MindTree Limited
Consolidated balance sheet

	Note	As at December 31, 2011	As at March 31, 2011
			(Rs in Million)
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3.1.1	405	400
Reserves and surplus	3.1.2	8,176	7,362
		8,581	**7,762**
Non-current liabilities			
Long term borrowings	3.2.1	37	41
Other long term liabilities	3.2.2	74	206
		111	**247**
Current liabilities			
Short term borrowings	3.3.1	265	-
Trade payables		182	167
Other current liabilities	3.3.2	3,089	1,454
Short term provisions	3.3.3	652	530
		4,188	**2,151**
		12,880	**10,160**
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	3.4.1	2,679	2,951
Intangible assets	3.4.1	45	55
Capital work in progress		7	1
Non-current investments	3.4.2	7	7
Deferred tax assets (net)	3.4.3	290	216
Long-term loans and advances	3.4.4	484	416
Other non-current assets	3.4.5	202	111
		3,714	**3,757**
Current assets			
Current investments	3.5.1	2,117	1,105
Trade receivables	3.5.2	4,155	2,825
Cash and cash equivalents	3.5.3	997	459
Short term loans and advances	3.5.4	300	350
Other current assets	3.5.5	1,597	1,664
		9,166	**6,403**
		12,880	**10,160**
Significant accounting policies and notes to the accounts	2 & 3		

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

N. Krishnakumar
CEO & Managing Director

S. Janakiraman
Director

Rostow Ravanan
Chief Financial Officer

Rajesh Srichand Narang
Company Secretary

Place: Bangalore
Date : January 18, 2012

Place: Bangalore
Date : January 18, 2012

MindTree Limited
Consolidated statement of profit and loss

(Rs in Million)

Particulars	**Note**	**For the quarter ended**		**For the nine months ended**	
		December 31, 2011	**December 31, 2010**	**December 31, 2011**	**December 31, 2010**
Revenue from operations		5,197	3,848	13,895	11,179
Other income	3.6	11	95	374	141
Total revenues		**5,208**	**3,943**	**14,269**	**11,320**
Expense:					
Employee benefit expense	3.7	3,242	2,506	9,082	7,240
Finance costs	3.7	1	2	2	2
Depreciation and amortisation expense	3.4.1	173	206	527	528
Other expenses	3.7	1,058	892	2,868	2,601
Total expenses		**4,474**	**3,606**	**12,479**	**10,371**
Profit before tax		**734**	**337**	**1,790**	**949**
Tax expense:	3.4.3				
Current tax		137	24	365	263
Deferred tax		(9)	8	(71)	(10)
Profit for the period		**606**	**305**	**1,496**	**696**
Earnings per equity	3.15				
Equity shares of par value Rs 10 each					
Basic		15.02	7.66	37.21	17.52
Diluted		14.91	7.46	37.20	17.00
Weighted average number of equity shares used in computing earnings per share					
Basic		40,389,594	39,822,097	40,224,672	39,708,444
Diluted		40,663,496	40,883,863	40,229,359	40,926,845
Significant accounting policies and notes to the accounts	2 & 3				

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Company Secretary

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Date : January 18, 2012

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Date : January 18, 2012

MindTree Limited
Consolidated cash flow statement

	(Rs in Million)	
	For the nine months ended December 31,	
	2011	**2010**
Cash flow from operating activities		
Profit before tax	1,790	949
Adjustments for :		
Depreciation and amortisation	527	528
Amortization of stock compensation	-	1
Interest expense	2	2
Interest / dividend income	(81)	(49)
(Profit)/Loss on sale of fixed assets	(1)	-
Profit on sale of investments	(14)	-
Provision for diminution in the value of investments	1	-
Exchange difference on derivatives	246	(87)
Effect of exchange differences on translation of foreign currency cash and cash equivalents	(36)	(1)
Operating profit before working capital changes	2,434	1,343
Increase in trade receivables	(1,330)	(358)
(Increase)/ decrease in loans and advances and other assets	(80)	(272)
(Decrease)/ increase in liabilities and provisions	894	7
Net cash provided by operating activities before taxes	1,918	720
Income taxes paid	(404)	(455)
Net cash provided by operating activities	**1,514**	**265**
Cash flow from investing activities		
Purchase of fixed assets	(303)	(745)
Proceeds from sale of fixed assets	2	3
Interest /dividend received from investments	78	50
Purchase of investments	(6,275)	(5,916)
Sale/maturities of investments	5,276	6,397
Net cash used in investing activities	**(1,222)**	**(211)**
Cash flow from financing activities		
Issue of share capital (net of issue expenses paid)	127	96
Interest paid on loans	(2)	(2)
Proceeds from loans	261	13
Dividends paid (including distribution tax)	(176)	(151)
Net cash provided by/ used in financing activities	**210**	**(44)**
Effect of exchange differences on translation of foreign currency cash and cash equivalents	36	1
Net increase in cash and cash equivalents	538	11
Cash and cash equivalents at the beginning of the period	459	403
Cash and cash equivalents at the end of the period	**997**	**414**

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

For **MindTree Limited**

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Partner
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Rajesh Srichand Narang
Company Secretary

Place: Bangalore
Date : January 18, 2012

Place: Bangalore
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MindTree Limited
Significant accounting policies and notes to the accounts
For the quarter and nine months ended December 31, 2011

1. Background

MindTree Limited (‘MindTree’ or ‘the Company’) together with its subsidiaries MindTree Software (Shenzhen) Co. Ltd and MindTree Wireless Pte. Ltd, Singapore, collectively referred to as ‘the Group’ is an international Information Technology 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 – Information Technology (‘IT’) Services and Product Engineering (‘PE’) 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. PE Services provides full life cycle product engineering, professional services and sustained engineering services. It also 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.

