segments consist of the following SBUs, which are primarily based on the location of the customers: US operations, UK Operations, and Others. 'Others' include operations of Mastek in other parts of the world including India, except those mentioned separately as a segment.

Since Mastek operates only in IT services (which is not classified further by the management), Mastek does not have a reportable business segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED ON JUNE 30, 2008 *(Contd.)*

SCHEDULE 15 (Contd.)

Segmental Reporting on the basis of location of customers

(Rs. in Lakhs)

	Year Ended June 30, 2008			Year Ended June 30, 2007		
Revenue	**Gross**	**Inter-segment**	**External**	Gross	Inter-segment	External
UK	**56,905.29**	–	**56,905.29**	51,061.58	–	51,061.58
USA	**25,258.36**	–	**25,258.36**	16,377.34	–	16,377.34
DCOTG	–	–	–	6,766.21	–	6,766.21
Others	**7,233.88**	–	**7,233.88**	5,238.28	–	5,238.28
Inter-segment	–	–	–	–	–	–
Total	**89,397.53**	–	**89,397.53**	79,443.41	–	79,443.41
Segment Contribution						
UK	–	–	**20,087.70**	–	–	14,065.38
USA	–	–	**3,294.77**	–	–	1,854.16
DCOTG	–	–	–	–	–	1,252.50
Others	–	–	**(202.22)**	–	–	950.26
Inter-segment	–	–	–	–	–	–
Total	–	–	**23,180.25**	–	–	18,122.30
Common unallocable charges	–	–	**10,449.28**	–	–	8,135.09
Interest	–	–	**360.28**	–	–	88.88
Other Income	–	–	**2221.31**	–	–	1,592.42
Profit before taxation and exceptional items	–	–	**14,592.00**	–	–	11,699.76
Minority Interest	–	–	–	–	–	429.34
Share in loss of associate company	–	–	–	–	–	243.46
Profit on sale of Investment in Joint Ventures (Net)	–	–	–	–	–	2,733.69
Profit before taxation	–	–	**14,592.00**	–	–	13,760.65

Mastek Limited incurs common costs on account of various support functions for services that are provided to SBUs. These support functions mainly includes, services of technical cell, resources, recruitment, infrastructure, training, quality, etc.

Mastek Limited also incurs expenses on account of corporate functions, which are provided to these SBUs and which are not specifically allocable to the SBUs. These unallocable costs primarily consist of expenses relating to offices of directors, interest cost and public relations. Hence, Mastek has disclosed 'Segment Contribution' before the common unallocable charges and interest.

Major portion of segments assets used in Mastek's business comprise of fixed assets, which are primarily located at it's off shore centers in India and are commonly used by various SBUs. These fixed assets are therefore not directly identifiable to any particular reportable segment and have been allocated to SBUs on the basis man-months billed by these SBUs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED ON JUNE 30, 2008 *(Contd.)*

SCHEDULE 15 (Contd.)

(Rs. in Lakhs)

Other Segmental Information	Segmental Assets		Segmental Liabilities	
	As at June 30,			
	2008	2007	**2008**	2007
UK	**29,740.29**	25,701.99	**8,434.78**	7,469.77
USA	**23,050.07**	5,728.49	**15,111.40**	2,732.67
Others	**5,237.03**	3,238.40	**1,008.22**	1,069.37
Inter-segment	**—**	—	**—**	—
Segmental Assets/Liabilities	**58,027.39**	34,668.88	**24,554.40**	11,271.81
Unallocated Corporate Assets/Liabilities	**17,537.74**	19,051.09	**11,550.72**	7,245.53
Total Assets/Liabilities	**75,565.13**	53,719.97	**36,105.12**	18,517.34

(Rs. in Lakhs)

	Non-Cash other than Depreciation As at June 30,		Depreciation for the year ended June 30, *		Capital Expenditure for the year ended June 30, @	
	2008	2007	**2008**	2007	**2008**	2007
UK	**313.04**	33.04	**73.90**	82.35	**40.68**	14.71
USA	**—**	—	**450.50**	121.31	**368.31**	30.19
India	**80.11**	5.97	**2,719.84**	2,765.83	**4,672.58**	1,228.56
Others	**91.08**	—	**8.10**	22.04	**7.09**	123.46
Total	**484.23**	39.01	**3,252.34**	2,991.53	**5,088.66**	1,396.92

* excludes depreciation on allocated assets.

@ excludes goodwill and assets on takeover.

Since the locations of assets are different from the above segments disclosed, which primarily are segments on the basis of location of customers, Mastek has disclosed the following additional information based on the location of assets.

(Rs. in Lakhs)

Segmental Assets on basis of Location of Assets	Segmental Assets As at June 30	
	2008	2007
UK	**27,037.60**	23,821.45
USA	**21,577.43**	4,469.12
India	**24,570.05**	23,054.73
Others	**2,380.05**	2,374.67
Segmental Assets	**75,565.13**	53,719.97

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED ON JUNE 30, 2008 *(Contd.)*

SCHEDULE 15 (Contd.)

14. **Earnings Per Share (EPS)**

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

	As at June 30, 2008	As at June 30, 2007
(a) (i) **Net income available to equity shareholders before exceptional item** (Rs. in Lakhs)	**12,587.67**	9,259.32
(ii) **Net income available to equity shareholders after exceptional item** (Rs. in Lakhs)	**12,587.67**	10,691.55
(b) **Weighted average number of outstanding equity shares**		
Considered for basic EPS	**28,460,276**	28,298,337
Add : Effect of dilutive issue of stock options	**130,021**	1,273
Considered for diluted EPS	**28,590,297**	28,299,610
(c) (i) **Earnings per share before exceptional item (net of taxes) in Rs.**		
Basic	**44.23**	32.72@
Diluted *	**44.03**	32.72@
(ii) **Earnings per share after exceptional item (net of taxes) in Rs.**		
Basic	**44.23**	37.78 #
Diluted *	**44.03**	37.78 #
(Nominal value per share Rs. 5/- each)		

* Diluted earnings per share for previous year is computed based on options exercised during the period.
@ Excludes Share of Loss in Associates.
# Excludes Share of Loss in Associates.

