MindTree Limited
Schedule 16 – Significant accounting policies and notes to the accounts
For the quarter ended June 30, 2009

1. Background

MindTree Limited ('MindTree' or 'the Company') together with its subsidiaries Aztecsoft Disha Inc, and Aztec Software Inc collectively referred to as 'the Group' is an international Information Technology ("IT") consulting and implementation Group that delivers business solutions through global software development. The Group is structured into two business units that focus on software development – Product Engineering Services and IT Services. Product Engineering Services enables faster product realization by leveraging the expertise in the areas of hardware design, embedded software, middleware and testing and through MindTree's own IP building blocks in the areas of Bluetooth, VOIP, IVP6, iSCSI and others in datacom, telecom, wireless, storage, industrial automation, avionics, consumer products and computing. It also provides full life cycle product engineering services, professional services and sustained engineering services. IT Services offer consulting and implementation and post production support for customers in manufacturing, financial services, travel and leisure and other industries, in the areas of e-business, data warehousing and business intelligence, supply chain management, ERP and maintenance and re-engineering of legacy mainframe applications. The Group is head quartered in Bangalore and has offices in India, United States of America, United Kingdom, Japan, Singapore, Australia, Germany, Switzerland, Sweden, UAE, Netherlands, Canada and France.

The name of the Company was changed from 'MindTree Consulting Limited' to 'MindTree Limited' and an approval from shareholders was obtained through a postal ballot pursuant to section 192A of the Companies Act, 1956 on March 17, 2008. Consequent to the change of name, a fresh certificate of incorporation was granted to the Company on March 28, 2008 by the Registrar of Companies, Karnataka.

2. Significant accounting policies

2.1 Basis of preparation of consolidated financial statements

The consolidated 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') to the extent applicable and the guidelines issued by Securities and Exchange Board of India ('SEBI').

2.2 Principles of consolidation

The consolidated financial statements include the financial statements of MindTree and its subsidiaries. The financial statements of MindTree and its controlled subsidiaries have been combined on a line-by-line basis by adding together the book values of all items of assets, liabilities, incomes and expenses after eliminating all inter-company balances/transactions and resulting unrealized gain/loss from the date the parent company acquired control of those subsidiaries. The names of the subsidiaries have been disclosed in Note 16(12).

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

2.3 Use of estimates

The preparation of consolidated 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 consolidated financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in future periods.

2.4 Fixed assets

2.4.1 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.

2.4.2 Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets acquired on or after April 1, 2001 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 recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

2.4.3 Advances paid towards the acquisition of fixed assets, outstanding at each balance sheet date and the cost of the fixed asset not ready for its intended use on such date, are disclosed under capital work-in-progress.

2.4.4 Depreciation is provided on the straight-line method. The rates specified under schedule XIV of the Companies Act, 1956 are considered as the 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 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**
Computer systems (including software)	1-3 years
Furniture and fixtures	5 years
Electrical installations	3-5 years
Office equipment	4-5 years
Motor vehicles	4-5 years
Buildings	25-30 years

2.4.5 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 year is provided on a proportionate basis.

2.4.6 The cost of leasehold land is amortised over the period of the lease except where all the risks and rewards of ownership are transferred to the Group at the end of the lease term. Leasehold improvements and assets acquired on lease are amortised over the lease term or useful life, whichever is lower.

2.5 Investments

2.5.1 Long-term investments are carried at cost less any other-than-temporary diminution in value, determined on the specific identification basis.

2.5.2 Current investments are carried at the lower of cost (determined on the specific identification basis) and fair value. The comparison of cost and fair value is carried out separately in respect of each investment.

2.5.3 Profit or loss on sale of investments is determined on the specific identification basis.

2.6 Employee benefits

2.6.1 Gratuity is a defined benefit scheme and is accrued based on an actuarial valuation at the balance sheet date, carried out by an independent actuary. MindTree 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 profit and loss account.