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, France and Republic of China.

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) 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 as set out below.

Name of the subsidiaries	Country of incorporation	Proportion of interest
MindTree Software (Shenzhen) Co Ltd.	Republic of China	100%
MindTree Wireless Pte. Ltd.*	Singapore	100%

*Dissolved with effect from April 05, 2011.

The financial statements of MindTree and its wholly owned and 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 the resultant unrealized gain/loss from the date the parent company acquired control of those subsidiaries.

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 and depreciation

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 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 Group.

2.4.3 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.

2.4.4 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.

2.4.5 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 (including software)	1-3 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

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

2.4.7 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.

2.5 Investments

2.5.1 Non-current 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 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 as the difference between the sale price and carrying value of investment, determined individually for each investment.

2.6 Cash and cash equivalents

Cash and cash equivalents in the consolidated cash flow statement comprises cash in hand and balance in bank in current accounts, deposit accounts and in margin money deposits.

2.7 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 Group are segregated.

2.8 Employee benefits

2.8.1 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 Group 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.

2.8.2 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 Group accrues for the expected cost of short-term compensated absences in the period in which the employee renders services.

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

2.9 Revenue recognition

2.9.1 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 at a mark-up.

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

2.9.2 Provision for discounts is recognised on an accrual basis in accordance with contractual terms of agreements with customers and is shown as reduction of revenues.

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

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

2.10 Foreign exchange transactions

2.10.1 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.

2.10.2 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.

2.10.3 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 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.

2.10.4 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.

2.10.5 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.

2.10.6 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 Group 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 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 until the transaction is completed. Other derivative instruments are recorded at fair value at the reporting date and the resultant exchange loss/ (gain) has been debited/ credited to statement of profit and loss.

2.11 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.

2.12 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.

2.13 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 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 convincing evidence that the Group 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 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.

2.14 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 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.

2.15 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 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 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.

2.16 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.

2.17 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. Notes to the financial statements

3.1 Shareholders funds

3.1.1 Share capital

a)

Rs in million

Particulars	As at December 31, 2011	As at March 31,2011
Authorised		
79,620,000 (previous year 79,620,000) equity shares of Rs 10 each	796	796
Issued, subscribed and paid-up capital		
40,483,347 (previous year: 40,035,187) equity shares of Rs 10 each fully paid	405	400
Total	**405**	**400**

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 December 31, 2011	As at March 31, 2011
Number of shares outstanding at the beginning of the period	40,035,187	39,514,994
Add: Shares issued on exercise of employee stock options	448,160	520,193
Number of shares outstanding at the end of the period	40,483,347	40,035,187

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

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. 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 exists currently. The distribution will be in proportion to the number of equity shares held by the shareholders.

d) Equity shareholder holding more than 5 percent of equity shares along with the number of equity shares held is as given below:

Sr. No.	Name of the shareholder	As at December 31, 2011		As at March 31, 2011	
		Number of shares	%	Number of shares	%
1	Nalanda India Fund Limited	3,949,089	9.8	3,949,089	9.9
2	Walden Software Investment Ltd	3,964,205	9.8	3,964,205	9.9
3	Coffee Day Resorts Private Limited	3,055,442	7.5	-	-
4	Global Technology Ventures Limited	2,648,561	6.5	2,448,561	6.1
5	Subroto Bagchi	2,078,212	5.1	2,075,906	5.2
6	Ashok Soota	1,420,655	3.5	4,443,331	11.1

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. Details of equity shares allotted as fully paid up without payment being received in cash during the period of five years immediately preceding the balance sheet date is given below:

Particulars	As at December 31,				
	2011	2010	2009	2008	2007
Class of shares	Equity	Equity	Equity	Equity	Equity
No of shares	-	-	1,300,965*	-	-

* Allotted to the shareholders of erstwhile Aztecsoft Limited pursuant to the scheme of amalgamation

f) **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 seven stock option programs.

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.

Outstanding options as at April 1, 2011	4,088
Granted during the period	-
Exercised during the period	88
Lapsed during the period	-
Forfeited during the period	-
Outstanding options as at December 31, 2011	4,000
Options vested and exercisable as at December 31, 2011	4,000

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, 2011	126,763
Granted during the period	-
Exercised during the period	30,517
Lapsed during the period	5,822
Forfeited during the period	-
Outstanding options as at December 31, 2011	90,424
Options vested and exercisable as at December 31, 2011	90,424

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, 2011	83,548
Granted during the period	-
Exercised during the period	45,258
Lapsed during the period	38,255
Forfeited during the period	35
Outstanding options as at December 31, 2011	-
Options vested and exercisable as at December 31, 2011	-

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, 2011	2,308,946
Granted during the period	-
Exercised during the period	358,073
Lapsed during the period	421,868
Forfeited during the period	140,620
Outstanding options as at December 31, 2011	1,388,385
Options vested and exercisable as at December 31, 2011	758,560

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.