15. **Note on Vector Insurance Services LLC acquisition**

Pursuant to share purchase agreement, entered into with Vector Technologies Inc., MajescoMastek acquired with effect from July 1, 2007 the 90% equity stake in Vector Insurance Services LLC for total consideration of $5.1 mn plus earn out consideration as per the terms of contract.

The results of operations of Vector Insurance LLC have been consolidated on a line by line basis.

16. **Note on System Task Group International, Ltd. acquisition**

Pursuant to share purchase agreement, entered into with Shareholders of System Task Group International Ltd., MajescoMastek acquired with effect from January 1, 2008 the 100% equity stake in the company for total consideration of $27.68 mn. Further, there is a retention and revenue earn out consideration as per the terms of contract maximum amounting to $1 mn each.

The post acquisition results of operations of System Task Group have been consolidated on a line by line basis.

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

Signatures to Schedules 1 to 15

For and on behalf of the Board of Directors

Sudhakar Ram
Chairman & Managing Director

Ashank Desai
Director

Mumbai
Dated : July 23, 2008.

O. Banerjee
Company Secretary

CONSOLIDATED CASH FLOW STATEMENT

		(Rs. in Lakhs)
	Year ended June 30, 2008	Year ended June 30, 2007
Cash flows from operating activities		
Net Profit before tax and minority Interest	**14,592.00**	11,699.76
Adjustments for:		
Other income	**(1,154.14)**	(855.86)
Financial expenses	**326.99**	34.75
Depreciation and amortisation	**3,252.34**	2,991.53
Provision for doubtful debts and advances	**484.23**	39.01
Profit on sale of asset	**(473.20)**	(56.27)
Profit on sale of investments (Long term, trade)	**(18.67)**	(4.11)
Unrealised Foreign exchange gain	**(9.88)**	(18.62)
Operating profit before working capital changes	**16,999.67**	13,830.19
Decrease/(Increase) in sundry debtors	**(10,312.42)**	(2,861.69)
Decrease/(Increase) in time deposits	**(112.18)**	30.15
Decrease/(Increase) in loans and advances	**(2,944.25)**	(1,654.72)
Increase/(Decrease) in liabilities	**7,301.64**	1,700.95
Cash generated from operations	**10,932.46**	11,044.88
Income taxes paid (net of refunds received)	**(2,425.27)**	(2,055.31)
Net cash from/(used in) operating activities	**8,507.19**	8,989.57
Cash flows from investing activities		
Proceeds from sale of fixed assets	**635.57**	103.45
Purchase of fixed assets (including leasehold improvements and capital work in progress)	**(17,676.34)**	(3,914.15)
Interest received	**363.26**	226.03
Sale proceeds of investments in Joint Venture	**–**	4,376.23
Sale proceeds of current investments	**155,644.31**	82,013.40
Dividend from current investments	**790.88**	601.05
Purchase of current investments (Net)	**(152,609.16)**	(87,719.01)
Net cash from/(used in) investing activities	**(12,851.48)**	(4,313.00)
Cash flows from financing activities		
Payment towards redemption of share capital	**(5,837.72)**	–
Proceeds from equity share capital	**129.42**	501.37
Payment of Lease obligation	**(10.05)**	(59.64)
Proceeds from Long Term loan	**8,607.00**	–
Dividends paid (including Corporate dividend tax)	**(2,666.76)**	(2,126.52)
Interest paid on loans and lease obligations	**(326.99)**	(34.75)
Net cash from/(used in) financing activities	**(105.10)**	(1,719.54)
Effect of exchange changes	**598.89**	(546.26)
Total increase in cash and equivalents during the year	**(3,850.50)**	2,410.77
Cash and cash equivalents at the beginning of the year	**8,927.76**	6,516.99
Cash and cash equivalents at the end of the year	**5,077.26**	8,927.76

CONSOLIDATED CASH FLOW STATEMENT *(Contd.)*

Notes:

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. Cash and cash equivalents excludes Rs. 123.92 Lakhs (Previous year Rs. 11.74 Lakhs) kept as time deposit and margin money towards bank guarantee and letter of credit.
3. Assets acquired on lease — Rs. 147.71 lakhs (Previous year Rs. 22.26 Lakhs) being a non-cash transaction has not been considered in the cash flow statement.
4. 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.
5. Cash and cash equivalents include Rs. 32.30 Lakhs (Previous year Rs. 12.79 Lakhs) restricted on account of unpaid dividend.
6. Figures in brackets indicate cash outgo.
7. Previous year's figures have been regrouped/restated wherever necessary.

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

Vasant Gujarathi
Partner
Membership Number: 17866

For and on behalf of
Price Waterhouse
Chartered Accountants

Mumbai
Dated: July 23, 2008.

For and on behalf of the Board of Directors

Sudhakar Ram
Chairman & Managing Director

Ashank Desai
Director

O. Banerjee
Company Secretary

KEY STATISTICS

(Rs. in Lakhs)