2.6.2 Leave encashment is a long-term employee benefit and is accrued based on an actuarial valuation at the balance sheet date, carried out by an independent actuary. The Group accrues for the expected cost of short-term compensated absences in the period in which the employee renders services.

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

2.7 Revenue recognition

2.7.1 The Group 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. Revenues are stated net of discounts and include expenses billed to the customers.

Maintenance revenue is recognized ratably over the period of the contract.

2.7.2 Provision for discounts is recognised on an accrual basis in accordance with contractual terms of agreements with customers.

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

2.7.4 Interest income is recognized using the time proportion method, based on the transactional interest rates.

2.8 Foreign exchange transactions

2.8.1 The Group 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 Group enters into foreign exchange forward contracts and other derivative instruments. Additionally, the Group enters into interest rate and currency derivatives to minimize its interest costs.

2.8.2 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 year are recognised in the profit and loss account for the year.

2.8.3 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 recognized in the profit and loss account. 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.

2.8.4 Forward exchange contracts and other similar instruments that are not hedges 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 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.

2.8.5 For forward exchange contracts and other derivatives that are not covered by AS 11 and that relate to a firm commitment or highly probable forecast transactions, the Group has adopted the principles of Accounting Standard ('AS') 30, 'Financial Instruments: Recognition and Measurement' with effect from April 1, 2008. In accordance with the principles of AS 30, such derivative financial instruments, which qualify for cash flow hedge accounting and where Group 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. This loss/ (gain) would be recorded in profit and loss account when the underlying transactions affect earnings. Other derivative instruments that relate to a firm commitment or a highly probable forecast transaction and that do not qualify for hedge accounting have been recorded at fair value at the reporting date and the resultant exchange loss/ (gain) has been debited/ credited to profit and loss account for the year.

2.9 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 year of recognition of revenue.

2.10 Provision and contingent liabilities

The Group 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.
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.

2.11 Taxation

The current income tax charge is determined in accordance with the relevant tax regulations applicable to respective entities within the Group. 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 year 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 laws, which gives rise to future economic benefits in the form of tax credit against future income tax liability, is recognized as an asset in the balance sheet if there is convincing evidence that the Group will pay normal tax after the tax holiday period and resultant assets can be measured reliably.

The entities within the Group offset, 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.

2.12 Fringe benefit tax

Consequent to the introduction of Fringe Benefit Tax (FBT) effective April 1, 2005, in accordance with the guidance note on accounting for fringe benefits tax issued by the ICAI, the Group has made provision for FBT under income taxes.

The Finance Act, 2007 has introduced Fringe Benefit Tax (FBT) on employee stock options. The Group recovers such FBT from the employees, upon the exercise of the stock options. The FBT liability and related recovery is recorded at the time of exercise of options in the profit and loss account.

2.13 Earnings per share

In determining earnings per share, the Group 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 year. 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.

2.14 Impairment of assets

The Group 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 Group 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 recognized in the profit and loss account. 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 recognized. 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 options

The Group measures the compensation cost relating to employee stock options using the intrinsic value method. The compensation cost is amortized over the vesting period of the option.

2.16 Goodwill

Goodwill arising on consolidation/acquisition of assets is not amortised. It is tested for impairment on a periodic basis and written off, if found impaired.

3. Acquisition and amalgamation of Aztecsoft Limited.

During the previous year, the Company had acquired 36,441,595 equity shares of Aztecsoft Limited ('Aztec'), a Company listed on recognized stock exchanges in India for a consideration of Rs 2,919,519,314. Consequent to the acquisition of these shares, Aztec became a subsidiary of the Company. As at March 31, 2009, the Company held 79.9% of equity shares based on outstanding issued equity of Aztec.

In the previous year, assets, liabilities, income and expenses of Aztec were consolidated with MindTree on a line-by-line basis from the date MindTree acquired control of Aztec.