Outstanding options as at April 1, 2011	150,218
Granted during the period	-
Exercised during the period	891
Lapsed during the period	22,332
Forfeited during the period	-
Outstanding options as at December 31, 2011	126,995
Options vested and exercisable as at December 31, 2011	126,285

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.

Outstanding options as at April 1, 2011	165,000
Granted during the period	-
Exercised during the period	13,333
Lapsed during the period	-
Forfeited during the period	-
Outstanding options as at December 31, 2011	151,667
Options vested and exercisable as at December 31, 2011	75,001

Program 7 [ESOP 2010A]

In-principle approvals for administering the seventh stock option program i.e. ESOP 2010 (A) has been received from the BSE and NSE during the previous year for 1,135,000 equity shares of Rs 10 each. No options have been granted under the program as at December 31, 2011.

The weighted average exercise price of options outstanding as at December 31, 2011 is Rs 10 under program 1, Rs 50 under program 2, Rs 250 under program 3, Rs 378.07 under program 4, Rs 391.03 under program 5 and Rs 495.12 under DSOP 2006.

The weighted average exercise price for stock options exercised during the quarter ended December 31, 2011 was Rs 294.03 and for the nine months ended December 31, 2011 was Rs 283.47. The options outstanding as at December 31, 2011 had a weighted average exercise price of Rs 371.48 and a weighted average remaining contractual life of 1.89 years.

The Group uses the intrinsic value method of accounting for its employee stock options. The Group has therefore adopted the pro-forma disclosure provisions of Guidance Note on "Accounting for Employee Share-based Payments" issued by the ICAI with effect from 1 April 2005.

Had the compensation cost been determined according to the fair value approach described in the aforesaid Guidance Note, the Group's net profit and EPS as reported would have been adjusted to the pro-forma amounts indicated below:

Rs in million except EPS data

Particulars	**Quarter ended December 31,**		**Nine months ended December 31,**	
	2011	**2010**	**2011**	**2010**
Net profit as reported	606	305	1,496	696
Add: Stock-based employee compensation expense (intrinsic value method)	-	-	-	1
Less: Stock-based employee compensation expense (fair value method)	19	30	66	71
Pro forma net profit	587	275	1,430	626
Basic earnings per share as reported	15.02	7.66	37.21	17.52
Pro forma basic earnings per share	14.55	6.92	35.57	15.75
Diluted earnings per share as reported	14.91	7.46	37.20	17.00
Pro forma diluted earnings per share	14.45	6.74	35.57	15.28

During the nine months ended December 31, 2011, no options were granted by the Group.

3.1.2 Reserves and surplus

Rs in million

Particulars	As at December 31, 2011	As at March 31, 2011
Capital reserve		
Opening balance	87	2
Additions during the period (Refer note 3.16)	-	85
	87	**87**
Securities premium reserve		
Opening balance	1,631	1,497
Additions during the period on exercise of employee stock options	122	134
	1,753	**1,631**
General reserve		
Opening balance	533	410
Add: Transfer from statement of profit and loss	89	123
	622	**533**
Share option outstanding account		
Opening balance	48	48
Additions during the period	-	-
	48	**48**
Hedge reserve		
Opening balance	81	117
Additions during the period	(687)	(36)
	(606)	**81**
Surplus(Balance in the statement of profit and loss)		
Opening balance	4,982	4,237
Less: Amalgamation adjustments (Refer note 3.8)	-	(31)
Add: Amount transferred from statement of profit and loss	1,496	1,016
Amount avalaible for appropriations	6,478	5,222
Appropriations:		
Interim dividend	(101)	(50)
Final dividend	-	(50)
Dividend distribution tax	(16)	(17)
Amount transfered to general reserve	(89)	(123)
	6,272	**4,982**
Total	**8,176**	**7,362**

3.2 Non-current liabilities

3.2.1 Long term borrowings

Rs in million

Particulars	**As at December 31, 2011**	**As at March 31, 2011**
(Unsecured)		
Other loans and advances	37	41
Total	**37**	**41**

Long term borrowings under other loans and advances 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% per annum on the outstanding amount of the loan. The interest is payable every year along with the principal repayment. The repayment of the principal is to be made in 10 annual equal installments commencing from June 01, 2011. Any delay in repayment entails payment of penal interest @ 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

Rs in million

Particulars	**As at December 31, 2011**	**As at March 31, 2011**
Interest accrued but not due on borrowings	-	2
Derivative liabilities	42	179
Other long term liabilities	32	25
Total	**74**	**206**

As at December 31, 2011, the Group has outstanding forward contracts amounting to USD 98 million (As at March 31, 2011: USD 62 million) and Euro 9 million (As at March 31, 2011: Euro 5 million), option contracts USD 6 million (As at March 31, 2011: USD Nil and Euro 0.3 million), forward strips and leverage option contracts amounting to USD 43 million (As at March 31, 2011: USD 68 million). These derivative instruments have been entered to hedge highly probable forecast sales.

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). Other derivative instruments that do not qualify for hedge accounting have been fair valued at the balance sheet date and resultant exchange loss of Rs 154 million for the quarter ended December 31, 2011 and exchange loss of Rs 246 million for the nine months ended December 31, 2011 (quarter ended December 31, 2010: gain of Rs 72 million, nine months ended December 31, 2010: gain of Rs 88 million) has been recorded in the statement of profit and loss.