Particulars	2003-04	2004-05	2005-06	2006-07	**2007-08**
Total Income	45,350	57,665	70,111	81,036	**91,619**
Operating Profit (EBIDT)	7,260	9,801	13,116	14,780	**18,205**
Net Profit	2,905	5,345	6,909	10,692	**12,588**
EPS (Rs/share)	20.3	38.1	24.8	37.8	**44.2**
DPS (Rs/share)	3.0	7.5	6.5	7.5	**10.0**
Growth in Revenue/Income	20%	27%	22%	16%	**13%**
Growth in Operating Profit	1%	35%	34%	13%	**23%**
Growth in Net Profit	-42%	84%	29%	55%	**18%**
Operating Profit Margin	16%	17%	19%	18%	**20%**
Net Profit Margin	6%	9%	10%	13%	**14%**
Effective Depreciation rate	5%	4%	4%	4%	**4%**
Effective Tax rate	4%	11%	17%	26%	**12%**
Interest Cover	40.6	69.9	115.1	132.64	**41.50**
Return on Networth	27%	33%	35%	27%	**35%**
Return on Invested Capital	—	—	—	—	**—**
Debt/Equity (Debt includes Preference Shares)	0.01	0.01	0.00	0.00	**0.22**
Current Ratio	2.0	1.7	1.6	1.7	**1.5**
Debtors Turnover (No. of days)	99	90	110	96	**124**
Depreciation/Average Gross Block	20%	16%	15%	15%	**11%**
Dividend Payout	15%	20%	26%	20%	**23%**
Dividend Yield	1.1%	2.0%	1.9%	2.6%	**2.7%**
Operating Cashflows	5,862	7,800	8,882	8,990	**8,507**
Capital Expenditure in Fixed Assets	2,634	3,892	3,843	3,914	**17,676**
Cash & Cash Equivalent	8,977	11,055	14,817	19,897	**13,173**
Cash & Cash Equivalent as % of total assets	44%	46%	48%	57%	**27%**
Book Value of Shares	126.6	152.0	98.3	123.54	**145.84**
Market Value to Book Value	2.1	2.5	3.6	2.4	**2.5**
Price Earning Multiple	13	10	14	8	**8**
Group Employees as at the year end	2,410	2,754	3,235	3,315	**4,071**
Offshore (No.)	1,798	1,986	2,257	2,292	**2,870**
Onsite (No.)	612	768	978	1,023	**1,201**
Off-shore Facility (Sq. feet)	2,22,195	2,40,063	2,97,303	3,07,892	**3,43,554**

Note: Financials for the year 2003-04 and 2004-05 reflect 100% consolidation of the joint venture.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(forms part of the Directors' Report of the company's Annual Report FY 2007-08)

- Overview of the industry and business environment
- Mastek's business model and strategy
  - IP-led enterprise solutions
  - Verticals focus to expand margins, drive growth
  - Enhancing quality of revenue through partnerships & strategic customer relationships
  - Delivering progressive returns on talent
- Geographical segment-wise performance review
- Update on corporate developments
- Review of financial performance
- Business outlook
- Internal control systems and risk management

Cautionary Statement:

This Management Discussion and Analysis of the company's performance and outlook may contain forward-looking statements that set out anticipated performance based on the management's plans and assumptions. Its aim is to facilitate a better understanding of the company's prospects and make informed decisions. We cannot guarantee that any forward-looking statement will be realized, though we have been prudent in our plans and assumptions. The forward-looking statements are subject to risks, uncertainties and assumptions that could cause actual results to differ materially from those reflected in the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management analysis only as of the date hereof. We do not undertake any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

The Indian IT industry: Generating Higher Returns on Talent is the New Imperative

Fiscal 2008 has been an interesting year for the Indian IT industry. On one hand, it continued its growth trend and performed in line with expectations but on the other hand it also faced challenges that are likely to get amplified going forward.

During the year under review, NASSCOM estimates that the Indian IT and related services industry has expanded by about 33%, with IT software & services, software products and engineering services accounting for more than 70% of the overall industry's (including hardware) $64 billion revenues. Exports, that contribute over two-thirds of India's IT & BPO revenue, are said to be growing at 28%, crossing the $40 billion mark in FY 2008.

At the same time, the industry has also been witnessing headwinds in the form of macroeconomic adversities that include an economic slowdown in key markets and volatile currency movements and supply-side constraints that include a limited talent pool and rising wages. Over the years, India has emerged as a preferred destination for cost-effective IT development, maintenance and related services, with cost-arbitrage being the key enabler. But the limited availability of adequately trained professionals and significant wage inflation, combined with the industry's concentration on lower-end maintenance related activities, clearly indicate that the labour cost arbitrage that Indian IT players have been able to successfully leverage so far may not be sustainable for much longer.

In order to sustain the growth levels that it has become accustomed to, it may not be enough for our country's IT industry to simply shift focus away from markets like North America, where much of the industry's revenues currently come from, to other markets like Europe or Latin America. Fact is, despite rapid growth in the IT services space, India's current share of the global IT spend is less than 5% and penetration is abysmally low even in markets like the USA. For the Indian IT industry to continue growing at 30% or better rates, it will need to enhance its share of the global IT spend. To do that, it will be essential for the country's IT players to effectively penetrate the higher-value consulting, systems integration, strategic application development and solutions market where the benefits for customer organizations are much more than just cost advantages. This will also allow Indian players to generate better revenues, earnings and growth with lesser human resource utilization, resulting in higher returns on the talent they employ.

Achieving increased returns on talent can have multiple benefits, in addition to accelerating the industry's growth rate. For example, it will become possible for industry players to absorb wage inflation or impact of foreign exchange volatility due to better operating margins. The higher-end solutions-driven model is also likely to be more sustainable over the long term, because the cost arbitrage model is heavily dependent on the ability of service providers to consistently add programming talent in very large numbers and is also much more susceptible to competition from other low-cost nations. This is especially relevant for mid-sized IT players who do not enjoy the benefits of scale and would do well to focus on niche areas where they have competitive advantages.

Success in achieving this objective, however, will be determined by multiple factors that include domain expertise across multiple industries, intellectual property, enterprise architecture capabilities and program management skills. Few players in the Indian IT sector today have such a broad range of competencies. Mastek, in a way, has been ready for the business environment that is now emerging, with more than a quarter-century of experience in designing and delivering high impact projects and intellectual property-led solutions, as reflected in its superior returns on talent compared to other peers of similar size.

Mastek's Business Model: Intellectual Property (IP)-led Enterprise Solutions

Mastek operates at the higher end of the IT value chain, building strategic applications for customers that enable them implement their business innovations, compete more effectively, operate more efficiently and become more profitable. The company focuses on providing enterprise solutions to businesses and governments worldwide.