Subsequent to the acquisition, the Company vide a scheme of amalgamation ('the scheme') approved by the shareholders of the Company had proposed to merge Aztec with itself.
During the current year approval of the Hon'ble High Court of Karnataka was received on June 3, 2009 effective April 1, 2009.

In terms of the scheme, Aztec was amalgamated with the Company with effect from April 1, 2009. The Company has accounted for the amalgamation as amalgamation in the nature of purchase under AS 14, Accounting for Amalgamations.
Following are the salient features of the scheme:

a) Equity shares held by the Company in Aztec were cancelled and extinguished, from the effective date of the scheme and 1,300,965 equity shares of the Company were issued to the erstwhile shareholders of Aztec.
b) All the assets and liabilities of Aztec are recorded in the books of the Company at their carrying amounts as on April 1, 2009.
c) Pursuant to the scheme of amalgamation approved by the Hon'ble High Court of Karnataka, the goodwill of Rs 1,407,210,756 resulting from the amalgamation was adjusted against the securities premium account of the Company. If the treatment specified by AS-14 had been followed, the goodwill balance of Rs 1,407,210,756 would have been required to be amortized as per the Company's accounting policy.
d) 189,110 equity shares of the Company held by MindTree benefit trust have been cancelled w.e.f April 1, 2009 and credited to capital reserve

4. Employee stock options

MindTree 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 five stock option programs.

Program 1 [ESOP 1999]

Options under this program have been granted to employees at an exercise price of Rs 2 per option. In conjunction with the consolidation and subsequent issue of bonus shares, the Company increased the exercise price of the options outstanding as at December 31, 2006 (to the revised par value of the underlying equity shares), to comply with the regulatory requirements. The modifications did not increase the value of the options for the employee, and accordingly did not result in an accounting consequence. 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.

Outstanding options as at April 1, 2009	32,289
Granted during the year	-
Exercised during the year	
Lapsed during the year	-
Forfeited during the year	-
Outstanding options as at June 30, 2009	32,289

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.

Outstanding options as at April 1, 2009	283,911
Granted during the year	-
Exercised during the year	7,865
Lapsed during the year	1,954
Forfeited during the year	
Outstanding options as at June 30, 2009	274,092

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.

Outstanding options as at April 1, 2009	269,803
Granted during the year	-
Exercised during the year	635
Lapsed during the year	2,425
Forfeited during the year	

Outstanding options as at June 30, 2009	266,743

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.

Outstanding options as at April 1, 2009	3,096,580
Granted during the year	7,500
Exercised during the year	4,372
Lapsed during the year	67,190
Forfeited during the year	
Outstanding options as at June 30, 2009	3,032,518

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

Options under this program have been granted to independent directors at an exercise price ranging from Rs 238 to Rs 355 per option. 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.

Outstanding options as at April 1, 2009	116,670
Granted during the year	-
Exercised during the year	-
Lapsed during the year	-
Forfeited during the year	-
Outstanding options as at June 30, 2009	116,670

The weighted average exercise price is Rs 10 under program 1, Rs 50 under program 2, Rs 250 under program 3, Rs 335.85 under program 4 and Rs 293.49 under DSOP 2006.

The weighted average exercise price for stock options exercised during the quarter ended June 30, 2009 was Rs 150.10. The options outstanding at June 30, 2009 had a weighted average exercise price of Rs 308.68 and a weighted average remaining contractual life of 3.50 years.

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

MindTree has established a Trust ('MindTree Benefit Trust'), for the benefit of employees. As at June 30, 2009 outstanding equity shares of the Company held by the trust were 189,110.

