

Mindtree Limited
Balance sheet

	Note	As at June 30, 2013	Rs in million As at March 31, 2013
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3.1.1	416	415
Reserves and surplus	3.1.2	13,405	12,722
		13,821	13,137
Non-current liabilities			
Long-term borrowings	3.2.1	27	32
Other long-term liabilities	3.2.2	86	57
		113	89
Current liabilities			
Short-term borrowings	3.3.1	594	217
Trade payables		154	189
Other current liabilities	3.3.2	2,228	2,166
Short-term provisions	3.3.3	1,269	1,112
		4,245	3,684
		18,179	16,910
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	3.4.1	2,799	2,485
Intangible assets	3.4.1	87	104
Capital work-in-progress		504	571
Non-current investments	3.4.2	21	244
Deferred tax assets (net)	3.4.3	371	360
Long-term loans and advances	3.4.4	722	617
Other non-current assets	3.4.5	1,024	1,046
		5,528	5,427
Current assets			
Current investments	3.5.1	4,098	4,027
Trade receivables	3.5.2	5,986	4,508
Cash and bank balances	3.5.3	935	1,238
Short-term loans and advances	3.5.4	455	430
Other current assets	3.5.5	1,177	1,280
		12,651	11,483
		18,179	16,910

Significant accounting policies and notes to the accounts 2&3

The notes referred to above form an integral part of the financial statements

As per our report of even date attached

For **B S R & Co.**

Chartered Accountants

Firm Registration Number: 101248W

For **Mindtree Limited**

Supreet Sachdev

Partner

Membership Number: 205385

Subroto Bagchi

Chairman

N. Krishnakumar

CEO & Managing Director

Rostow Ravanan

Chief Financial Officer

Rajesh Srichand Narang

Company Secretary

Place: Bangalore

Date : July 18, 2013

Place: Bangalore

Date : July 18, 2013

Mindtree Limited
Statement of profit and loss

Particulars	Note	Rs in million	
		For the quarter ended June 30, 2013	June 30, 2012
Revenue from operations		6,477	5,630
Other income	3.6	734	138
Total revenues		7,211	5,768
Expenses:			
Employee benefits expense	3.7	3,824	3,442
Finance costs	3.7	1	3
Depreciation and amortisation expense	3.4.1	181	159
Other expenses	3.7	1,462	1,014
Total expenses		5,468	4,618
Profit before tax		1,743	1,150
Tax expense:	3.4.3		
Current tax		401	274
Deferred tax		(11)	(14)
Profit for the period		1,353	890
Earnings per equity share	3.17		
Equity shares of par value Rs 10/- each			
Basic		32.58	21.91
Diluted		32.37	21.61
Weighted average number of equity shares used in computing earnings per share			
Basic		41,544,989	40,617,464
Diluted		41,806,226	41,187,730

Significant accounting policies and notes to the accounts 2&3

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Mindtree Limited
Cash flow statement

Rs in million
For the quarter ended June 30,
2013 **2012**

Cash flow from operating activities	2013	2012
Profit before tax	1,743	1,150
Adjustments for :		
Depreciation and amortisation	181	159
Amortization of stock compensation cost	2	-
Interest expense	1	3
Interest/ dividend income	(63)	(39)
Profit on sale of investments	(53)	(12)
Provision for diminution in the value of investments	3	-
Exchange difference on derivatives	-	(53)
Effect of exchange differences on translation of foreign currency borrowings	37	24
Effect of exchange differences on translation of foreign currency cash and cash equivalents	(25)	(9)
Operating profit before working capital changes	<u>1,826</u>	<u>1,223</u>
Changes in trade receivables	(1,478)	(691)
Changes in loans and advances and other assets	(132)	(160)
Changes in liabilities and provisions	<u>(326)</u>	<u>(300)</u>
Net cash provided by operating activities before taxes	(110)	72
Income taxes paid	<u>(182)</u>	<u>(170)</u>
Net cash used in operating activities	<u>(292)</u>	<u>(98)</u>
Cash flow from investing activities		
Purchase of fixed assets	(437)	(156)
Proceeds from sale of fixed assets	-	2
Interest/ dividend received from investments	49	36
Purchase of investments	(2,570)	(2,356)
Sale/ maturities of investments	<u>2,773</u>	<u>2,101</u>
Net cash used in investing activities	<u>(185)</u>	<u>(373)</u>
Cash flow from financing activities		
Issue of share capital (net of issue expenses paid)	11	50
Interest paid on loans	(3)	(5)
Repayment of borrowings	(229)	(270)
Proceeds from loans	564	502
Dividends paid (including distribution tax)	<u>(194)</u>	<u>-</u>
Net cash provided by financing activities	<u>149</u>	<u>277</u>
Effect of exchange differences on translation of foreign currency cash and cash equivalents	25	9
Net decrease in cash and cash equivalents	(303)	(185)
Cash and cash equivalents at the beginning of the period	<u>1,238</u>	<u>585</u>
Cash and cash equivalents at the end of the period (Refer note 3.5.3)	<u>935</u>	<u>400</u>

The notes referred to above form an integral part of the financial statements

As per our report of even date attached
For **B S R & Co.**
Chartered Accountants
Firm Registration Number: 101248W

For **Mindtree Limited**

Supreet Sachdev
Partner
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Subroto Bagchi
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N. Krishnakumar
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Chief Financial Officer

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Company Secretary

Place: Bangalore
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Mindtree Limited

Significant accounting policies and notes to the accounts

For the quarter ended June 30, 2013

(Rupees in millions, except share and per share data, unless otherwise stated)

1. Background

Mindtree Limited ('Mindtree' or 'the Company') is an international Information Technology consulting and implementation company that delivers business solutions through global software development. The Company is structured into five verticals – Manufacturing, BFSI, Hitech, Travel & Transportation and others. The Company offers services in the areas of agile, analytics and information management, application development and maintenance, business process management, business technology consulting, cloud, digital business's, independent testing, infrastructure management services, mobility, product engineering and SAP services.

The Company is head quartered in Bangalore and has offices in India, United States of America, United Kingdom, Japan, Singapore, Malaysia, Australia, Germany, Switzerland, Sweden, UAE, Netherlands, Canada, Belgium, France and Republic of China.

2. Significant accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting except for certain financial instruments which are measured at fair values and comply with the Accounting Standards prescribed by Companies (Accounting Standards) Rules, 2006, as amended, other pronouncements of the Institute of Chartered Accountants of India ('ICAI'), the relevant provisions of the Companies Act, 1956, (the 'Act') and the guidelines issued by Securities and Exchange Board of India ('SEBI') to the extent applicable.

2.2 Use of estimates

The preparation of financial statements in conformity with the generally accepted accounting principles ('GAAP') in India requires management to make estimates and assumptions that affect the reported amounts of income and expenses of the period, assets and liabilities and disclosures relating to contingent liabilities as of the date of the financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in future periods.