Over the past 26 years since its founding, Mastek has built and delivered about 1,000 large and strategic applications to global customers that include multiple Fortune 1,000 companies. With its strong enterprise architecture capabilities and software engineering disciplines, Mastek has established itself as a leader in delivering complex solutions conforming to high quality benchmarks within specified timeframes and costs in a consistent manner.

Mastek is at its best in building greenfield applications which involve intense collaboration with customers and partners in envisioning the solution. With its advanced enterprise architecture capabilities and robust CMM Level 5 software engineering disciplines, Mastek is unique in its ability to deliver high quality, well integrated enterprise class application solutions on-time, every time. Mastek's 90%+ on-time delivery record, in an industry where hardly 30% of large projects are delivered on time, is the main reason why its partners and customers consistently expand their relationship with the company and it is a partner of choice for several systems integrators (SIs).

In its initial phase of growth, the company was able to create a strong foundation of solutions capabilities by designing IT solutions and developing products for customers in the domestic market during the 1980s, when an export market for Indian IT was non-existent. In the following decade, Mastek built substantial expertise in a wide range of technologies and processes, made investments in developing its own intellectual property (IP) and took its capabilities to the international markets. During the past few years, the company has been consolidating its position as an IP-led solutions provider. A new, more flexible version of Elixir™ is being introduced in the market and the company has crystallized its focus on two verticals — Government and Insurance — in which it has substantial experience and intellectual property.

Business strategy

Verticals Focus to Expand Margins, Drive Growth

Mastek's growth strategy entails pursuing the enterprise solutions market while ensuring that it optimizes its margins and return on talent that places it among the best in industry. Leveraging its IP and proprietary methodologies, strong enterprise architecture capabilities and proven program management competencies, Mastek has progressively been expanding its share of the high-potential enterprise applications market. This process has been accelerated since the company re-focused itself on two industry verticals, Insurance and Government. These verticals are attractive from both the returns as well as size and potential perspectives. Mastek also enjoys significant competitive advantages in these verticals, where it has a formidable track record as well as intellectual property and re-usable frameworks.

Within its chosen verticals, which it intends to expand going forward, Mastek looks for application areas that need re-invention and transformation. In such situations, there is enough opportunity for Mastek to build the base IP and then use its architecture and project management capabilities to build a custom solution that meets the strategic requirements completely, with no compromises. In many of its target markets, Mastek tends to compete with firms that specialize in these segments. Indeed, most of the new accounts that Mastek added during FY 2007 and FY 2008 were secured after successfully competing with international players across various geographies.

The focus on select verticals is also enabling Mastek to enhance its operating margins by optimizing its selling, general and administrative (SG&A) costs-to-sales ratio through increased SG&A productivity. Year-on-year trends are already demonstrating the beneficial impact of this strategy, with SG&A-to-sales ratio declining year-on-year. As each of the verticals attain maturity, this ratio is expected to further improve going forward.

Mastek also intends to leverage both organic and inorganic routes to implement its growth strategy. During the financial year under review, the company made two acquisitions – both in the United States — that noticeably strengthen its skill-sets, capabilities, IP portfolio and client base. Mastek continues to explore similar value accretive opportunities for inorganic growth.

Enhancing Quality of Revenue Through Partnerships & Strategic Customer Relationships

In line with its focus on higher-end solutions and services, Mastek's approach is to work with few customers and have very deep and impacting relationships with each of them. Given the strategic nature of its focus market, which is enterprise applications and solutions, the kind of projects that Mastek becomes a part of tend to be very large and complex, requiring organizations with varying capabilities and competencies to come together and collaborate. In such cases, Mastek often partners with large system integrators and consortium leaders. The company counts its ability to forge effective and lasting partnerships with large, global partners as one of its key competitive strengths. Mastek already has an impressive track record of collaborating with leading system integrators such as Capita and BT Global Systems, co-creating and delivering projects to end-customers. During the year under review, it initiated a new business relationship with the global major Thales in UK, with whom it is currently delivering an IP-based solution for the UK's Ministry of Defence.

The company continually strives to develop strategic customer accounts and new partnerships where necessary. This in turn results in better quality of revenues and much deeper client engagement.

Delivering Progressive Returns on Talent

For knowledge-driven organizations like Mastek, the key success enabler and most vital resource is world-class talent. Capital, often perceived to be among the scarcest and hence most critical ingredient for success, does play an important role in the company's operations but the primary growth fuel is its talent pool. Not surprisingly, Mastek lays strong emphasis on measuring return on talent as well, instead of only focusing on return on capital.

Mastek's returns on talent, as reflected in its revenue and profitability per employee (tabulated below), are superior to most Indian peers of similar size and scale and compare favourably even with some of the largest players in the industry who enjoy substantial scale advantages and some international peers focused on higher-end systems integration or verticals solutions. This clearly demonstrates the beneficial impact of engaging in high value activities that are built around own intellectual property and re-usable frameworks for client organizations at the enterprise level.

Return on Talent metrics	**FY 2008**	**FY 2007**
Revenue per employee (US$)	59,144	54,220
EBITDA per employee (US$)	10,318	8,499
Net profit (PAT) per employee (US$)	8,127	6,260

Access to and effective utilization of, highly talented individuals globally is essential for intellectual property and solutions focused players like Mastek. Success in the solutions space requires a mindset that is very different from what one may find in a typical cost-arbitrage based IT services environment. The ability to envision a solution, then architect and design it and finally develop and implement it — while adhering to predetermined parameters and timelines — is a challenging process that requires a culture of strategic thinking, innovation and enterprise-orientation. Mastek has an "organizational DNA" well-suited for success in the solutions market, which is reflected in both its track record over the past 26 years and the profile of its people, as well as the people policies that the company has in place. Such an organizational character is difficult to re-create and is thus a key competitive advantage that the company enjoys.