5. Contingent liabilities and commitments

a) Guarantees given by Group's bankers as at June 30, 2009 are Rs 28,210,987 (previous year- Rs 35,971,678).

b) Estimated amount of contracts remaining to be executed on capital account and not provided for as at June 30, 2009 is Rs 106,353,336 (previous year-Rs 102,192,299).

c) Claims against the Group not acknowledged as debts amounts to Rs 691,000 (Previous year- Rs 691,000).

d) On September 19, 2007, MindTree received a notice from the Honorable High court of Karnataka to appear before the Honorable court in respect of assessment of income for A.Y 2001-02. The Assessing Officer ('AO') has held that interest receipts are not eligible for deduction under section 10B of the Act even though they are business income and disallowed the same and raised a demand of Rs 616,530. Further AO also mentioned that losses from export earnings cannot be set off against other income. The AO also rejected the claim of carry forward of business loss and unabsorbed depreciation. The order of the AO was not upheld by Income Tax Appellate Tribunal (ITAT) and the AO preferred an appeal with the Honorable High Court of Karnataka against the order of the ITAT. Management believes that the position taken by it on the matter is tenable and hence, no adjustment has been made to the financial statements for the quarter ended June 30, 2009.

e) On January 2, 2008, MindTree has received an assessment order for A.Y 2005-06 from the AO with a demand amounting to Rs 6,479,880 on account of certain disallowances / adjustments made by income tax department. A significant portion of this amount arises from manner of adjustment of brought forward losses in arriving at the taxable profits of MindTree. Management believes that the position taken by it on the matter is tenable and hence, no adjustment has been made to the financial statements for the quarter ended June 30, 2009. MindTree has filed an appeal against the demand received. The Income–tax department has adjusted the amount of demand against the refund due for A.Y 2006-07.

f) On January 5, 2009, MindTree has received an assessment order for A.Y 2006-07 from the Assistant Commissioner of Income-tax ('ACIT') with a demand amounting to Rs 51,446,560 on account of certain disallowances / adjustments made by income tax department. A significant portion of this amount arises from manner of adjustment of brought forward losses in arriving at the taxable profits of MindTree. Management believes that the position taken by it on the matter is tenable and hence, no adjustment has been made to the financial statements for the quarter ended June 30, 2009. MindTree has filed an appeal against the demand received.

g) Aztec has received orders under Section 143(3) of the Income-tax Act 1961 for the financial year 2001-02, 2002-03 and 2003-04 wherein demand of Rs 91,481,000, Rs 49,264,000 and Rs 60,837,000 respectively has been raised against Aztec. These demands have arisen mainly on account of transfer pricing adjustments made in the order. Aztec has not accepted these orders and had been advised by its legal counsel/ advisors to prefer appeals before the Commissioner of Income Tax (Appeals).
Aztec had received a favourable order from the Commissioner of Income Tax (Appeals) for the year 2001-02 where in the Commissioner of Income Tax (Appeals) has accepted the Aztec's contentions and quashed the demand raised. The Income tax department had appealed against the above mentioned order with Income Tax Appellate Tribunal. Income Tax Appellate Tribunal, during the current year have passed an order setting aside both the Order of the Commissioner of Income Tax (Appeals) as well as the Assessing Officer and has remanded the matter back to the assessment officer for re-assessment. Aztec has preferred an appeal with the High Court of Karnataka against the order of the Income Tax Appellate Tribunal. Further, during the year the High Court of Karnataka has stayed the operation and all further proceedings pursuant to the order passed by the ITAT.

Aztec has appealed against the demands received for 2002-03 and 2003-04 to the Commissioner of Income-tax (Appeals) where the matter is pending conclusion. Based on favourable order received by Aztec 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 for the quarter ended June 30, 2009.

During the previous year, Aztec has received order under Section 143(3) of the Income-tax Act 1961 for the financial year 2004-05 wherein demand of Rs 28,484,000 has been raised. These demands have arisen mainly on account of transfer pricing adjustments made in the order. Aztec has not accepted these orders and has preferred an appeal before the Commissioner of Income Tax (Appeals).

h) Aztec has received show cause notices from the office of the Additional Director General of Central Excise, Intelligence, Bangalore Zonal Unit regarding a potential service tax levy on import of services and software development services for domestic customers aggregating to Rs. 35,552,000. Aztec has not accepted the show cause notice allegations and is in the process of finalising its response to the notices after consulting its legal counsel/advisors. Based on the advice of the legal counsel, the management believes that Aztec has a good case. Accordingly, no provision has been recorded in the financial statements for the quarter ended June 30, 2009.