Mindtree Limited

Significant accounting policies and notes to the accounts (continued)

For the quarter ended June 30, 2013

(Rupees in millions, except share and per share data, unless otherwise stated)

2.3 Fixed assets and depreciation

- 2.3.1 Fixed assets are carried at cost of acquisition (including directly attributable costs such as freight, installation, etc.) or construction less accumulated depreciation. Borrowing costs directly attributable to acquisition or construction of those fixed assets, which necessarily take a substantial period of time to get ready for their intended use, are capitalised.
- 2.3.2 Acquired intangible assets are capitalised at the acquisition price. Internally generated intangible assets are recorded at cost that can be measured reliably during the development phase and when it is probable that future economic benefits that are attributable to the assets will flow to the Company.
- 2.3.3 Leases under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets are capitalised at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower. Lease payments under operating leases are recognised as an expense in the statement of profit and loss on a straight-line basis over the lease term.
- 2.3.4 Advances paid towards the acquisition of fixed assets, outstanding at each balance sheet date are shown under capital advances. The cost of the fixed asset not ready for its intended use on such date, is disclosed under capital work-in-progress.
- 2.3.5 Depreciation is provided on the straight-line method. The rates specified under schedule XIV of the Companies Act, 1956 are considered as minimum rates. If the management's estimate of the useful life of a fixed asset at the time of the acquisition of the asset or of the remaining useful life on a subsequent review is shorter than that envisaged in the aforesaid schedule, depreciation is provided at a higher rate based on the management's estimate of the useful life/ remaining useful life. Pursuant to this policy, the management has estimated the useful life as under:

Asset classification	Useful life
Buildings	25-30 years
Computer systems	1-3 years
Computer software	2 years
Test equipment	3 years
Furniture and fixtures	5 years
Electrical installations	3-5 years
Office equipment	4-5 years
Motor vehicles	4-5 years
Plant and machinery	4 years
Intellectual property	5 years

- 2.3.6 Fixed assets individually costing Rs 5,000 or less are fully depreciated in the period of purchase/ installation. Depreciation on additions and disposals during the period is provided on a pro-rata basis.

Mindtree Limited

Significant accounting policies and notes to the accounts (continued)

For the quarter ended June 30, 2013

(Rupees in millions, except share and per share data, unless otherwise stated)

2.3.7 The cost of leasehold land is amortised over the period of the lease. Leasehold improvements and assets acquired on finance lease are amortised over the lease term or useful life, whichever is lower.

2.4 Investments

2.4.1 Non-current investments are carried at cost less any other-than-temporary diminution in value, determined on the specific identification basis.

2.4.2 Current investments are carried at the lower of cost and fair value. The comparison of cost and fair value is carried out separately in respect of each investment.

2.4.3 Profit or loss on sale of investments is determined as the difference between the sale price and carrying value of investment, determined individually for each investment.

2.5 Cash and cash equivalents

Cash and cash equivalents comprise of cash-in-hand and balance in bank in current accounts and deposit accounts.

2.6 Cash flow statement

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, investing and financing activities of the Company are segregated.

2.7 Employee benefits

2.7.1 Gratuity is a defined benefit scheme and is accrued based on actuarial valuations at the balance sheet date, carried out by an independent actuary. The Company has an employees' gratuity fund managed by ICICI Prudential Life Insurance Company, SBI Life Insurance Company and Life Insurance Corporation of India. Actuarial gains and losses are charged to the statement of profit and loss.

2.7.2 Compensated absences are a long-term employee benefit and is accrued based on actuarial valuations at the balance sheet date, carried out by an independent actuary. The Company accrues for the expected cost of short-term compensated absences in the period in which the employee renders services.

2.7.3 Contributions payable to the recognised provident fund, which is a defined contribution scheme, are charged to the statement of profit and loss.

Mindtree Limited

Significant accounting policies and notes to the accounts (continued)

For the quarter ended June 30, 2013

(Rupees in millions, except share and per share data, unless otherwise stated)

2.8 Revenue recognition

2.8.1 The Company derives its revenues primarily from software services. Revenue from software development on time-and-material basis is recognised as the related services are rendered. Revenue from fixed price contracts is recognised using the proportionate completion method, which is determined by relating the actual project cost of work performed to date to the estimated total project cost for each contract. Unbilled revenue represents cost and earnings in excess of billings while unearned revenue represents the billing in excess of cost and earnings. Provision for estimated losses, if any, on incomplete contracts are recorded in the period in which such losses become probable based on the current contract estimates.

Maintenance revenue is recognised ratably over the period of the maintenance contract.

2.8.2 Provision for discounts is recognised on an accrual basis in accordance with contractual terms of agreements with customers. Revenues are stated net of discount.

2.8.3 Dividend income is recognised when the right to receive payment is established.

2.8.4 Interest income is recognised using the time proportion method, based on the transactional interest rates.

2.9 Foreign exchange transactions

2.9.1 The Company is exposed to foreign currency transactions including foreign currency revenues and receivables. With a view to minimize the volatility arising from fluctuations in currency rates, the Company enters into foreign exchange forward contracts and other derivative instruments.

2.9.2 Foreign exchange transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign exchange transactions settled during the period are recognised in the statement of profit and loss for the period.

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

Mindtree Limited

Significant accounting policies and notes to the accounts (continued)

For the quarter ended June 30, 2013

(Rupees in millions, except share and per share data, unless otherwise stated)

- 2.9.4 In respect of integral operations, monetary assets and liabilities are translated at the exchange rate prevailing at the date of the balance sheet. Non-monetary items are translated at the historical rate. The items in the statement of profit and loss are translated at the rates prevailing on the dates of the respective transactions. The differences arising out of the translation are recognised in the statement of profit and loss.
- 2.9.5 Forward exchange contracts and other similar instruments that are not in respect of forecasted transactions are accounted for using the guidance in Accounting Standard ('AS') 11, 'The effects of changes in foreign exchange rates'. For such forward exchange contracts and other similar instruments covered by AS 11, based on the nature and purpose of the contract, either the contracts are recorded based on the forward rate/ fair value at the reporting date, or based on the spot exchange rate on the reporting date. For contracts recorded at the spot exchange rates, the premium or discount at the inception is amortized as income or expense over the life of the contract.
- 2.9.6 For forward exchange contracts and other derivatives that are not covered by AS 11 and that relate to a firm commitment or highly probable forecasted transactions, the Company has adopted Accounting Standard ('AS') 30, 'Financial Instruments: Recognition and Measurement' to the extent that the adoption did not conflict with existing accounting standards and other authoritative pronouncements of the Company Law and other regulatory requirements. In accordance with AS 30, such derivative financial instruments, which qualify for cash flow hedge accounting and where the Company has met all the conditions of cash flow hedge accounting, are fair valued at balance sheet date and the resultant exchange loss/ gain is debited/ credited to the hedge reserve until the transaction is completed. Other derivative instruments are recorded at fair value at the reporting date and the resultant exchange loss/ gain is debited/ credited to statement of profit and loss.

2.10 Warranties

Warranty costs (i.e. post contract support services) are estimated by the management on the basis of technical evaluation and past experience. Provision is made for estimated liability in respect of warranty costs in the period of recognition of revenue.

2.11 Provision and contingent liabilities

The Company creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Mindtree Limited

Significant accounting policies and notes to the accounts (continued)

For the quarter ended June 30, 2013

(Rupees in millions, except share and per share data, unless otherwise stated)

Provisions for onerous contracts, i.e. contracts where the expected unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it are recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event, based on a reliable estimate of such obligation.

2.12 Taxation

The current income tax charge is determined in accordance with the relevant tax regulations applicable to the Company. Deferred tax charge or credit are recognised for the future tax consequences attributable to timing difference that result between the profit offered for income taxes and the profit as per the financial statements. Deferred tax in respect of timing difference which originate during the tax holiday period but reverse after the tax holiday period is recognised in the period in which the timing difference originate. For this purpose the timing differences which originate first are considered to reverse first. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, when there is a brought forward loss or unabsorbed depreciation under taxation laws, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written up to reflect the amount that is reasonably/ virtually certain to be realised.

Minimum alternate tax ('MAT') paid in accordance with the tax laws, which gives rise to future economic benefits in the form of tax credit against future income tax liability, is recognised as an asset in the balance sheet if there is a convincing evidence that the Company will pay normal tax after the tax holiday period and the resultant assets can be measured reliably. MAT credit entitlement can be carried forward and utilized for a period of ten years from the period in which such credit is availed.

The Company offsets, on a year on year basis, the current tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

2.13 Earnings per share

In determining earnings per share, the Company considers the net profit after tax and includes the post-tax effect of any extra-ordinary item. The number of equity shares used in computing basic earnings per share is the weighted average number of equity shares outstanding during the period. The number of equity shares used in computing diluted earnings per share comprises weighted average number of equity shares considered for deriving basic earnings per share and also weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares.