During the year under review, the company continued to implement measures aimed at sustaining its superior returns on talent. This included optimizing its grade mix, reinforcing its leadership team in India as well as abroad, investing in training, differentiating itself in the recruitment market and strengthening its resource planning process.

As on 30 June 2008, had 4071 "Mastekeers" of which 756 were added during FY 2008. Of these 4071 individuals, about 30% were based on-site at client locations while the rest were at various offshore locations.

Business Unit	**As on 30 June-2008**	As on 30-June-2007	As on 30-June-2006
US	1,086	706	522
Europe	1,699	1,717	1,463
Other regions	616	341	397
Corporate Services (including trainees)	670	551	364
Total	**4,071**	**3,315**	**2,746**

MANAGEMENT'S DISCUSSION AND ANALYSIS *(Contd.)*

Mastek will keep expanding its organizational size in line with growth requirements and, as observed over the past few years, will enjoy a non-linear growth where revenue expansion rates will significantly exceed employee addition rates.

Geographical Segment-wise Performance Review

During FY 2008, Mastek added new customers, expanded its existing partnerships and added a new one, progressed further on developing deep relationships with clients and made acquisitions that complement its skills-set. In the first month of the new fiscal year 2009, the company also unveiled a new corporate identity that clearly communicates Mastek's vision as an enabler of transformation to customers, partners and employees on a global basis.

On the operations front, all key business units of the company performed in line with expectations, creating a platform for sustained future growth.

UK Operations

During FY 2008, the company maintained its formidable presence in the UK market, with revenues from UK operations contributing Rs 5,690 million, amounting to about 64% of overall consolidated revenues. In the UK, Mastek currently generates majority of its revenues from the Government vertical, although its Insurance vertical business in the market is also rapidly growing. On the back of its Elixir™ platform for the insurance industry, Mastek has gained noticeable traction in UK's Insurance market. During fiscal 2008 itself, Mastek added multiple new accounts in the Insurance vertical for its Elixir™ platform. This includes a revision of the company's existing agreement with Capita Life & Pensions that expands the licence and service arrangement for Elixir™ and a direct win for the Elixir™ solution after the UK's Legal & General selected it for the administration of some of its products in the UK.

In the Government vertical, Mastek added a new partnership in the UK with Thales UK and the Thales-led partnership won a mandate from the Ministry of Defence, UK (UK MoD) for an IP-based solution. The Thales-led partnership of Mastek, Fujitsu Services and Flyware has developed the "Swift2Move" software solution to meet the UK MoD's requirement to manage and schedule the global air movements of troops and cargo which will be deployed over its Defence Information Infrastructure (DII). The total contract win for the consortium is about £27 million. Given the high end, high value nature of solutions that Thales focuses on and the manner in which the global Military, Defence and Aerospace sector is evolving, this Mastek and Thales partnership could open up additional opportunities going forward.

Mastek also continued to execute the multi-year National Application Service Provider ('NHS Spine') contract within UK's National Health Service (NHS) project in consortium with BT Global Services (BTGS). Within NHS engagement, Mastek has been able to deliver all key modules on time within schedule, even as some other members of the consortium lagged behind — in many cases Mastek has been able to successfully take on certain modules or components that other players were unable to complete on time. As a result, the company has till now received much more volume of business from BTGS on this engagement than earlier envisaged and this engagement has become a significant contributor to Mastek's current overall revenues.

The development phase of this NHS program, which began in 2004-05, will ramp down gradually from FY 2009 onwards as the project reaches its natural conclusion and moves into maintenance phase. This ramp down, however, will occur over a two-year period instead of one year as earlier anticipated. Given that the remaining (non-NHS) business operations are likely to continue to deliver healthy year-on-year growth and execution has begun on the project with Thales UK, the impact of NHS program revenue ramp-down on overall revenue is likely to be tempered.

All other engagements within the government vertical in UK continued to deliver optimally and this is expected to sustain in the new fiscal year as well. Mastek enjoys a strong presence in this market and is leveraging its status as one of the largest Indian IT players in the UK to strengthen its pipeline in both Government and Insurance verticals. The company has strengthened its leadership and sales teams in this market, bringing in professionals with significant market and industry experience to deliver on growth objectives.

US Operations

The company's US operations showed significant growth during the year under review in both revenues and net profit, though on a smaller base. Unlike most other players in the Indian IT industry, Mastek has traditionally received a major part of its revenues from the European market, with the US business unit making a relatively lesser contribution. Over the past couple of years, the company has seen better traction in the US market, enabled by increasing acceptance of higher-end, IP-based solutions from India. In FY2008, the company's revenues from the US market were Rs. 2525.8 million, an increase of 54% over the preceding year. This was preceded by a 28% and 40% increase in revenues registered in FY2007 and FY2006, respectively.

In line with its growth strategy, Mastek made two strategic acquisitions in the US during the year under review. The company acquired Vector Insurance Services (in July 2007) and STG International (in March 2008) in the US. These initiatives are expected to noticeably strengthen the opportunity pipeline for Mastek in the overall insurance vertical and expand Mastek's presence in the non life segment of the insurance vertical. VectorMastek adds "software as a service" (SaaS) and "process as a service" (PaaS) capabilities to the company's existing end-to-end enterprise software solution offerings. STGMastek, on the other hand, comes with a very attractive operating profile, comprising of an IP that is successful and well-accepted in the marketplace, a unique go-to-market business model, deep domain expertise and project management skills embedded in about 350 senior professionals, proven track record that spans more than 17 years with an outstanding implementation success rate and over 35 customers that include names like Tokio Marine Management (TMM), GMAC Insurance, RLI Insurance, FCCI Insurance, Amerisure, Bituminous, Max Specialty and Ford Financials amongst others.

The robust opportunity pipeline and team that the company has created in the US market, along with earnings and value accretive acquisitions completed during FY2008, is expected to enable noticeable revenue and earnings progression going forward.