6. Segmental reporting

The Group's operations predominantly relate to providing IT Services and PE Services. The Group considers the business segment as the primary segment and geographical segment based on the location of customers as the secondary segment.

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 Group 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 Group 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.

Business segments

Consolidated profit and loss statement for the quarter ended June 30, 2009	**PE Services**	**IT Services**	**Total**
Revenues	1,323,587,210	1,724,133,386	3,047,720,596
Operating expenses, net	1,112,903,367	1,449,746,525	2,562,649,892
Segmental operating income	**210,683,843**	**274,386,861**	**485,070,704**
Unallocable expenses			139,253,160
Profit for the period before interest			**345,817,544**
Interest expense			23,966,961
Other income			332,363,784
Net profit before taxes			**654,214,367**
Income taxes			86,875,182
Net profit after taxes			**567,339,185**

Profit and Loss statement for the quarter ended June 30, 2008	**R&D Services**	**IT Services**	**Total**
Revenues	466,902,633	1,755,211,204	2,222,113,837
Operating expenses, net	417,268,607	1,338,500,399	1,755,769,006
Segmental operating income	**49,634,026**	**416,710,805**	**466,344,831**
Unallocable expenses			607,294,264
Profit for the period before interest			**(140,949,433)**
Interest expense			24,361,821
Other income			44,006,960
Net profit before taxes			**(121,304,294)**
Income taxes			8,312,034
Net profit after taxes			**(129,616,328)**

Amount in Rs

Consolidated profit and loss statement for the ended March 31, 2009	R&D Services	IT Services	Aztecsoft business	Total
Revenues	2,193,420,204	7,924,678,720	2,256,573,695	12,374,672,619
Operating expenses, net	1,708,571,830	5,734,698,847	2,012,945,442	9,456,216,119
Segmental operating income	**484,848,374**	**2,189,979,873**	**243,628,253**	**2,918,456,500**
Unallocable expenses				2,267,800,043
Profit for the period before interest				**650,656,457**
Interest expense				161,991,560
Other income				115,189,498
Net profit before taxes				**603,854,395**
Income taxes				67,244,599
Net profit after taxes				**536,609,796**
Share of profits of associates				27,388,626
Net profit before minority interest				**563,998,422**
Minority interest				40,986,709
Net profit for the year after minority interest				**523,011,713**

Geographical segments

Amount in Rs

Revenues	Quarter ended June 30, 2009	Quarter ended June 30, 2008	Year ended March 31, 2009
America	2,050,726,241	1,351,149,865	8,079,437,519
Europe	603,364,917	539,789,278	2,438,721,233
India	198,290,486	103,111,242	780,314,577
Rest of World	195,338,952	228,063,452	1,076,199,290
Total	**3,047,720,596**	**2,222,113,837**	**12,374,672,619**

7. Related party transactions

Name of related party	Nature of relationship
MindTree Benefit Trust	The Trust is effectively controlled by MindTree
Aztec Software and Technology Services Limited Employees' Welfare Trust	Trust formed by erstwhile Aztec to implement and administer the Employees' Stock Option Plans.

