MindTree Limited
Consolidated balance sheet

	Note	As at March 31, 2012	(Rs in Million) As at March 31, 2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3.1.1	405	400
Reserves and surplus	3.1.2	9,167	7,362
		9,572	**7,762**
Non-current liabilities			
Long term borrowings	3.2.1	37	41
Other long term liabilities	3.2.2	34	206
		71	**247**
Current liabilities			
Short term borrowings	3.3.1	407	-
Trade payables		137	167
Other current liabilities	3.3.2	2,435	1,439
Short term provisions	3.3.3	724	530
		3,703	**2,136**
		13,346	**10,145**
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	3.4.1	2,548	2,951
Intangible assets	3.4.1	43	55
Capital work in progress		85	1
Non-current investments	3.4.2	7	7
Deferred tax assets (net)	3.4.3	321	216
Long-term loans and advances	3.4.4	544	416
Other non-current assets	3.4.5	257	111
		3,805	**3,757**
Current assets			
Current investments	3.5.1	3,075	1,105
Trade receivables	3.5.2	4,078	2,825
Cash and bank balances	3.5.3	602	459
Short term loans and advances	3.5.4	219	335
Other current assets	3.5.5	1,567	1,664
		9,541	**6,388**
		13,346	**10,145**
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

Subroto Bagchi
Chairman

N. Krishnakumar
CEO & Managing Director

Rostow Ravanan
Chief Financial Officer

Rajesh Srichand Narang
Company Secretary

Place: Bangalore
Date : April 16, 2012

Place: Bangalore
Date : April 16, 2012

MindTree Limited
Consolidated statement of profit and loss

(Rs in Million)

Particulars	Note	For the year ended March 31, 2012	March 31, 2011
Revenue from operations		19,152	15,090
Other income	3.6	385	242
Total revenues		**19,537**	**15,332**
Expense:			
Employee benefit expense	3.7	12,261	9,853
Finance costs	3.7	5	4
Depreciation and amortisation expense	3.4.1 & 3.8	695	712
Other expenses	3.7	3,961	3,460
Total expenses		**16,922**	**14,029**
Profit before tax		**2,615**	**1,303**
Tax expense:	3.4.3		
Current tax		534	291
Deferred tax		(104)	(3)
Profit for the year		**2,185**	**1,015**
Earnings per equity	3.15		
Equity shares of par value Rs 10 each			
Basic		54.23	25.53
Diluted		54.14	24.85
Weighted average number of equity shares used in computing earnings per share			
Basic		40,295,202	39,766,786
Diluted		40,363,159	40,865,268
Significant accounting policies and notes to the accounts	2 & 3		

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MindTree Limited
Consolidated cash flow statement

		(Rs in Million)
	For the year ended March 31,	
	2012	2011
Cash flow from operating activities		
Profit before tax	2,615	1,304
Adjustments for :		
Depreciation and amortisation	695	712
Amortization of stock compensation	-	-
Interest expense	5	4
Interest / dividend income	(118)	(69)
(Profit)/Loss on sale of fixed assets	(1)	(1)
Profit on sale of investments	(27)	-
Provision for diminution in the value of investments	1	-
Exchange difference on derivatives	(10)	(136)
Effect of exchange differences on translation of foreign currency cash and cash equivalents	(21)	(4)
Operating profit before working capital changes	3,139	1,810
Changes in trade receivables	(1,252)	(455)
Changes in loans and advances and other assets	20	(314)
Changes in liabilities and provisions	720	(75)
Net cash provided by operating activities before taxes	2,627	966
Income taxes paid	(564)	(533)
Net cash provided by operating activities	**2,063**	**433**
Cash flow from investing activities		
Purchase of fixed assets	(484)	(840)
Proceeds from sale of fixed assets	2	4
Interest /dividend received from investments	120	61
Purchase of investments	(8,760)	(7,318)
Sale/maturities of investments	6,816	7,710
Net cash used in investing activities	**(2,306)**	**(383)**
Cash flow from financing activities		
Issue of share capital (net of issue expenses paid)	144	139
Interest paid on loans	(5)	(2)
Proceeds from loans	402	15
Dividends paid (including distribution tax)	(176)	(150)
Net cash provided by financing activities	**365**	**2**
Effect of exchange differences on translation of foreign currency cash and cash equivalents	21	4
Net increase in cash and cash equivalents	143	56
Cash and cash equivalents at the beginning of the year	456	400
Cash and cash equivalents at the end of the year	**599**	**456**

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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MindTree Limited
Significant accounting policies and notes to the accounts
For the year ended March 31, 2012

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, Belgium, 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 year are recognised in the statement of profit and loss for the year.

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 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.

2.15 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 March 31, 2012	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		
40,543,923 (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 year is as given below:

Particulars	As at March 31, 2012	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	508,736	520,193
Number of shares outstanding at the end of the period	40,543,923	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 at the beginning and at the end of the period is as given below:

Sr. No.	Name of the shareholder	As at March 31, 2012		As at March 31, 2011	
		Number of shares	%	Number of shares	%
1	Coffee Day Resorts Private Limited	4,565,442	11.3	-	-
2	Walden Software Investment Ltd	3,964,205	9.8	3,964,205	9.9
3	Nalanda India Fund Limited	3,949,089	9.7	3,949,089	9.9
4	Global Technology Ventures Limited	2,648,561	6.5	2,448,561	6.1
5	Subroto Bagchi	2,078,435	5.1	2,075,906	5.2
6	Ashok Soota	*	*	4,443,331	11.1