Fair value of the above derivative instruments expected to be settled after 12 months from the date of the balance sheet have been classified under long term liabilities and amounts to Rs 42 million (As at March 31, 2011: Rs 179 million).

3.3 Current liabilities

3.3.1 Short term borrowings

Rs in million

Particulars	**As at December 31, 2011**	**As at March 31, 2011**
(Secured)		
Other loans and advances	265	-
Total	**265**	**-**

During the quarter, the Group has availed a packing credit loan of USD 5 million which is secured against the trade receivables of the Group. The Group has taken a forward exchange contract with respect to this loan. In accordance with 'AS 11' the forward premium arising at inception on such forward exchange contract is amortized as expense over the life of the contract.

3.3.2 Other current liabilities

Rs in million

Particulars	**As at December 31, 2011**	**As at March 31, 2011**
Current maturities of long term debt	5	5
Interest accrued but not due on borrowings	2	-
Unearned income	65	41
Unpaid dividends	3	3
Advances from customers	61	46
Employee related liabilities	802	419
Book overdraft	250	87
Other liabilities*	1,901	853
Total	**3,089**	**1,454**

*includes derivative liability of Rs 1,129 million (As at March 31, 2011: Rs 156 million)

3.3.3 Short term provisions

Rs in million

Particulars	**As at December 31, 2011**	**As at March 31, 2011**
Provision for employee benefits		
- Gratuity	17	8
- Compensated absences	257	179
Provision for taxes	234	229
Provision for discount	85	49
Dividend payable	-	50
Dividend distribution tax payable	-	8
Provision for forseeable losses on contracts	5	2
Provision for post contract support services	5	5
Provision for disputed dues*	49	-
Total	**652**	**530**

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

Rs in million

Particulars	**As at December 31, 2011**	**As at March 31, 2011**
Obligations at the beginning of the period	265	229
Service cost	26	54
Interest cost	16	13
Benefits settled	(35)	(30)
Actuarial (gain)/loss	(1)	(1)
Obligations at end of the period	**271**	**265**
Change in plan assets		
Plans assets at the beginning of the period, at fair value	257	227
Expected return on plan assets	13	17
Actuarial gain/(loss)	19	6
Contributions	-	37
Benefits settled	(35)	(30)
Plans assets at the end of the period, at fair value	**254**	**257**

Reconciliation of present value of the obligation and the fair value of the plan assets		
Fair value of plan assets at the end of the period	254	257
Present value of defined obligations as at the end of the period	(271)	(265)
Asset/ (liability) recognized in the balance sheet	**(17)**	**(8)**

Rs in million

Particulars	**For the quarter ended December 31,**		**For the nine months ended December 31,**	
	2011	**2010**	**2011**	**2010**
Gratuity cost				
Service cost	(7)	(11)	26	33
Interest cost	5	4	16	13
Expected return on plan assets	(3)	(4)	(13)	(13)
Actuarial (gain)/loss	(2)	1	(20)	3
Net gratuity cost	**(7)**	**(10)**	**9**	**36**
Actual Return on plan assets	5	-	32	7
Assumptions				
Interest rate	8.57%	7.92%	8.57%	7.92%
Expected rate of return on plan assets	8.57%	7.92%	8.57%	7.92%
Salary increase	6.00%	10-12%	6.00%	10-12%
Attrition rate	19.10%	27.40%	19.10%	25.70%
Retirement age	60	60	60	60

The estimates of future salary increases, considered in actuarial valuation, take 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 Accounting Standard – 29 ‘Provisions, Contingent Liabilities and Contingent Assets’ (‘AS 29’) is as follows:-

Provision for post contract support services

Rs in million

Particulars	For the nine months ended December 31, 2011	For the year ended March 31, 2011
Balance as at beginning of the period	5	5
Provisions made during the period	-	-
Utilisations during the period	-	-
Released during the period	-	-
Provision as at the end of the period	5	5

Provision for discount

Rs in million

Particulars	For the nine months ended December 31, 2011	For the year ended March 31, 2011
Balance as at beginning of the period	49	50
Provisions made during the period	65	25
Utilisations during the period	(29)	(11)
Released during the period	-	(15)
Provision as at the end of the period	85	49

Provision for foreseeable losses

Rs in million

Particulars	For the nine months ended December 31, 2011	For the year ended March 31, 2011
Balance as at beginning of the period	2	24
Provisions made during the period	4	19
Utilisations during the period	(1)	(11)
Released during the period	-	(30)
Provision as at the end of the period	5	2

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

* Represents disputed tax dues provided during the current period pursuant to unfavourable order received from the tax authorities against which the Group has preferred an appeal with relevant authority. In relation to this provision, the disclosures required by AS 29 have not been provided in accordance with paragraph 72 of AS 29.