Transactions with the above related parties during the year were:

Name of related party	Nature of transaction	Quarter ended June 30, 2009	Year ended March 31, 2009
MindTree Benefit Trust	Loan received	10,903,704	Nil
MindTree Benefit Trust	Loan repaid	8,968,458	Nil

Balances due to related parties are as follows:

Name of related party	Quarter ended June 30, 2009	Year ended March 31, 2009
MindTree Benefit Trust	1,935,247	Nil

Key managerial personnel:

Ashok Soota	Executive Chairman of MindTree (effective April 1, 2009)
Subroto Bagchi	Gardener of MindTree
N Krishnakumar	Chief Executive Officer & Managing Director of MindTree (effective April 1, 2009)
S Janakiraman	President & Group-CEO of MindTree (effective April 1, 2009)
Dr. Albert Hieranimous	Non executive Director of MindTree
George M. Scalise	Non executive Director of MindTree
Mark A. Runacres	Non executive Director of MindTree
N. Vittal	Non executive Director of MindTree
R. Srinivasan	Non executive Director of MindTree

Remuneration paid to key managerial personnel amounts to Rs 6,999,433 (Rs 46,513,603 for previous year). Amounts payable to directors in the nature of travel and business expenses as at June 30, 2009 amounted to Rs 204,097 (amounts due from directors Rs 582,711 as at March 31, 2009).

8. Earnings per share

The computation of earnings per share is set out below:

Amount in Rs

	For the quarter ended June 30, 2009		**For the quarter ended June 30, 2008**	
Particulars	**Basic EPS**	**Diluted EPS**	**Basic EPS**	**Diluted EPS**
Profit after tax	**567,339,185**		**(129,616,328)**	
Shares				
Weighted average number of equity shares outstanding during the year	39,111,584	39,111,584	37,752,359	37,752,359
Weighted average number of equity shares resulting from assumed exercise of employee stock options		660,734		
Weighted average number of equity shares for calculation of earnings per share		39,772,318	37,752,359	37,752,359

	For the year ended March 31, 2009	
Particulars	**Basic EPS**	**Diluted EPS**
Profit after tax	**523,011,713**	
Shares		
Weighted average number of equity shares outstanding during the year	37,784,844	37,784,844
Weighted average number of equity shares resulting from assumed exercise of employee stock options	-	390,054
Weighted average number of equity shares for calculation of earnings per share	37,784,844	38,174,898

As per the Guidance note (issued in January 2005) on Accounting for Employee Share Based Payments by the ICAI, Nil (previous year- 189,110), weighted average number of shares held by MindTree Benefit Trust have been reduced from the equity shares outstanding for computing basic and diluted earnings per share for the quarter ended June 30, 2009.

9. The details of the subsidiaries as at June 30, 2009 are as follows:

Name of the subsidiaries	**Country of incorporation**	**Proportion of interest**
Aztec Software Inc,	United States of America	100% of MindTree Limited
Aztecsoft Disha Inc,	United States of America	100% of MindTree Limited

Also refer Note 3 and 4 of Schedule 16.

10. Statement of utilisation of IPO funds as of June 30, 2009

Particulars	Amount in Rs
Amount raised through IPO	2,377,152,500
Share issue expenses paid	188,717,404
Net proceeds	**2,188,435,096**
Deployment	
Repayment of debts	113,750,000
Development centre at Chennai	812,542,615
Investment in fixed deposits with banks	120,000,000
General corporate purposes	1,142,142,481
Total	**2,188,435,096**

11. Derivatives

As at June 30, 2009, the Group has outstanding forward contracts amounting to USD 81.3 million (previous year USD 38 million) and CHF NIL (previous year CHF 0.05 million), option contracts amounting to USD 2.7 million (previous year USD 5 million), forward strips and leverage option contracts amounting to USD 122.5 million (previous year USD 142 million). These derivative instruments have been entered to hedge highly probable forecast sales.

In accordance with the principles 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 gain of Rs 112.05 million (previous year loss of Rs 98.44 million) has been credited to hedge reserve. Other derivative instruments that do not qualify for hedge accounting have been fair valued at balance sheet date and resultant exchange gain of Rs 605.09 million (previous year Rs 1522.92 million) has been recognized in the profit and loss account for the year.

12. Prior period comparatives

Previous year's figures have been regrouped /reclassified wherever necessary, to conform to the current year's classification.