Mindtree Limited
Significant accounting policies and notes to the accounts (continued)
For the quarter ended June 30, 2013
(Rupees in millions, except share and per share data, unless otherwise stated)

2.14 Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that an asset (including goodwill) may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the statement of profit and loss. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of asset does not exceed the net book value that would have been determined, if no impairment loss had been recognised. In respect of goodwill, impairment loss will be reversed only when it is caused by specific external events and their effects have been reversed by subsequent external events.

2.15 Employee stock based compensation

The Company measures the compensation cost relating to employee stock options/restricted shares using the intrinsic value method. The compensation cost is amortised over the vesting/ service period.

2.16 Government grants

Grants from the government are recognised when there is reasonable assurance that:

- (i) the Company will comply with the conditions attached to them; and
- (ii) the grant will be received.

Government grants related to revenue are recognised on a systematic basis in the statement of profit and loss over the periods necessary to match them with the related costs which they are intended to compensate. Such grants are deducted in reporting the related expense. Where the Company receives non-monetary grants, the asset is accounted for on the basis of its acquisition cost. In case a non-monetary asset is given free of cost it is recognised at a nominal value.

Mindtree Limited
Significant accounting policies and notes to the accounts (continued)
For the quarter ended June 30, 2013
(Rupees in millions, except share and per share data, unless otherwise stated)

3. Notes to the accounts

3.1 Shareholders' funds

3.1.1 Share capital

a)

Particulars	As at June 30, 2013	As at March 31, 2013
Authorised		
79,620,000 (March 31, 2013: 79,620,000) equity shares of Rs 10/- each	796	796
Issued, subscribed and paid-up capital		
41,564,087 (March 31, 2013: 41,535,055) equity shares of Rs 10/- each fully paid	416	415
Total	416	415

b) Reconciliation of the number of equity shares outstanding at the beginning and at the end of the reporting period is as given below:

Particulars	As at June 30, 2013		As at March 31, 2013	
	No of shares	Rs	No of shares	Rs
Number of shares outstanding at the beginning of the period	41,535,055	415	40,543,923	405
Add: Shares issued on exercise of employee stock options and restricted shares	29,032	1	991,132	10
Number of shares outstanding at the end of the period	41,564,087	416	41,535,055	415

c) The Company has only one class of shares referred to as equity shares having a par value of Rs 10 each.

Each holder of the equity share, as reflected in the records of the Company as of the date of the shareholder meeting, is entitled to one vote in respect of each share held for all matters submitted to vote in the shareholder meeting.

The Company declares and pays dividends in Indian rupees and foreign currency. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive any of the remaining assets of the Company after distribution of all preferential amounts. However, no such preferential amounts exist currently. The distribution will be in proportion to the number of equity shares held by the shareholders.

Mindtree Limited**Significant accounting policies and notes to the accounts (continued)****For the quarter ended June 30, 2013****(Rupees in millions, except share and per share data, unless otherwise stated)**

- d) Equity shareholder holding more than 5 percent of equity shares along with the number of equity shares held at the beginning and at the end of the period is as given below:

Sr. No.	Name of the shareholder	As at June 30, 2013		As at March 31, 2013	
		Number of shares	%	Number of shares	%
1	Coffee Day Resorts Private Limited	4,565,442	11.0%	4,565,442	11.0%
2	Nalanda India Fund Limited	3,949,089	9.5%	3,949,089	9.5%
3	Global Technology Ventures Limited	2,548,561	6.1%	2,498,561	6.0%
4	Subroto Bagchi	2,081,523	5.0%	2,078,585	5.0%

- e) The Company has not allotted any fully paid up equity shares by way of bonus shares nor has bought back any class of equity shares during the period of five years immediately preceding the balance sheet date. Number of equity shares allotted as fully paid up without payment being received in cash is 1,300,965 during the period of five years immediately preceding June 30, 2013 and March 31, 2013. These shares were allotted to the shareholders of erstwhile Aztecsoft Limited pursuant to the scheme of amalgamation for the financial year ended March 31, 2010.

f) **Employee stock based compensation**

The Company instituted the Employees Stock Option Plan ('ESOP') in fiscal 2000, which was approved by the Board of Directors ('Board'). Under the ESOP, the Company currently administers seven stock option programs and a restricted stock purchase plan.

Program 1 [ESOP 1999]

Options under this program are exercisable at an exercise price of Rs 10 per option. All stock options have a four-year vesting term and vest at the rate of 15%, 20%, 30% and 35% at the end of 1, 2, 3 and 4 years respectively from the date of grant and become fully exercisable. Each option is entitled to 1 equity share of Rs 10 each. This program extends to employees who have joined on or before September 30, 2001 or have been issued employment offer letters on or before August 7, 2001. This plan was terminated on September 30, 2001. The contractual life of each option is 11 years after the date of grant.

Particulars	Quarter ended June 30,	
	2013	2012
Outstanding options, beginning of the period	-	4,000
Granted during the period	-	-
Exercised during the period	-	-
Lapsed during the period	-	3,500
Forfeited during the period	-	-
Outstanding options, end of the period	-	500
Options vested and exercisable, end of the period	-	500

Mindtree Limited
Significant accounting policies and notes to the accounts (continued)
For the quarter ended June 30, 2013
(Rupees in millions, except share and per share data, unless otherwise stated)

Program 2 [ESOP 2001]

Options under this program have been granted to employees at an exercise price of Rs 50 per option. All stock options have a four-year vesting term and vest at the rate of 15%, 20%, 30% and 35% at the end of 1, 2, 3 and 4 years respectively from the date of grant and become fully exercisable. Each option is entitled to 1 equity share of Rs 10 each. This program extends to employees who have joined on or after October 1, 2001 or have been issued employment offer letters on or after August 8, 2001 or options granted to existing employees with grant date on or after October 1, 2001. This plan was terminated on April 30, 2006. The contractual life of each option is 11 years after the date of grant.

Particulars	Quarter ended June 30,	
	2013	2012
Outstanding options, beginning of the period	47,918	79,367
Granted during the period	-	-
Exercised during the period	2,003	6,804
Lapsed during the period	2,795	3,627
Forfeited during the period	-	-
Outstanding options, end of the period	43,120	68,936
Options vested and exercisable, end of the period	43,120	68,936

Program 3 [ESOP 2006 (a)]

Options under this program have been granted to employees at an exercise price of Rs 250 per option. All stock options have a four-year vesting term and vest at the rate of 15%, 20%, 30% and 35% at the end of 1, 2, 3 and 4 years respectively from the date of grant and become fully exercisable. Each option is entitled to 1 equity share of Rs 10 each. This program extends to employees to whom the options are granted on or after May 1, 2006. This plan was terminated on October 25, 2006. The contractual life of each option is 5 years after the date of grant. There are no options outstanding as at the reporting dates.

Program 4 [ESOP 2006 (b)]

Options under this program are granted to employees at an exercise price periodically determined by the Compensation Committee. All stock options have a four-year vesting term and vest at the rate of 15%, 20%, 30% and 35% at the end of 1, 2, 3 and 4 years respectively from the date of grant and become fully exercisable. Each option is entitled to 1 equity share of Rs 10 each. This program extends to employees to whom the options are granted on or after October 25, 2006. The contractual life of each option is 5 years after the date of grant.

Mindtree Limited**Significant accounting policies and notes to the accounts (continued)****For the quarter ended June 30, 2013****(Rupees in millions, except share and per share data, unless otherwise stated)**

Particulars	Quarter ended June 30,	
	2013	2012
Outstanding options, beginning of the period	304,650	1,349,038
Granted during the period	-	-
Exercised during the period	9,750	137,626
Lapsed during the period	13,500	25,918
Forfeited during the period	15,000	19,375
Outstanding options, end of the period	266,400	1,166,119
Options vested and exercisable, end of the period	91,975	867,144

Program 5 [ESOP 2008A]

Options under this program are granted to employees of erstwhile Aztecsoft Limited as per swap ratio of 2:11 as specified in the merger scheme. Each new option is entitled to 1 equity share of Rs 10 each.