Other Operations

This segment includes Mastek's operations in, Asia and Germany. These regions reported consolidated revenue of Rs. 723.5 million in fiscal 2008 as against Rs. 523.8 million in fiscal 2007. The company continued to deliver on all key milestones for projects in these markets during the year under review. Mastek's insurance accounts in Asia — that include some global insurance majors — are witnessing healthy traction and in India too the company is now engaged with the Indian arms of several foreign insurers for implementing solutions based on its Elixir™ platform. During FY2008, IDBI Fortis launched its India operations using the Elixir™ platform, initially with the Policy Administration module and later expanded the scope to cover all the modules of Elixir™. Mastek also made some preliminary forays in the high potential Middle East market and the early trends are encouraging with multiple wins coming in during the year under review. The outlook in most of these markets remain very positive.

Update on Corporate Developments

Vector and STG Fully Integrated with Overall Operations

Mastek made two strategic acquisitions within its focus Insurance vertical in the US during FY2008, taking a 90% equity stake in the Indianapolis-based Vector Insurance Services in July 2007 and a 100% stake in the New York-based STG International in March 2008 through its US subsidiary MajescoMastek. These initiatives were in line with the company's intent to make well-considered acquisitions that complement its existing strengths in terms of intellectual property, skill-sets and customer base. Both Vector and STG have now been fully integrated with the operations of the company. Both the newly acquired entities VectorMastek and STGMastek added new insurance customers during FY 2008.

With its now expanded capabilities, the company has broadened its IP-based enterprise-wide technology offerings to cover life, annuity, property and casualty (P&C) insurers in the North American market. The financial and strategic contribution from these acquisitions to Mastek's overall operations during the period under review has been in line with plan, with the opportunity pipeline for the company in the Insurance vertical noticeably expanding.

Share Buy-back Completed

The company had, during FY2008, announced plans to repurchase its shares upto a maximum of 25% of the share capital and free reserves (including share premium) based on the audited accounts as on 30 June, 2007, that is, up to Rs. 650 million. Accordingly, the share buy-back of programme opened on 20 May, 2008 and purchases were made consistently through open market transactions in accordance with applicable laws, rules and regulatory guidelines. While the last date for the buy-back was 26 November, 2008 (i.e., 12 months from the date of the resolution passed by the shareholders of the company through postal ballot), the maximum limit of buy-back was reached on 17 July, 2008. Resultantly, the buy-back programme stands successfully completed and has been closed. During the period of buy-back, the company repurchased 1660,095 equity shares for

Rs. 650 million. As on 30 June, 2007, the company had 28,464,181 equity shares of Rs. 5 each outstanding, which will stand at 26,880,201 equity shares after extinguishment of all the bought back shares on [23 July, 2008].

Phase I of New Chennai SEZ Campus Nearing Completion

Mastek is currently in the process of establishing its new campus at the Mahindra Industrial Park, an SEZ near Chennai. All future expansions over the next few years will occur at this campus, which will be able to employ over 5,000 professionals when fully operational. The first phase is expected to be completed and ready during FY 2009.

Mastek Named Among Best 20 in Government and Insurance Verticals Globally

Mastek was ranked 16 in the "2008 Global Outsourcing 100" companies — a list compiled by the International Association of Outsourcing Professionals (IAOP) which includes companies from around the world providing a full spectrum of outsourcing services — not just information technology and business process outsourcing, but in areas such as facility services, real estate and capital asset management, manufacturing and logistics. Mastek was also ranked among the Best 20 companies by industry focus in both its target verticals of Government and Insurance, where it has created a strong position for itself within the enterprise applications market. This is the third time and second consecutive year, when Mastek has been ranked among Top 20 in the Global Outsourcing 100 list compiled by IAOP. The 100 companies selected were announced at the 2008 Outsourcing World Summit® with the rankings unveiled in a special advertising section of the spring issue of FORTUE® magazine in May 2008.

Mastek Chairman Conferred with CNBC Asia "India Business Leader of the Year" Award

Mastek's Chairman and Managing Director Mr. Sudhakar Ram was conferred with the CNBC Asia "India Business Leader of the Year" Award in December 2007. The India Business Leader of the Year Award is given to business leaders who approach success holistically. Ensuring the Company's growth through innovation, encouraging employees through motivation and capitalizing on global trends to grow business profitability were among the qualities that were given special attention in the selection process for this Award.

Review of Financial Performance

(Consolidated figures, unless otherwise stated. All comparisons with preceding years is after excluding contributions from the erstwhile Deloitte JV.)

The company's total income for the year was higher by 23% at Rs. 9161.9 million compared to Rs. 7432.2 million last year. This was driven by a noticeable improvement in revenues in the US operations which now include STGMastek and sustained growth in the UK and Asia operations. Fixed-bid contracts accounted for about 46% of the revenues during the year. In dollar terms, the company's total income increased 34% from US$ 169.1 million last year to US$ 226.7 million in FY 2008. PAT was higher by 60% at US$ 31.2 million in FY 2008 compared to US$ 19.5 million last year.

EBITDA for the year under review increased 36% to Rs. 1,598.3 million, translating into a noticeably higher EBITDA margin of 17.9% compared to 16.1% last year. This significant expansion in margin was driven by the ongoing productivity and operational efficiency enhancement initiatives that the company has been implementing over the past few months. Profit After Tax (PAT) increased 47% from the similar period last year (excluding Deloitte JV) to Rs. 1,258.8 million, indicating a net profit margin of 13.7%.

Business Outlook

Mastek implemented multiple initiatives during the year under review to create a robust platform for future growth. The company has been able to make considered acquisitions, add and expand partnerships, strengthen relationships with customers and explore new opportunities along its focus verticals of insurance and government. Mastek's Elixir™ solution is already generating significant interest in the marketplace and the company has already secured multiple deals based on the Elixir™ platform.