MindTree Limited
Significant accounting policies and notes to the accounts
For the quarter and nine months ended December 31, 2011

3.4 Non-current assets

3.4.1 Fixed assets

Rs in million

Assets	Gross block				Accumulated depreciation				Net book value	
	As at April 1, 2011	Additions during the period	Deletions during the period	As at December 31, 2011	As at April 1, 2011	For the period	Deletions during the period	As at December 31, 2011	As at December 31, 2011	As at March 31, 2011
Tangible assets										
Leasehold land	425	-	-	425	47	9	-	56	369	378
Buildings	1,626	-	-	1,626	174	44	-	218	1,408	1,452
Leasehold improvements	1,011	56	4	1,063	548	130	3	675	388	463
Computer systems (including software)	1,542	129	48	1,623	1,227	182	48	1,361	262	315
Test equipment	203	15	-	218	70	57	-	127	91	133
Furniture and fixtures	142	6	1	147	108	17	1	124	23	34
Electrical installations	211	20	4	227	154	26	4	176	51	57
Office equipment	386	20	3	403	275	52	3	324	79	111
Motor vehicles	3	-	1	2	2	-	1	1	1	1
Plant and machinery	8	-	-	8	1	-	-	1	7	7
Total (A)	**5,557**	**246**	**61**	**5,742**	**2,606**	**517**	**60**	**3,063**	**2,679**	**2,951**
Intangible assets										
Intellectual property (Refer note 3.10)	67	-	-	67	12	10	-	22	45	55
Total (B)	**67**	**-**	**-**	**67**	**12**	**10**	**-**	**22**	**45**	**55**
Total (A+B)	**5,624**	**246**	**61**	**5,809**	**2,618**	**527**	**60**	**3,085**	**2,724**	**3,006**
Previous year	5,133	1,089	598	5,624	2,521	691	594	2,618	3,006	

3.4.2 Non-current investments

Rs in million

Particulars	**As at December 31, 2011**	**As at March 31, 2011**
Investment in equity instruments (Trade - unquoted)	8	8
Less: Provision for diminution in value of investments	(1)	(1)
Total	**7**	**7**
Aggregate amount of quoted investments	-	-
Aggregate market value of quoted investments	-	-
Aggregate amount of unquoted investments	8	8

Details of Investment in trade unquoted investment is as given below:

Rs in million

Particulars	**As at December 31, 2011**	**As at March 31, 2011**
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**

3.4.3 Taxes

Rs in million

Particulars	**For the quarter ended December 31,**		**For the nine months ended December 31,**	
	2011	**2010**	**2011**	**2010**
Tax expense				
- Current tax	63	24	271	263
- MAT credit entitlement	74	-	94	-
	137	24	365	263
Deferred tax	(9)	8	(71)	(10)
Total	**128**	**32**	**294**	**253**

The Group has units at Bangalore 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 Group also has STPI units at Bangalore, Hyderabad 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.

Tax provision for the quarter ended 31 December 2011 includes a charge of Rs. 32.8 million (impact for nine months ended 31 December 2011 is Rs. 37.2 million) relating to earlier periods in a foreign jurisdiction.

Deferred tax assets included in the balance sheet comprises the following:
Deferred tax assets (net):

Rs in million

Particulars	As at December 31, 2011	As at March 31, 2011
Excess of depreciation as per books over depreciation allowed under Income Tax Act, 1961	208	176
Provision for doubtful debts	6	5
Compensated absence	44	33
Provision for post contract support services	-	2
Provision for discount	23	-
Others	9	-
Total deferred tax assets	**290**	**216**

3.4.4 Long term loans and advances

Rs in million

Particulars	As at December 31, 2011	As at March 31, 2011
(Secured, considered good)		
Capital advances	42	27
Security deposits	441	389
Advances recoverable in cash or in kind or for value to be received	1	-
Total	**484**	**416**

3.4.5 Other non-current assets

Rs in million

Particulars	As at December 31, 2011	As at March 31, 2011
(Unsecured considered good)		
MAT credit entitlement	199	108
Other non-current assets	3	3
Total	**202**	**111**

3.5 Current assets

3.5.1 Current investments

Rs in million

Particulars	**As at December 31, 2011**	**As at March 31, 2011**
Investment in mutual funds	1,893	835
Less: Provision for diminution in the value of investments	(1)	-
Term deposits	225	270
Total	**2,117**	**1,105**
Aggregate amount of quoted investments	1,893	835
Aggregate market value of quoted investments	1,931	851
Aggregate amount of unquoted investments	225	270

Details of Investment in mutual funds are as given below:

Rs in million

Particulars	**As at December 31, 2011**	**As at March 31, 2011**
ICICI Prudential Mutual Fund	231	46
IDFC Mutual Fund	266	101
UTI Mutual Fund	152	-
HSBC Mutual Fund	50	-
Franklin Templeton Mutual Fund	170	52
DSP Blackrock Mutual Fund	115	170
Birla Sun Life Mutual Fund	263	128
Reliance Mutual Fund	161	81
Tata Mutual Fund	273	157
L&T Mutual Fund	40	40
SBI Mutual Fund	-	60
HDFC Mutual Fund	72	-
Axis Mutual Fund	50	-
Sundaram BNP ParibasMutual Fund	50	-
Total	**1,893**	**835**

Details of investments in term deposit are as given below:

Rs in million

Particulars	**As at December 31, 2011**	**As at March 31,2011**
HDFC Limited	100	170
Janalakshmi Financial Services Private Limited	125	100
Total	**225**	**270**

3.5.2 Trade receivables

Rs in million

Particulars	**As at December 31, 2011**	**As at March 31, 2011**
(Unsecured)		
Debts overdue for a period exceeding six months		
- considered good	37	20
- considered doubtful	59	33
Other debts		
- considered good	4,118	2,805
- considered doubtful	9	2
Less: Provision for doubtful debts	(68)	(35)
Total	**4,155**	**2,825**