Particulars	Quarter ended June 30,	
	2013	2012
Outstanding options, beginning of the period	108,248	124,803
Granted during the period	-	-
Exercised during the period	1,405	2,945
Lapsed during the period	2,065	859
Forfeited during the period	-	-
Outstanding options, end of the period	104,778	120,999
Options vested and exercisable, end of the period	104,778	120,999

Directors' Stock Option Plan, 2006 ('DSOP 2006')

Options under this program have been granted to independent directors at an exercise price periodically determined by the Compensation Committee. All stock options vest equally over three year vesting term at the end of 1, 2 and 3 years respectively from the date of the grant and become fully exercisable. Each option is entitled to 1 equity share of Rs 10 each. The contractual life of each option is 4 years after the date of the grant.

Particulars	Quarter ended June 30,	
	2013	2012
Outstanding options, beginning of the period	135,000	151,667
Granted during the period	-	20,000
Exercised during the period	10,000	6,667
Lapsed during the period	-	-
Forfeited during the period	-	-
Outstanding options, end of the period	125,000	165,000
Options vested and exercisable, end of the period	73,333	68,333

Mindtree Limited**Significant accounting policies and notes to the accounts (continued)****For the quarter ended June 30, 2013****(Rupees in millions, except share and per share data, unless otherwise stated)*****Program 7 [ESOP 2010A]***

In-principle approvals for administering the seventh stock option program i.e. ESOP 2010 (A) has been received by the Company from the BSE and NSE for 1,135,000 equity shares of Rs 10 each. No options have been granted under the program as at June 30, 2013.

Employee Restricted Stock Purchase Plan 2012 ('ERSP 2012')

ERSP 2012 was instituted with effect from July 16, 2012 to further issue upto 1,000,000 equity shares of nominal value of Rs 10 each. Shares under this program are granted to employees at an exercise price of not less than Rs 10 per equity share or such higher price as decided by the Board of Directors. Shares shall vest over such term as determined by the Board of Directors not exceeding ten years from the date of the grant. All shares will have a minimum lock in period of one year from the date of allotment.

Particulars	Quarter ended June 30,	
	2013	2012
Outstanding shares, beginning of the period	-	-
Granted during the period	8,391	-
Exercised during the period	5,874	-
Lapsed during the period	-	-
Forfeited during the period	-	-
Outstanding shares, end of the period	2,517	-
Shares vested and exercisable, end of the period	2,517	-

The following table summarizes information about the weighted average exercise price of options/ shares exercised under various programs:

Particulars	Amount in Rs	
	Quarter ended June 30,	
	2013	2012
Program 1	-	-
Program 2	50.00	50.00
Program 3	-	-
Program 4	525.00	336.20
Program 5	297.45	421.70
DSOP 2006	560.00	355.00
ERSP 2012	10.00	-

Mindtree Limited**Significant accounting policies and notes to the accounts (continued)****For the quarter ended June 30, 2013****(Rupees in millions, except share and per share data, unless otherwise stated)**

The following tables summarize information about the options/ shares outstanding under various programs as at June 30, 2013 and March 31, 2013 respectively:

Particulars	As at June 30, 2013		
	Number of shares arising out of options	Weighted average remaining contractual life (in years)	Weighted average exercise price (in Rs)
Program 1	-	-	-
Program 2	43,120	1.86	50.00
Program 3	-	-	-
Program 4	266,400	2.53	493.87
Program 5	104,778	2.97	392.78
DSOP 2006	125,000	1.72	559.36
ERSP 2012	2,517	0.16	10.00

Particulars	As at March 31, 2013		
	Number of shares arising out of options	Weighted average remaining contractual life (in years)	Weighted average exercise price (in Rs)
Program 1	-	-	-
Program 2	47,918	2.00	50.00
Program 3	-	-	-
Program 4	304,650	2.62	491.45
Program 5	108,248	3.21	392.82
DSOP 2006	135,000	1.95	559.41
ERSP 2012	-	-	-

The Company has recorded compensation cost for all grants using the intrinsic value-based method of accounting, in line with prescribed SEBI guidelines.

Had compensation been determined under the fair value approach described in the Guidance Note on, "Accounting for employee share based payments" issued by ICAI, the Company's net profit and basic and diluted earnings per share would have reduced to the proforma amounts as indicated:

Mindtree Limited
Significant accounting policies and notes to the accounts (continued)
For the quarter ended June 30, 2013
(Rupees in millions, except share and per share data, unless otherwise stated)

Particulars	Quarter ended June 30,	
	2013	2012
Net profit as reported	1,353	890
Add: Stock-based employee compensation expense (intrinsic value method)	-	-
Less: Stock-based employee compensation expense (fair value method)	84	(25)
Pro forma net profit	1,437	865
Basic earnings per share as reported	32.58	21.91
Pro forma basic earnings per share	34.60	21.30
Diluted earnings per share as reported	32.37	21.61
Pro forma diluted earnings per share	34.38	21.00

During the quarter ended June 30, 2013, 8,391 shares were granted by the Company under ERSP 2012.

Mindtree Limited
Significant accounting policies and notes to the accounts (continued)
For the quarter ended June 30, 2013
(Rupees in millions, except share and per share data, unless otherwise stated)

3.1.2 Reserves and surplus

Particulars	As at June 30, 2013	As at March 31, 2013
<i>Capital reserve</i>		
Opening balance	87	87
Additions during the period	-	-
	87	87
<i>Securities premium reserve</i>		
Opening balance	2,125	1,808
Additions during the period on exercise of employee stock options	15	317
	2,140	2,125
<i>General reserve</i>		
Opening balance	1,091	752
Add: Transfer from statement of profit and loss	-	339
	1,091	1,091
<i>Share option outstanding account</i>		
Opening balance	48	48
Additions during the period	-	-
	48	48
<i>Hedge reserve</i>		
Opening balance	173	(250)
Additions during the period	(684)	423
	(511)	173
<i>Surplus (Balance in the statement of profit and loss)</i>		
Opening balance	9,198	6,726
Add: Amount transferred from statement of profit and loss	1,353	3,389
Amount available for appropriations	10,551	10,115
Appropriations:		
Interim dividend	-	(289)
Final dividend	-	(208)
Dividend distribution tax	(1)	(81)
Amount transferred to general reserve	-	(339)
	10,550	9,198
Total	13,405	12,722

Mindtree Limited**Significant accounting policies and notes to the accounts (continued)****For the quarter ended June 30, 2013****(Rupees in millions, except share and per share data, unless otherwise stated)****3.2 Non-current liabilities****3.2.1 Long-term borrowings**

Particulars	As at June 30, 2013	As at March 31, 2013
<i>(Unsecured)</i>		
Other loans and advances	27	32
Total	27	32

Long-term borrowings represent the amount received from Council for Scientific and Industrial Research (CSIR) to develop a project under “Development of Intelligent Video Surveillance Server (IVSS) system”.

The loan is an unsecured loan carrying a simple interest of 3% p.a on the outstanding amount of loan. Repayment of loan is in 10 equal annual installments from June 2011. Any delay in repayment entails a liability of 12% p.a. compounded monthly for the period of delay.

There is no continuing default in the repayment of the principal loan and interest amounts.