The significant progress made towards expanding and leveraging the opportunity pipeline as well as the order book, combined with the fact that now any ramp-down in the application development revenues from the NHS assignment will be much slower than earlier anticipated, should enable the company to deliver a growth-led performance in the new fiscal and subsequent years.

The management team remains fully aligned to the long term vision and growth strategy. Going forward, implementation of Mastek's growth strategy is expected to get reflected in the company's performance in each of its chosen verticals and in its operating metrics.

Internal Control Systems and Risk Management

Mastek's systems for internal control and risk management go beyond what is mandatorily required to cover best practice reporting matrices and to identify opportunities and risks with regard to its business operations.

Internal Control Systems

The company has in place several sophisticated mechanisms aimed at establishing and maintaining adequate internal controls over all operational and financial functions, which enable the company to adhere to procedures, guidelines and regulations as applicable in a transparent manner.

Mastek maintains adequate internal control systems that provide, among other things, reasonable assurance of recording the transactions of its operations in all material respects and of providing protection against significant misuse or loss of company assets. The company uses an enterprise resource planning (ERP) package that enhances the efficiency of its internal control mechanism.

The company's internal control systems are supplemented by an internal audit program and periodic reviews by the management. Mastek has appointed an independent audit firm as its Internal Auditors and the Audit Committee reviews its findings and recommendations at periodic intervals.

Mastek's internal control system is adequate considering the nature, size and complexity of our business.

Management of Risks and Concerns

Mastek has a risk management framework that enables active monitoring of the business environment and identification, assessment and preemption or mitigation of potential internal or external risks. A discussion of key risks and concerns and measures aimed at mitigating them, are discussed in the following paragraphs.

- **Growth Management:** Mastek aims to grow its operations in its chosen verticals globally, by making investments in new intellectual property (IP), acquisitions and other competitive assets. Given the business environment and the challenges of attracting and retaining talent, any inability to manage growth in the chosen verticals and in any or all of the multiple geographies that the company operates in might have an adverse impact on its performance. Mastek does have a natural advantage over its peers with regard to attracting talent, given its status as an IP-led player with a 26-year track record in the industry. The company also has a strong recruitment and human resources management system, a highly rewarding work environment and competitive compensation schemes (that include ESOPs) which should enable it attract fresh talent on an ongoing basis. It has also reinforced its leadership team over the past year to manage its growth efforts in a more effective manner.

- **Macro-economic factors:** The company is engaged with customers in Europe, North America, Asia-Pacific region and India. Due to the global nature of its operations, the company's performance is influenced by macro-ecomic factors such as economic cycles in its various markets and volatility in foreign currency exchange rates. This risk is mitigated to some extent due to the company's presence in multiple, diverse markets from Europe to Malaysia and India.

- **Potential Fluctuations in Operating Metrics:** The company's focus is on vertical enterprise applications, which is a high-end, solutions-driven market. The company's success in delivering healthy operating matrices such as revenue growth, margins expansion, employee and resource productivity and earnings enhancement are subject to many factors that include the ability to execute projects, win new project orders and effectively deploy capital and other resources. The company does have in place a three-pronged growth strategy, discussed elsewhere in this Annual Report, to drive improvement in operating matrices.

- **Risks Related to Tax Concessions:** The company operates within a sector that enjoys favourable government policies that include tax benefits and any shift in these policies can have an impact on the company's business.

- **International Operations Risk:** In view of the company's operating presence in multiple countries, any inability on part of the company or its employees to comply with international laws and contractual obligations can have an impact on overall performance. The company does train its employees on compliance related issues to mitigate such risks.

- **Client Risks:** The company's strategy is to engage with a few customers and build long-term relationships with them. Any shift in customer preferences, priorities and internal strategies can have an adverse impact on the company's operations and outlook. Mastek does have the benefit of being very entrenched with many of its customers, involved in their critical and strategic initiatives. Therefore, client concentration related risks are mitigated to an extent.

- **Technological Risks:** Mastek is a player in the higher-end vertical enterprise applications market, where access to intellectual property and capabilities in cutting-edge technology are key enablers of longer term success. Any significant barriers in the company's ability to develop and/or align and adapt to new technologies can have an adverse impact on overall operations. The company does have technical teams that keep a track of emerging technologies and trends in order to ensure that it remains aligned to changes in the technological landscape.

- **Contract and Delivery Related Disputes:** The company's operating performance is subject to risks associated with factors that may be beyond its control, such as the termination or modification of contracts and non-fulfillment of contractual obligations by clients due to their own financial difficulties or changed priorities or other reasons. Mastek does have mechanisms in place to try and prevent such situations, as well as insurance cover as necessary.

- **Competition:** The IT services and solutions market is highly competitive, with several players based in India and elsewhere. While the company has strong domain expertise, robust delivery capabilities and significant project experience, there is no guarantee that it will always get the better of competition.

- **Dependence on Key Personnel**: Mastek has one of the best management teams in the industry and this has been a critical enabler of its operating success. Any loss of personnel through attrition or other means may have an impact on the company's performance. Mastek does endeavour to have an effective succession plan in place to mitigate this risk.

- **Risks Associated with Possible Acquisitions:** Well-considered, properly evaluated and strategic acquisitions form part of the company's growth strategy. There is no guarantee, however, that an acquisition will produce the business synergies, revenues and profits anticipated at the time of entering into the transaction although the company would undertake all due care and diligence in the process of making any acquisition.

FREQUENTLY ASKED QUESTION (FAQs)

Shareholders and investors are advised to go through the section on Management Discussion & Analysis of Global Performance and Investor information provided in under Corporate Social Responsibility.

1. **WHEN WAS MASTEK LTD INCORPORATED AND WHEN DID IT HAVE ITS INITIAL PUBLIC OFFER?**

   Mastek Ltd. was incorporated in the name and style of Management and Software Technology Private Limited on May 14, 1982. The first public offering was made in December 1992 at a price of Rs. 70 (premium Rs. 60) followed by another public issue in 1996 at a price of Rs. 190 (premium of Rs. 180). The Company issued bonus shares in the ratio of 1:1 in January 2000. The Company's shares were sub divided from Rs. 10 to Rs. 5 in November 2000. The Company issued bonus shares in the ratio of 1:1 in April 2006.