3.5.3 Cash and cash equivalents

Rs in million

Particulars	**As at December 31, 2011**	**As at March 31, 2011**
Balances with banks in current and deposit accounts	997	459
Cash on hand	-	-
Total	**997**	**459**

Balances with banks includes

Rs in million

Particulars	**As at December 31, 2011**	**As at March 31, 2011**
Balances in respect of unpaid dividends	3	3
Balance with banks held as margin money/towards guarantees	4	3
Bank deposits with more than 12 months of maturity	4	2

3.5.4 Short term loans and advances

Rs in million

Particulars	**As at December 31, 2011**	**As at March 31, 2011**
(Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	300	350
Total	**300**	**350**

3.5.5 Other current assets

Rs in million

Particulars	As at December 31, 2011	As at March 31,2011
Unbilled revenue	458	450
Less: Provision for doubtful assets	-	(13)
	458	437
Advance tax and tax deducted at source, net of provision for taxes	774	823
Other current assets	365	404
Total	**1,597**	**1,664**

3.6 Other income

Rs in million

Particulars	For the quarter ended December 31,		For the nine months ended December 31,	
	2011	2010	2011	2010
Interest income	15	6	36	18
Dividend income	18	9	45	30
Net gain/loss on sale of investments	-	-	14	-
Foreign exchange gain	(25)	79	237	82
Other non-operating income*	3	1	42	11
Total	**11**	**95**	**374**	**141**

Refer Note 3.8

3.7 Expenses

Rs in million

Employee benefit expense	For the quarter ended December 31,		For the nine months ended December 31,	
	2011	2010	2011	2010
Salaries and wages	2,976	2,310	8,337	6,611
Contribution to provident and other funds	244	176	678	572
Staff welfare expenses	22	20	67	57
Total	**3,242**	**2,506**	**9,082**	**7,240**

Finance costs	For the quarter ended December 31,		For the nine months ended December 31,	
	2011	2010	2011	2010
Interest expense	1	2	2	2
Total	**1**	**2**	**2**	**2**

Other expenses	For the quarter ended December 31,		For the nine months ended December 31,	
	2011	2010	2011	2010
Travel expenses	251	255	692	686
Sub-contractor charges	200	97	488	332
Computer consumables	75	74	270	213
Legal & Professional charges	46	55	140	135
Power and fuel	45	45	139	131
Rent (Refer note 3.14)	89	88	241	267
Repairs to buildings	6	14	20	37
Repairs to machinery	6	4	11	8
Insurance	6	5	14	16
Rates and taxes	33	(9)	96	2
Audit fees	3	3	10	9
Other expenses	298	261	747	765
Total	**1,058**	**892**	**2,868**	**2,601**

3.8 Acquisition and amalgamation of MindTree Wireless Private Limited

a) The Company acquired 412,500 equity shares of MindTree Wireless Private Limited (MWPL) [formerly Kyocera Wireless (India) Private Limited] in the fiscal year 2009-10, representing 100% of equity share capital of MWPL at a consideration of Rs. 437 million (including a contingent consideration of Rs 144 million). Consequently, MWPL became a 100% subsidiary of the Company with effect from October 1, 2009. The Company has subsequently reassessed contingent consideration payable based on forecast of estimated future revenue and during the previous year, reduced it by Rs 100 million. Consequently, the cost of investment was reduced to Rs 337 million as at March 31, 2011.

b) The Company filed a scheme of Amalgamation ("the Scheme") with the Hon'ble High Court of Karnataka for the merger of MWPL with the Company effective April 1, 2010 (the Appointed Date). In January 2011, the Hon'ble High Court of Karnataka approved the aforesaid Scheme vide its Order dated December 10, 2010 ('Order').

As per the terms of the Scheme, MWPL was amalgamated with the Company with effect from April 1, 2010. The Company has accounted for the amalgamation as amalgamation in the nature of purchase under AS-14, Accounting for Amalgamations ('AS 14').

Following were the salient features of the Scheme:

a) 412,500 equity shares held by the Company in MWPL were cancelled and extinguished, from the effective date of the Scheme.

b) All the assets and liabilities of MWPL were recorded in the books of the Company at their respective book value as on April 1, 2010.

c) All the profits, income, expenditure, losses accruing to MWPL with effect from the Appointed Date were treated as the profits or income or expenditure or losses, as the case may be, of the Company.

Consequent to the Order, the Company has effected the Scheme in its financial statements for the previous year ended March 31, 2011. The cost of investment in excess of net book value of MWPL as on April 1, 2010 amounted to Rs 21 million and was recorded as goodwill in the financial statements.

In the current period, the Company reassessed the contingent consideration payable for the financial year 2010-11 and has written back contingent consideration amounting to Rs. 37 million as liability no longer required as the annual revenue threshold was not met by the Kyocera Group.

3.9 Impairment of goodwill

The management had assessed whether there is an indication that the goodwill may be impaired. Considering the restructuring of business model i.e. conversion of wireless products business into a design service business and anticipated decline in the future revenues of MWPL, the entire goodwill arising on amalgamation amounting to Rs 21 million was considered to be impaired and an impairment loss to that extent was recognized and disclosed under depreciation and amortization in its consolidated financial statements for the previous year ended March 31, 2011.