3.2.2 Other long-term liabilities

Particulars	As at June 30, 2013	As at March 31, 2013
Other long-term liabilities	86	57
Total	86	57

3.3 Current liabilities**3.3.1 Short-term borrowings**

Particulars	As at June 30, 2013	As at March 31, 2013
<i>(Secured)</i>		
Other loans from banks	594	217
Total	594	217

Mindtree Limited**Significant accounting policies and notes to the accounts (continued)****For the quarter ended June 30, 2013****(Rupees in millions, except share and per share data, unless otherwise stated)**

During the quarter, the Company has repaid packing credit loans of USD 4 million and availed additional packing credit loan of USD 10 million. These packing credit loans are secured against the trade receivables of the Company. As at June 30, 2013, the Company has outstanding packing credit loan of USD 10 million (As at March 31, 2013: USD 4 million). The Company has taken forward exchange contracts with respect to this loan. In accordance with 'AS 11' the forward premium arising at inception is amortized as an expense over the life of the contract.

Details of interest rate and repayment terms in respect of above packing credit loan are as below:

Name of the bank	As at June 30, 2013			As at March 31, 2013		
	Rs	Rate of interest p.a	Date of repayment	Rs	Rate of interest p.a	Date of repayment
HSBC	-	-	-	217	1.98%	29-May-13
HSBC	356	0.95%	25-Nov-13	-	-	-
CITI	238	0.96%	27-Nov-13	-	-	-
Total	594			217		

3.3.2 Other current liabilities

Particulars	As at June 30, 2013	As at March 31, 2013
Current maturities of long-term debt*	5	5
Interest accrued but not due on borrowings	-	2
Unearned income	57	36
Unpaid dividends	3	3
Creditors for capital goods	104	105
Advances from customers	53	42
Employee related liabilities	529	1,023
Book overdraft	108	136
Other liabilities**	1,369	814
Total	2,228	2,166

*The details of interest rates, repayment and other terms are disclosed under note 3.2.1.

**Includes derivative liability of Rs 518 (As at March 31, 2013: Rs 13).

As at June 30, 2013, the Company has outstanding forward contracts amounting to USD 134.25 million (As at March 31, 2013: USD 112.75 million) and Euro 12.25 million (As at March 31, 2013: Euro 11 million). These derivative instruments have been entered to hedge highly probable forecasted sales.

Mindtree Limited**Significant accounting policies and notes to the accounts (continued)****For the quarter ended June 30, 2013****(Rupees in millions, except share and per share data, unless otherwise stated)**

In accordance with the provisions of AS 30, those derivative instruments which qualify for cash flow hedge accounting have been fair valued at balance sheet date and the resultant exchange loss has been debited to hedge reserve (Refer Note 3.1.2). As of June 30, 2013, the Company does not have any derivative instruments that do not qualify for hedge accounting. However such instruments that were prevalent in the previous year has been fair valued at the balance sheet date and the resultant exchange gain of Rs 54 for the quarter ended June 30, 2012 was recorded in the statement of profit and loss.

3.3.3 Short-term provisions

Particulars	As at June 30, 2013	As at March 31, 2013
Provision for employee benefits		
- Gratuity	29	11
- Compensated absences	306	262
Provision for taxes	426	199
Provision for discount	204	145
Dividend payable	208	374
Dividend distribution tax payable	34	61
Provision for post contract support services	4	3
Provision for disputed dues*	58	57
Total	1,269	1,112

*Represents disputed tax dues provided pursuant to unfavourable order received from the tax authorities against which the Company has preferred an appeal with the relevant authority. In respect of the provisions of Accounting Standard – 29 'Provisions, Contingent Liabilities and Contingent Assets' ('AS 29'), the disclosures required have not been provided in accordance with paragraph 72 of AS 29.

Mindtree Limited**Significant accounting policies and notes to the accounts (continued)****For the quarter ended June 30, 2013****(Rupees in millions, except share and per share data, unless otherwise stated)**

The following table sets out the status of the gratuity plan as required under AS 15- Employee Benefits.

Particulars	As at June 30, 2013	As at March 31, 2013
Change in projected benefit obligations		
Obligations at the beginning of the period	324	276
Service cost	22	62
Interest cost	6	19
Benefits settled	(9)	(41)
Actuarial (gain)/ loss	(1)	8
Obligations at end of the period	342	324
Change in plan assets		
Plan assets at the beginning of the period, at fair value	313	275
Expected return on plan assets	6	23
Actuarial gain/ (loss)	3	1
Contributions	-	55
Benefits settled	(9)	(41)
Plan assets at the end of the period, at fair value	313	313

Reconciliation of the present value of the obligation and the fair value of the plan assets

Particulars	As at June 30, 2013	As at March 31,			
		2013	2012	2011	2010
Fair value of plan assets at the end of the period	313	313	275	257	212
Present value of defined obligations at the end of the period	(342)	(324)	(276)	(265)	(208)
Asset/ (liability) recognised in the balance sheet	(29)	(11)	(1)	(8)	4

Mindtree Limited**Significant accounting policies and notes to the accounts (continued)****For the quarter ended June 30, 2013****(Rupees in millions, except share and per share data, unless otherwise stated)**

Particulars	For the quarter ended June 30,	
	2013	2012
Gratuity cost		
Service cost	22	22
Interest cost	6	5
Expected return on plan assets	(6)	(5)
Actuarial (gain)/loss	(4)	(2)
Net gratuity cost	18	20
Actual return on plan assets	9	7
Assumptions		
Interest rate	7.46%	8.18%
Expected rate of return on plan assets	7.50%	7.50%
Salary increase	6.00%	6.00%
Attrition rate	13.37%	16.00%
Retirement age	60	60

The estimates of future salary increases, considered in actuarial valuation, takes into account inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

The disclosure of provisions movement as required under the provisions of AS 29 is as follows:-

Provision for post contract support services

Particulars	For the quarter ended June 30,	
	2013	2012
Balance at the beginning of the period	3	5
Provisions made during the period	1	-
Provision at the end of the period	4	5

Mindtree Limited**Significant accounting policies and notes to the accounts (continued)****For the quarter ended June 30, 2013****(Rupees in millions, except share and per share data, unless otherwise stated)****Provision for discount**

Particulars	For the quarter ended June 30,	
	2013	2012
Balance at the beginning of the period	145	109
Provisions made during the period	66	42
Utilisations during the period	(7)	(15)
Provision at the end of the period	204	136

Provision for foreseeable losses on contracts

Particulars	For the quarter ended June 30,	
	2013	2012
Balance at the beginning of the period	-	4
Released during the period	-	(2)
Provision at the end of the period	-	2

These provisions are expected to be utilized over a period of one year.

Mindtree Limited
Significant accounting policies and notes to the accounts
For the quarter ended June 30, 2013
(Rupees in millions, except share and per share data, unless otherwise stated)

3.4 Non-current assets

3.4.1 Fixed assets

Assets	Gross block				Accumulated depreciation				Net book value	
	As at April 1, 2013	Additions during the period	Deletions during the period	As at June 30, 2013	As at April 1, 2013	For the period	Deletions during the period	As at June 30, 2013	As at June 30, 2013	As at March 31, 2013
Tangible assets										
Leasehold land	425	-	-	425	71	3	-	74	351	354
Buildings	1,626	-	-	1,626	289	14	-	303	1,323	1,337
Leasehold improvements	1,186	179	-	1,365	865	40	-	905	460	321
Computer systems	1,296	180	28	1,448	1,018	56	28	1,046	402	278
Test equipment	219	-	-	219	198	13	-	211	8	21
Furniture and fixtures	151	13	1	163	138	11	1	148	15	13
Electrical installations	247	63	1	309	205	10	1	214	95	42
Office equipment	482	40	-	522	370	14	-	384	138	112
Motor vehicles	2	-	-	2	2	-	-	2	-	-
Plant and machinery	8	-	-	8	1	-	-	1	7	7
Total (A)	5,642	475	30	6,087	3,157	161	30	3,288	2,799	2,485
Intangible assets										
Intellectual property	67	-	-	67	39	3	-	42	25	28
Computer Software	698	3	-	701	622	17	-	639	62	76
Total (B)	765	3	-	768	661	20	-	681	87	104
Total (A+B)	6,407	478	30	6,855	3,818	181	30	3,969	2,886	2,589
Previous year	5,820	626	39	6,407	3,229	624	35	3,818	2,589	