2. **WHICH ARE THE SUBSIDIARIES OF MASTEK LIMITED AND WHERE ARE THEY LOCATED?**

   Mastek Limited has the following subsidiaries located in respective countries:

   MajescoMastek in the USA

   Mastek (UK) Limited in the United Kingdom

   Mastek Asia-Pacific Pte. Ltd. in Singapore

   Mastek MSC Sdn. Bhd. in Malaysia

   Mastek GmbH in Germany

   Mastek Outsourcing Services Pvt. Ltd. in India

   Besides the above subsidiaries, Mastek has a branch in Japan and Korea.

3. **WHAT IS THE CORE BUSINESS OF MASTEK LIMITED?**

   Mastek is an IT solutions player with global operations providing new technology and intellectual property-led enterprise solutions to insurance, government, and financial services organizations worldwide. Mastek's strengths are in architecting solutions for large, complex and mission critical business problems, and delivering these solutions with high levels of predictability.

4. **WHAT IS THE EMPLOYEE STRENGTH OF MASTEK GROUP?**

   As on June 30, 2008, there were 4071 professionals working in Mastek group.

5. **HOW MANY SOFTWARE DEVELOPMENT CENTRES DOES MASTEK HAVE?**

   Mastek has eight development centres out of which six are located in and around Mumbai, India and one each in Pune and Chennai, India. Mastek established a Mainframe Centre of Excellence in Chennai during the year under review and commissioned a second development centre close to its existing facility at Mahape, Navi Mumbai. Mastek also owns about 15 acres of land in a SEZ near Chennai, where it has plans to develop a new campus which will employ around 5,000 employees when fully operational and construction work on that has already begun.

6. **HOW MANY MARKETING OFFICES DOES MASTEK HAVE?**

   Mastek has 10 marketing offices located across multiple geographies: 1 each at Theale and London in UK, Villingen in Germany, New Jersey in the US, in Singapore, Kuala Lumpur in Malaysia, Tokyo in Japan, Seoul in South Korea, Bangkok in Thailand, and a domestic marketing office in Mumbai.

7. **WHAT IS THE FISCAL YEAR FOR MASTEK?**

   The fiscal year for Mastek is a period of 12 months starting July 01, every year.

8. **WHAT IS THE DIVIDEND TRACK RECORD OF MASTEK LIMITED?**

Fiscal Year	Shares Outstanding In mn.	Dividend per share Rs.	Total Dividend Rs. in mn
1993	3	2.50	4.68
1994	3	3.50	10.50
1995	3.06	3.50	10.53
1996	3.46	3.50	10.99
1997	3.46	3.50	12.10
1998	3.46	3.50	12.10
1999	3.46	4.00	13.82
2000	6.91	4.00	27.65
2001*	13.88	2.00	27.77
2002*	13.94	3.00	41.91
2003*	14.11	3.00	42.34
2004*	13.88	3.00	41.64
2005*	13.87	7.50	103.61
2006*	28.14	6.50	140.31
2007*	28.46	7.50	213.23
2008*$	27.62	10.00	275.73

* indicates dividend on face value of Rs. 5 per share.

$ Proposed final dividend of Rs. 6.50 per share.

9. **HOW DOES ONE GET THE ANNUAL REPORT AND QUARTERLY RESULTS OF MASTEK?**

The annual report as well as quarterly results along with analysis are available on our website www.mastek.com in the "Investors" section.

10. **WHO IS THE SHARE TRANSFER AGENT?**

The Share Transfer Agent of Mastek is SHAREPRO SERVICES, whose address appears below:

Sharepro Services
Satam Estate, 3rd floor, Above Bank of Baroda, Cardinal Gracious Road, Chakala, Andheri (East) , Mumbai-400 099.
Contact Persons : Mr. Umesh Shetty
Tel: 6772 0372 Fax : 2837 5646

11. **HOW DOES ONE TRANSFER HIS/HER SHARES OR CHANGE THE ADDRESS WITH THE TRANSFER AGENT?**

For the transfer of shares in physical form and noting your change of address, you need to write to our share transfer agent at the above mentioned address.

Transfer of shares in the electronic mode is effected through your depository participant.

12. **WHO DOES ONE CONTACT IN CASE OF NON-RECEIPT OF DIVIDEND, LOSS OF SHARE CERTIFICATES ETC?**

You have to contact Sharepro Services who will advise you accordingly.

13. **IS ELECTRONIC CLEARING SERVICE (ECS) FACILITY AVAILABLE FOR PAYMENT OF DIVIDEND ?**

Mastek extends ECS facility to all its shareholders. The dividend amount of shareholders availing ECS facility is directly credited to their bank accounts. Shareholders holding shares in physical form have to submit an ECS Mandate form to Sharepro Services whose address is given above.

14. **DOES MASTEK ANNOUNCE QUARTERLY RESULTS?**

Yes, Mastek announces quarterly unaudited results. For details, please go to the company's website www.mastek.com and visit the Investor section.

15. **WHICH ARE THE STOCK EXCHANGES WHERE MASTEK SHARES ARE LISTED?**

Mastek's shares are listed in India on National Stock Exchange of India Limited and Bombay Stock Exchange Limited.

16. **HOW CAN THE SHARES BE DE-MATERIALIZED AND WHO ARE THE DEPOSITORY PARTICIPANTS (DP)?**

Mastek's shares are traded only in electronic form w.e.f. June 2000. Shares can be dematerialized by opening the demat account with the depository participant (DP). DPs are some of the banks, brokers and institutions who have been registered with National Securities Depository Limited (NSDL) or Central Depository Services Limited (CDSL). A comprehensive list of DPs is available at www.nsdl.com and www. cdslindia.com.