3.10 Purchase of assets

During the previous year, the Group acquired certain fixed assets, RAPID software platform, customer contracts and employment contracts for a cash consideration of Rs 72 million from Sevenstrata IT Services Private Limited. The acquisition was carried out by entering into an Agreement to Sell Assets ('Agreement') with Sevenstrata IT Services Private Limited. The RAPID software acquired pursuant to the Agreement has been accounted for as an intangible as per AS-26 'Intangible Assets' ('AS 26') and valued at Rs 67 million as determined by an independent external expert. The customer contracts and employment contracts have not been assigned any value as they do not meet the criteria of an intangible asset as per AS 26. The remaining consideration represents the net book value of the assets taken over.

The Management believes the useful life of the aforesaid intangible to be 5 years as it represents the period over which the asset is expected to contribute directly or indirectly to the future cash flows of the Group.

3.11 Contingent liabilities and commitments

a) Estimated amount of contracts remaining to be executed on capital account and not provided for as at December 31, 2011 is Rs 272 million (March 31, 2011: Rs 122 million).

b) As of the balance sheet date, the Group's net foreign currency exposure that are not hedged by a derivative instrument or otherwise is Rs 3,706 million (March 31, 2011: Rs 2,455 million).

c) The Group has received orders for the financial years 2000-01, 2004-05, 2005-06, 2006-07, 2007-08 and 2008-09 wherein demand of Rs 1 million, Rs 6 million, Rs 51 million, Rs 32 million, Rs 42 million and Rs 125 million respectively has been raised against the Group 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 Group except for financial year 2000-01 wherein the AO has held that interest receipts are not eligible for deduction under section 10B and that losses from export earnings cannot be set off against other income. The tax demand for financial year 2008-09 also includes 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 consolidated financial statements. The Group has filed an appeal against the demands received.

d) The Group has received assessment orders for the financial years 2006-07 and 2007-08 for the erstwhile subsidiary i.e. MindTree Technologies Private Limited ('MTPL') with demands amounting to Rs. 11 million and Rs. 10 million 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 consolidated financial statements. The Group has filed an appeal against the demand received. The Group has not deposited the amount of demand with the department.

e) The Group has received orders under Section 143(3) of the Income-tax Act 1961 which pertain to erstwhile Aztecsoft Limited for the financial years 2001-02, 2002-03, 2003-04, 2004-05, 2005-06, 2006-07 and 2007-08 (draft) wherein demand of Rs 91 million, Rs 49 million, Rs 61 million, Rs 16 million, Rs 58 million, Rs 119 million and Rs 219 million respectively has been raised against the Group. These demands have arisen mainly on account of transfer pricing adjustments made in the order. The Group has not accepted these orders and had been advised by its legal counsel/ advisors to prefer appeals before the Commissioner of Income Tax (Appeals).

The Group had received a favourable order from the Commissioner of Income Tax (Appeals) for the financial year 2001-02 where in the Commissioner of Income Tax (Appeals) has accepted the Group's contentions and quashed the demand raised. The Income tax department had appealed against the above mentioned order with ITAT. ITAT, in an earlier 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 Assessing Officer for re-assessment. The Group has preferred an appeal with the Hon'ble High Court of Karnataka against the order of the ITAT. Further, the Hon'ble High Court of Karnataka has stayed the operation and all further proceedings pursuant to the order passed by the ITAT.

The Group has appealed against the demands received for financial year 2002-03, 2003-04, 2004-05, 2005-06 and 2006-07. Based on favourable order received by the Group 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 consolidated financial statements.

f) During the previous year, the Group has 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 million 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 consolidated financial statements. The Group has filed an appeal with CIT Appeals against the demand received. The Group has deposited Rs 5 Million with the department against this demand.

3.12 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.

Effective April 1, 2011, the Group has reorganized its business units to be better aligned to market needs. Consequently the financial reporting of the business unit performance to the Management has also been updated with the new organization structure. Pursuant to such re-organization, Wireless business unit which was a separate reportable segment is now considered as part of PE services for the purpose of evaluating the unit's performance and for making decisions about future allocations of resources (as these are now part of same services). Consequently, Wireless business unit is no longer considered a separate business segment. The Group has presented its segment results under IT services and PE services which are the only reportable business segments. The previous period figures have been presented after incorporating the necessary reclassification pursuant to this change in reportable 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 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

Rs in million

Consolidated statement of profit and loss for the quarter ended December 31, 2011	**IT Services**	**PE Services**	**Total**
Revenues	3,466	1,731	5,197
Operating expenses, net	2,831	1,469	4,300
Segmental operating income	**635**	**262**	**897**
Unallocable expenses			173
Profit for the period before interest, other income and tax			**724**
Interest expense			(1)
Other income			11
Net profit before taxes			**734**
Income taxes			128
Net profit after taxes			**606**

Rs in million

Consolidated statement of profit and loss for the quarter ended December 31, 2010	**IT Services**	**PE Services**	**Total**
Revenues	2,284	1,564	3,848
Operating expenses, net	1,956	1,472	3,428
Segmental operating income	**328**	**92**	**420**
Unallocable expenses			176
Profit for the period before interest, other income and tax			**244**
Interest expense			(2)
Other income*			95
Net profit before taxes			**337**
Income taxes			32
Net profit after taxes			**305**