Mindtree Limited**Significant accounting policies and notes to the accounts****For the quarter ended June 30, 2013****(Rupees in millions, except share and per share data, unless otherwise stated)****3.4.2 Non-current investments**

Particulars	As at June 30, 2013	As at March 31, 2013
Investment in mutual funds (quoted)	-	223
Investment in equity instruments (unquoted)		
- Investment in Trade	8	8
- Investment in subsidiary	14	14
Less: Provision for diminution in value of investments	(1)	(1)
Total	21	244
Aggregate amount of quoted investments	-	223
Aggregate market value of quoted investments	-	224
Aggregate amount of unquoted investments	22	22

Details of investment in mutual funds are as given below:

Particulars	As at June 30, 2013	As at March 31, 2013
JP Morgan Mutual Fund	-	70
Birla Sun Life Mutual Fund	-	30
IDFC Mutual Fund	-	28
Tata Mutual Fund	-	95
Total	-	223

Details of investment in trade unquoted investments are as given below:

Particulars	As at June 30, 2013	As at March 31, 2013
2,400 (previous year: 2,400) equity shares in Career Community.com Limited	1	1
643,790 (previous year: 643,790) Series A Convertible Preferred Stock at US\$ 0.0001 each fully paid at premium of US \$ 0.2557 each in 30 Second Software Inc	7	7
Total	8	8

Details of investment in subsidiary are as given below:

Particulars	As at June 30, 2013	As at March 31, 2013
Mindtree Software (Shanghai) Co., Ltd ('MSSCL')	14	14
Total	14	14

Mindtree Limited**Significant accounting policies and notes to the accounts (continued)****For the quarter ended June 30, 2013****(Rupees in millions, except share and per share data, unless otherwise stated)****3.4.3 Taxes**

Particulars	For the quarter ended June 30,	
	2013	2012
Tax expense		
Current tax	401	274
Deferred tax	(11)	(14)
Total	390	260

The Company has units at Bangalore, Hyderabad and Chennai registered as Special Economic Zone (SEZ) units which are entitled to a tax holiday under Section 10AA of the Income Tax Act, 1961.

The Company also has STPI units at Bangalore and Pune which are registered as a 100 percent Export Oriented Unit, which were earlier entitled to a tax holiday under Section 10B and Section 10A of the Income Tax Act, 1961.

Deferred tax assets (net):

Deferred tax assets included in the balance sheet comprises the following:

Particulars	As at	As at
	June 30, 2013	March 31, 2013
Excess of depreciation as per books over depreciation allowed under Income Tax Act, 1961	214	215
Provision for doubtful debts	13	10
Compensated absence	94	84
Provision for volume discount	35	34
Others	15	17
Total deferred tax assets	371	360

Mindtree Limited**Significant accounting policies and notes to the accounts (continued)****For the quarter ended June 30, 2013****(Rupees in millions, except share and per share data, unless otherwise stated)****3.4.4 Long-term loans and advances**

Particulars	As at June 30, 2013	As at March 31, 2013
<i>(Unsecured considered good)</i>		
Capital advances	152	127
Security deposits*	518	426
Advances recoverable in cash or in kind or for value to be received*	52	64
Total	722	617

*Refer note 3.15 for related party balances.

3.4.5 Other non-current assets

Particulars	As at June 30, 2013	As at March 31, 2013
<i>(Unsecured considered good)</i>		
Advance tax and tax deducted at source, net of provision for taxes	872	848
MAT credit entitlement	124	165
Other non-current assets	28	33
Total	1,024	1,046

3.5 Current assets**3.5.1 Current investments**

Particulars	As at June 30, 2013	As at March 31, 2013
Investment in mutual funds (quoted)	3,701	3,628
Less: Provision for diminution in the value of investments	(3)	(1)
Term deposits	400	400
Total	4,098	4,027
Aggregate amount of quoted investments	3,701	3,628
Aggregate market value of quoted investments	3,771	3,710
Aggregate amount of unquoted investments	400	400

Mindtree Limited**Significant accounting policies and notes to the accounts (continued)****For the quarter ended June 30, 2013****(Rupees in millions, except share and per share data, unless otherwise stated)**

Details of investment in mutual funds are as given below:

Particulars	As at	As at
	June 30, 2013	March 31, 2013
ICICI Prudential Mutual Fund	290	409
IDFC Mutual Fund	259	228
UTI Mutual Fund	198	248
HSBC Mutual Fund	151	70
Franklin Templeton Mutual Fund	374	310
DSP Blackrock Mutual Fund	200	248
Birla Sun Life Mutual Fund	308	371
Reliance Mutual Fund	365	349
Tata Mutual Fund	198	152
DWS Mutual Fund	205	198
SBI Mutual Fund	186	358
HDFC Mutual Fund	372	440
Axis Mutual Fund	63	51
Principal Mutual Fund	-	30
Kotak Mutual Fund	52	51
JP Morgan Mutual Fund	95	-
Sundaram Mutual Fund	101	50
Pinebridge Mutual Fund	30	30
L & T Mutual Fund	103	-
IDBI Mutual Fund	151	35
Total	3,701	3,628

Details of investments in term deposit are as given below:

Particulars	As at	As at
	June 30, 2013	March 31, 2013
HDFC Limited	400	400
Total	400	400

Mindtree Limited
Significant accounting policies and notes to the accounts (continued)
For the quarter ended June 30, 2013
(Rupees in millions, except share and per share data, unless otherwise stated)

3.5.2 Trade receivables

Particulars	As at June 30, 2013	As at March 31, 2013
<i>(Unsecured)</i>		
Debts overdue for a period exceeding six months		
- considered good	115	175
- considered doubtful	59	36
Other debts		
- considered good	5,871	4,333
- considered doubtful	-	10
Less: Provision for doubtful debts	(59)	(46)
Total	5,986	4,508

3.5.3 Cash and bank balances

Particulars	As at June 30, 2013	As at March 31, 2013
Cash and cash equivalents		
Balances with banks in current and deposit accounts [^] *	932	1,235
Other bank balances ^{**}	3	3
Total	935	1,238

[^]The deposits maintained by the Company with banks comprises time deposits, which can be withdrawn by the Company at any point without prior notice or penalty on the principal.

* Balances with banks include the following:

Particulars	As at June 30, 2013	As at March 31, 2013
Balance with banks held as margin money towards guarantees	1	1

^{**}Other bank balances represent balances in respect of unpaid dividends and are considered restricted in nature.

Mindtree Limited**Significant accounting policies and notes to the accounts (continued)****For the quarter ended June 30, 2013****(Rupees in millions, except share and per share data, unless otherwise stated)****3.5.4 Short-term loans and advances**

Particulars	As at June 30, 2013	As at March 31, 2013
<i>(Unsecured considered good)</i>		
Advances recoverable in cash or in kind or for value to be received*	465	440
Less: Provision for doubtful advances	(10)	(10)
Total	455	430

*Refer note 3.15 for related party balances.

3.5.5 Other current assets

Particulars	As at June 30, 2013	As at March 31, 2013
Unbilled revenue	682	637
MAT credit entitlement	25	-
Other current assets*	470	643
Total	1,177	1,280

*Includes derivative asset of Rs 33 (As at March 31, 2013: Rs 181).

3.6 Other income

Particulars	For the quarter ended June 30,	
	2013	2012
Interest income	20	13
Dividend income	43	26
Net gain on sale of investments	53	12
Foreign exchange gain	617	86
Other non-operating income	1	1
Total	734	138

Mindtree Limited**Significant accounting policies and notes to the accounts (continued)****For the quarter ended June 30, 2013****(Rupees in millions, except share and per share data, unless otherwise stated)****3.7 Expenses**

Employee benefits expense	For the quarter ended June 30,	
	2013	2012
Salaries and wages	3,480	3,128
Contribution to provident and other funds	312	281
Expense on employee stock purchase plan	2	-
Staff welfare expenses	30	33
Total	3,824	3,442

Finance costs	For the quarter ended June 30,	
	2013	2012
Interest expense	1	3
Total	1	3

Other expenses	For the quarter ended June 30,	
	2013	2012
Travel expenses	401	220
Sub-contractor charges	266	196
Computer consumables	80	53
Legal and professional charges	101	49
Power and fuel	70	53
Rent (Refer note 3.16)	139	102
Repairs to buildings	7	14
Repairs to machinery	5	5
Insurance	6	5
Rates and taxes	13	20
Other expenses	374	297
Total	1,462	1,014

Mindtree Limited

Significant accounting policies and notes to the accounts (continued)

For the quarter ended June 30, 2013

(Rupees in millions, except share and per share data, unless otherwise stated)

3.8 Contingent liabilities and commitments

- a) Estimated amount of contracts remaining to be executed on capital account and not provided for as at June 30, 2013 is Rs 1,018 (March 31, 2013: Rs 470).
- b) As of the balance sheet date, the Company's net foreign currency exposure that is not hedged by a derivative instrument or otherwise is Rs 5,552 (March 31, 2013: Rs 4,018).
- c) The Company has received income tax assessment for the financial year 2008-09 wherein demand of Rs 24 has been raised against the Company on account of certain disallowances, adjustments made by the income tax department. A significant portion of this amount arises from the manner of adjustment of brought forward losses in arriving at the taxable profits of the Company and disallowance of portion of profit earned outside India from the STP and SEZ units.
Management believes that the position taken by it on the matter is tenable and hence, no adjustment has been made to the financial statements. The Company has filed an appeal against the demands received.
- d) The Company has received income tax assessments for financial years 2006-07 and 2007-08 for the erstwhile subsidiary Mindtree Technologies Private Limited (MTPL) with demands amounting to Rs 11 and Rs 10 on account of certain disallowances/ adjustments made by income tax department. Management believes that the position taken by it on the matter is tenable and hence, no adjustment has been made to the financial statements. The Company has filed an appeal against the demand received. The Company has not deposited the amount of demand with the department.
- e) The Company has received income tax assessments under Section 143(3) of the Income-tax Act 1961 pertaining to erstwhile subsidiary Aztecsoft Limited for the financial years 2001-02, 2002-03, 2003-04, 2004-05, 2005-06, 2006-07 and 2007-08 wherein demand of Rs 91, Rs 49, Rs 61, Rs 28, Rs 58, Rs 119 and Rs 214 respectively has been raised against the Company. These demands have arisen mainly on account of transfer pricing adjustments made in the order. The Company has not accepted these orders and has been advised by its legal counsel/ advisors to prefer appeals before appellate authorities and accordingly the Company has filed appeals before the Commissioner of Income Tax (Appeals) and ITAT. The Company has deposited Rs 15 with the department against these demands.

Mindtree Limited

Significant accounting policies and notes to the accounts (continued)

For the quarter ended June 30, 2013

(Rupees in millions, except share and per share data, unless otherwise stated)

The Company has received draft assessment order under Section 143(3) of the Income Tax Act 1961 for the financial year 2008-09 wherein demand of Rs 65 has been raised on account of transfer pricing adjustments. The Company has filed an appeal before the Dispute Resolution Panel.

The Company received a favourable order from the Commissioner of Income Tax (Appeals) for the year 2001-02 where in the Commissioner of Income Tax (Appeals) accepted the Company's contentions and quashed the demand raised. The Income tax department appealed against the above mentioned order with ITAT. ITAT, in an earlier year passed an order setting aside both the orders of the Commissioner of Income Tax (Appeals) as well as the Assessing Officer and remanded the matter back to the assessment officer for re-assessment. The Company preferred an appeal with the Hon'ble High Court of Karnataka against the order of the ITAT. The Hon'ble High Court of Karnataka has dismissed the appeal filed against the order of ITAT and upheld the order passed by the ITAT and accordingly the case is pending before assessing officer for re-assessment.

The Company has appealed against the demands received for financial years 2002-03, 2003-04, 2004-05, 2005-06, 2006-07, 2007-08 & 2008-09. Based on favourable order received by the Company for the financial year 2001-02 and an evaluation of the facts and circumstances, no provision has been made against the above orders in the financial statements.

- f) The Company received an assessment order for financial year 2006-07 for the erstwhile subsidiary Mindtree Wireless Private Limited from the Assistant Commissioner of Income-tax ('ACIT') with a demand amounting to Rs 39 on account of certain other disallowances/ transfer pricing adjustments made by income tax department. Management believes that the position taken by it on the matter is tenable and hence, no adjustment has been made to the financial statements. The Company has filed an appeal with Commissioner of Income Tax (Appeals) against the demand received. The Company has deposited Rs 5 with the department against this demand.

3.9 Quantitative details

The Company is engaged in software development services. Such services are not capable of being expressed in any generic unit and hence, it is not possible to give the quantitative details required under paragraphs 5(viii)(c) of general instructions for preparation of the statement of profit and loss as per revised Schedule VI to the Companies Act, 1956.

Mindtree Limited
Significant accounting policies and notes to the accounts (continued)
For the quarter ended June 30, 2013
(Rupees in millions, except share and per share data, unless otherwise stated)

3.10 Value of imports on CIF basis

Particulars	For the quarter ended June 30,	
	2013	2012
Capital goods	77	35
Total	77	35

3.11 Expenditure in foreign currency

Particulars	For the quarter ended June 30,	
	2013	2012
Branch office expenses	2,493	1,803
Travel expenses	46	32
Professional charges	3	5
Others	30	47
Total	2,572	1,887

3.12 Earnings in foreign currency

Particulars	For the quarter ended June 30,	
	2013	2012
Income from software development	6,261	5,331
Total	6,261	5,331

Mindtree Limited**Significant accounting policies and notes to the accounts (continued)****For the quarter ended June 30, 2013****(Rupees in millions, except share and per share data, unless otherwise stated)**

- 3.13** During the quarter ended June 30, 2013 the Company has remitted in foreign currency dividend of Rs 5 (quarter ended June 30, 2012: Nil).

Particulars	For the quarter ended June 30, 2013	For the quarter ended June 30, 2012
Number of shares held	1,125,384	-
Number of shareholders	78	-
Amount remitted (Rs)	5 million	-
Year to which dividend relates	Second interim dividend 2012-13	-

3.14 Segmental reporting

Effective April 1, 2013, the Company has restructured its organisational and management structure and its internal financial reporting structure to be better aligned to market needs. Pursuant to such re-organization, the Company has identified Manufacturing, BFSI, Hitech, Travel and Transport and Others as its reportable business segments. Accordingly, as required by the accounting standards, comparatives have been restated and presented in line with the current segments.

The accounting principles consistently used in the preparation of the financial statements are also consistently applied to record income and expenditure in individual segments.

Income and direct expenses in relation to segments are categorised based on items that are individually identifiable to that segment, while the remainder of costs are apportioned on an appropriate basis. Certain expenses are not specifically allocable to individual segments as the underlying services are used interchangeably. The Company therefore believes that it is not practical to provide segment disclosures relating to such expenses and accordingly such expenses are separately disclosed as unallocable and directly charged against total income.

The assets of the Company are used interchangeably between segments, and the management believes that it is currently not practical to provide segment disclosures relating to total assets and liabilities since a meaningful segregation is not possible.