Rs in million

Consolidated statement of profit and loss for nine months ended December 31, 2011	**IT Services**	**PE Services**	**Total**
Revenues	9,032	4,863	13,895
Operating expenses, net	7,625	4,325	11,950
Segmental operating income	**1,407**	**538**	**1,945**
Unallocable expenses			527
Profit for the period before interest, other income and tax			**1,418**
Interest expense			(2)
Other income			374
Net profit before taxes			**1,790**
Income taxes			294
Net profit after taxes			**1,496**

Rs in million

Consolidated statement of profit and loss for nine months ended December 31, 2010	**IT Services**	**PE Services**	**Total**
Revenues	6,363	4,816	11,179
Operating expenses, net	5,509	4,469	9,978
Segmental operating income	**854**	**347**	**1,201**
Unallocable expenses			391
Profit for the period before interest, other income and tax			**810**
Interest expense			(2)
Other income			141
Net profit before taxes			**949**
Income taxes			253
Net profit after taxes			**696**

Geographical segments

Rs in million

Revenues	**Quarter ended December 31,**		**Nine months ended December 31,**	
	2011	**2010**	**2011**	**2010**
America	2,931	2,323	8,089	7,000
Europe	1,448	747	3,562	2,026
India	376	323	1,094	932
Rest of World	442	455	1,150	1,221
Total	**5,197**	**3,848**	**13,895**	**11,179**

3.13 Related party transactions

Key managerial personnel:

Dr. Albert Hieranimous	Appointed as Non-Executive Chairman with effect from April 1, 2011
Subroto Bagchi	Gardner and Vice Chairman
N Krishnakumar	CEO & Managing Director
S Janakiraman	President & Group-CEO-PES
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
V.G.Siddhartha	Non executive Director of MindTree
David B. Yoffie	Non executive Director of MindTree
Rajesh Subramaniam	Resigned with effect from August 1, 2011

Remuneration paid to key managerial personnel during the quarter and nine months ending December 31, 2011 amounts to Rs 8 million and Rs 26 million respectively (quarter and nine months ending December 31, 2010 amounts to Rs 13 million and Rs 36 million respectively). Amounts payable by directors in the nature of travel and business expenses as at December 31, 2011 amounted to Rs Nil (March 31, 2011: Rs Nil).
The above remuneration excludes gratuity and compensated absences which cannot be separately identified from the composite amount advised by the actuary.

3.14 Lease transactions

Lease rental expense under non-cancellable operating lease during the quarter and nine months ended December 31, 2011 amounted to Rs 24 million and Rs 65 million respectively (for the quarter and nine months ended December 31, 2010 : Rs 16 million and Rs 147 million respectively). Future minimum lease payments under non-cancelable operating lease as at December 31, 2011 is as below:

Rs in million

Minimum lease payments	**As at December 31, 2011**	**As at March 31, 2011**
Payable -- Not later than one year	129	29
Payable -- Later than one year and not later than five years	279	18

Additionally, the Group leases office facilities and residential facilities under cancelable operating leases. The rental expense under cancellable operating lease during the quarter and nine months ended December 31, 2011 was Rs 65 million and Rs 176 million respectively (for the quarter and nine months ended December, 2010 : Rs 72 million and Rs 120 million respectively).

3.15 Earnings per share

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

	For the quarter ended December 31, 2011		**For the quarter ended December 31, 2010**	
Particulars	**Basic EPS**	**Diluted EPS**	**Basic EPS**	**Diluted EPS**
Weighted average number of equity shares outstanding during the year	40,389,594	40,389,594	39,822,097	39,822,097
Weighted average number of equity shares resulting from assumed exercise of employee stock options		273,902		1,061,766
Weighted average number of equity shares for calculation of earnings per share	40,389,594	40,663,496	39,822,097	40,883,863

	For the nine months ended December 31, 2011		For the nine months ended December 31, 2010	
Particulars	**Basic EPS**	**Diluted EPS**	**Basic EPS**	**Diluted EPS**
Weighted average number of equity shares outstanding during the year	40,224,672	40,224,672	39,708,444	39,708,444
Weighted average number of equity shares resulting from assumed exercise of employee stock options		4,687		1,218,401
Weighted average number of equity shares for calculation of earnings per share	40,224,672	40,229,359	39,708,444	40,926,845

3.16 During the previous year, MindTree Benefit Trust and Aztec Software and Technology Services Limited Employees' Welfare Trust were dissolved as per the resolution passed by the trustees. Consequently, the funds available with these trusts amounting to Rs 85 million were received by the Company. Since these funds were primarily in the nature of capital surplus, the Company has credited the above amount to capital reserve.

3.17 The Group has prepared these financial statements as per the format prescribed by Revised Schedule VI to the Companies Act, 1956 ('the schedule') issued by Ministry of Corporate Affairs. Previous periods' figure have been recast/restated to conform to the classification required by the revised Schedule VI.

3.18 Corresponding figures for 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

N. Krishnakumar
CEO & Managing Director

S. Janakiraman
Director

Rostow Ravanan
Chief Financial Officer

Rajesh Srichand Narang
Company Secretary

Place: Bangalore
Date: January 18, 2012

Place: Bangalore
Date: January 18, 2012