Mindtree Limited

Significant accounting policies and notes to the accounts (continued)

For the quarter ended June 30, 2013

(Rupees in millions, except share and per share data, unless otherwise stated)

Business segments

Statement of profit and loss	For the quarter ended June 30,	
	2013	2012
Segment revenue		
Manufacturing	1,353	1,044
BFSI	1,480	1,240
Hitech	1,872	1,746
Travel & Transportation	1,273	1,174
Others	499	426
Total	6,477	5,630
Segment operating income		
Manufacturing	264	171
BFSI	44	201
Hitech	439	339
Travel & Transportation	256	324
Others	188	139
Total	1,191	1,174
Unallocable expenses	(181)	(159)
Profit for the period before interest, other income and tax	1,010	1,015
Interest expense	(1)	(3)
Other income	734	138
Net profit before taxes	1,743	1,150
Income taxes	(390)	(260)
Net profit after taxes	1,353	890

Geographical segments

Revenues	For the quarter ended June 30,	
	2013	2012
America	3,744	3,270
Europe	1,778	1,622
India	373	360
Rest of World	582	378
Total	6,477	5,630

Mindtree Limited**Significant accounting policies and notes to the accounts (continued)****For the quarter ended June 30, 2013****(Rupees in millions, except share and per share data, unless otherwise stated)****3.15 Related party transactions**

Name of related party	Nature of relationship
Mindtree Software (Shanghai) Co., Ltd ('MSSCL'), Republic of China	Subsidiary
Amalgamated Bean Coffee Trading Company Limited ('ABCTCL')	These entities are part of Coffee Day Group which through various entities and its promoters holds 21.1% equity stake in Mindtree, and the group has a nominee on the Mindtree Board.
Tanglin Developments Limited ('TDL')	

Transactions with the above related parties during the quarter were:

Name of related party	Nature of transaction	For the quarter ended June 30,	
		2013	2012
Amalgamated Bean Coffee Trading Company Limited	Procurement of supplies	3	2
Tanglin Developments Limited	Leasing office buildings and land (net)	92	79
	Advance received back:		
	- towards electricity deposit/ charges	12	-
	- towards lease rentals	38	-
	Interest on advance towards electricity charges	3	-

Balances payable to related parties are as follows:

Name of related party	As at June 30, 2013	As at March 31, 2013
Tanglin Developments Limited	5	9

Mindtree Limited
Significant accounting policies and notes to the accounts (continued)
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Balances receivable from related parties are as follows:

Name of related party	Nature of transactions	As at June 30, 2013	As at March 31, 2013
Tanglin Developments Limited	Rental Advance		
	- Current	74	112
	- Non-current	-	-
	Advance towards electricity charges		
	- Current	48	48
	- Non-current	52	64
	Security deposit returnable on termination of lease	345	345
	Interest accrued on advance towards electricity charges	6	3

Key managerial personnel:

Subroto Bagchi	Chairman
Dr. Albert Hieronimus	Non-executive Vice Chairman
N. Krishnakumar	CEO & Managing Director
S. Janakiraman	Chief Technology Officer
N S Parthasarathy	Enterprise Service Lines Head (Alternate director to S Janakiraman)
Anjan Lahiri*	-
R. Srinivasan	Independent Director
V.G.Siddhartha	Non-executive Director
David B. Yoffie	Independent Director
Prof. Pankaj Chandra	Independent Director
Ramesh Ramanathan	Independent Director

*Anjan Lahiri resigned from the Board of Directors of the Company with effect from May 6, 2013.

Remuneration paid to key managerial personnel during the quarter ended June 30, 2013 amounts to Rs 29 (for the quarter ended June 30, 2012: Rs 19). Dividends paid to directors during the quarter ended June 30, 2013 amounts to Rs 8 (for the quarter ended June 30, 2012: Rs. Nil).

Mindtree Limited**Significant accounting policies and notes to the accounts (continued)****For the quarter ended June 30, 2013****(Rupees in millions, except share and per share data, unless otherwise stated)**

The above remuneration excludes gratuity and compensated absences which cannot be separately identified from the composite amount advised by the actuary.

3.16 Lease transactions

Lease rental expense under non-cancellable operating lease during the quarter ended June 30, 2013 amounted to Rs 69 (for the quarter ended June 30, 2012: Rs 35). Future minimum lease payments under non-cancellable operating lease are as below:

Particulars	As at	
	June 30, 2013	March 31, 2013
Payable -- Not later than one year	211	203
Payable -- Later than one year and not later than five years	468	521

Additionally, the Company leases office facilities and residential facilities under cancellable operating leases. The rental expense under cancelable operating lease during the quarter ended June 30, 2013 was Rs 70 (for the quarter ended June 30, 2012: Rs 67).

3.17 Earnings per equity share

Reconciliation of number of shares used in the computation of basic and diluted earnings per share is set out below:

Particulars	For the quarter ended June 30, 2013		For the quarter ended June 30, 2012	
	Basic EPS	Diluted EPS	Basic EPS	Diluted EPS
Weighted average number of equity shares outstanding during the quarter	41,544,989	41,544,989	40,617,464	40,617,464
Weighted average number of equity shares resulting from assumed exercise of employee stock options and restricted shares	-	261,237	-	570,266
Weighted average number of equity shares for calculation of earnings per share	41,544,989	41,806,226	40,617,464	41,187,730

3.18 Auditor's remuneration

Particulars	For the quarter ended June 30,	
	2013	2012
Statutory audit	4	4
Certification	1	1
Total	5	5

Mindtree Limited**Significant accounting policies and notes to the accounts (continued)****For the quarter ended June 30, 2013****(Rupees in millions, except share and per share data, unless otherwise stated)**

- 3.19** The Company has a development center at Gainesville, Florida, US. The state of Florida has offered various incentives targeted to the needs of the development center. The nature and the extent of the government grant is given below:

Nature of expenses	For the quarter ended June 30,	
	2013	2012
Reimbursement of rent	1	-
Grant towards workforce training	4	-
Total	5	-

The Company has availed a non-monetary grant of USD 950,000 for renovation of project facility in the previous year. This grant is subject to fulfillment of certain conditions such as creation of minimum employment with specified average salary and capital investment at the development center at Gainesville, Florida, US.

3.20 Dues to micro, small and medium enterprises

The Ministry of Micro, Small and Medium Enterprises has issued an office memorandum dated August 26, 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allocated after filing of the Memorandum in accordance with the 'Micro, Small and Medium Enterprises Development Act, 2006' ('the Act'). Accordingly, the disclosure in respect of the amounts payable to such enterprises as at June 30, 2013 has been made in the financial statements based on information received and available with the Company. Further in view of the Management, the impact of interest, if any, that may be payable in accordance with the provisions of the Act is not expected to be material. The Company has not received any claim for interest from any supplier as at the balance sheet date.

Particulars	For the quarter ended	
	June 30, 2013	June 30, 2012
The principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier as at the end of accounting period;	Nil	Nil
The amount of interest paid by the buyer under the Act along with the amounts of the payment made to the supplier beyond the appointed day during each accounting period;	Nil	Nil
the amount of interest due and payable for the period (where the principal has been paid but interest under the Act not paid);	Nil	Nil
The amount of interest accrued and remaining unpaid at the end of accounting period; and	Nil	Nil

Mindtree Limited
Significant accounting policies and notes to the accounts (continued)
For the quarter ended June 30, 2013
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The amount of further interest due and payable even in the succeeding period, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23.

	Nil	Nil
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3.21 Corresponding figures for the previous period presented have been regrouped, where necessary, to conform to the current period's classification.

As per our report attached
For **B S R & Co.**
Chartered Accountants
Firm Registration No.: 101248W

For **Mindtree Limited**

Supreet Sachdev
Partner
Membership No.: 205385

Subroto Bagchi
Chairman

N. Krishnakumar
CEO & Managing Director

Rostow Ravanan
Chief Financial Officer

Rajesh Srichand Narang
Company Secretary

Place: Bangalore
Date: July 18, 2013

Place: Bangalore
Date: July 18, 2013