*does not hold more than 5% of equity share

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 March 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 Group 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 year	-
Exercised during the year	88
Lapsed during the year	-
Forfeited during the year	-
Outstanding options as at March 31, 2012	4,000
Options vested and exercisable as at March 31, 2012	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 year	-
Exercised during the year	40,124
Lapsed during the year	7,272
Forfeited during the year	-
Outstanding options as at March 31, 2012	79,367
Options vested and exercisable as at March 31, 2012	79,367

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 year	-
Exercised during the year	45,258
Lapsed during the year	38,255
Forfeited during the year	35
Outstanding options as at March 31, 2012	-
Options vested and exercisable as at March 31, 2012	-

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 year	110,000
Exercised during the year	408,995
Lapsed during the year	486,768
Forfeited during the year	174,145
Outstanding options as at March 31, 2012	1,349,038
Options vested and exercisable as at March 31, 2012	1,013,388

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 year	-
Exercised during the year	938
Lapsed during the year	24,477
Forfeited during the year	-
Outstanding options as at March 31, 2012	124,803
Options vested and exercisable as at March 31, 2012	124,803

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 year	-
Exercised during the year	13,333
Lapsed during the year	-
Forfeited during the year	-
Outstanding options as at March 31, 2012	151,667
Options vested and exercisable as at March 31, 2012	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 March 31, 2012.

The weighted average exercise price of options outstanding as at March 31, 2012 is Rs 10 under program 1, Rs 50 under program 2, Rs 250 under program 3, Rs 380.25 under program 4, Rs 390.41 under program 5 and Rs 495.12 under DSOP 2006.

The weighted average exercise price for stock options exercised during the year ended March 31, 2012 was Rs 284.02. The options outstanding as at March 31, 2012 had a weighted average exercise price of Rs 374.99 and a weighted average remaining contractual life of 1.90 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	**Year ended March 31,**	
	2012	**2011**
Net profit as reported	2,185	1,016
Add: Stock-based employee compensation expense (intrinsic value method)	-	-
Less: Stock-based employee compensation expense (fair value method)	78	67
Pro forma net profit	2,107	949
Basic earnings per share as reported	54.23	25.53
Pro forma basic earnings per share	52.30	23.85
Diluted earnings per share as reported	54.14	24.85
Pro forma diluted earnings per share	52.22	23.21

During the year ended March 31, 2012, 110,000 options under Program 4 were granted by the Company.

The weighted average fair value of each option of MindTree, granted during the year ended March 31, 2012 was Rs 333.01 using the Black-Scholes model with the following assumptions:

Grant date share price	Rs 444
Exercise price	Rs 444
Dividend yield%	0.23%
Expected life	3 - 5 years
Risk free interest rate	8.22%
Volatility	100.54%

3.1.2 Reserves and surplus

Rs in million

Particulars	As at March 31, 2012	As at March 31, 2011
Capital reserve		
Opening balance	87	2
Additions during the year (Refer note 3.16)	-	85
	87	**87**
Securities premium reserve		
Opening balance	1,631	1,497
Additions during the year on exercise of employee stock options	139	134
	1,770	**1,631**
General reserve		
Opening balance	533	410
Add: Transfer from statement of profit and loss	219	123
	752	**533**
Share option outstanding account		
Opening balance	48	48
Additions during the year	-	-
	48	**48**
Hedge reserve		
Opening balance	81	117
Additions during the year	(331)	(36)
	(250)	**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	2,185	1,016
Amount avalaible for appropriations	7,167	5,222
Appropriations:		
Interim dividend	(101)	(50)
Final dividend	(61)	(50)
Dividend distribution tax	(26)	(17)
Amount transfered to general reserve	(219)	(123)
	6,760	**4,982**
Total	**9,167**	**7,362**

3.2 Non-current liabilities

3.2.1 Long term borrowings

Rs in million

Particulars	**As at March 31, 2012**	**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 March 31, 2012**	**As at March 31, 2011**
Interest accrued but not due on borrowings	1	2
Derivative liabilities	-	179
Other long term liabilities	33	25
Total	**34**	**206**

As at March 31, 2012, the Group has outstanding forward contracts amounting to USD 112.5 million (As at March 31, 2011: USD 62 million) and Euro 9 million (As at March 31, 2011: Euro 4.6 million), option contracts Nil (As at March 31, 2011: USD Nil and Euro 0.3 million), forward strips and leverage option contracts amounting to USD 29.25 million (As at March 31, 2011: USD 67.5 million). These derivative instruments have been entered to hedge highly probable forecasted sales.

In accordance with the provisions of AS 30, these derivative instruments qualify for cash flow hedge accounting and have been fair valued at the 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 gain of Rs 10 million for the year ended March 31, 2012 (year ended March 31, 2011: gain of Rs 136 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 Nil (As at March 31, 2011: Rs 179 million).

3.3 Current liabilities

3.3.1 Short term borrowings

Rs in million

Particulars	**As at March 31, 2012**	**As at March 31, 2011**
(Secured)		
Other loans and advances	407	-
Total	**407**	**-**

During the year, the Group has availed a packing credit loan of USD 8 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 an expense over the life of the contract.

3.3.2 Other current liabilities

Rs in million

Particulars	**As at March 31, 2012**	**As at March 31, 2011**
Current maturities of long term debt	5	5
Interest accrued but not due on borrowings	2	-
Unearned income	19	41
Unpaid dividends	3	3
Advances from customers	69	46
Employee related liabilities	836	419
Book overdraft	125	87
Other liabilities*	1,376	838
Total	**2,435**	**1,439**

*includes derivative liability of Rs 590 million (As at March 31, 2011: Rs 156 million)

3.3.3 Short term provisions

Rs in million

Particulars	**As at March 31, 2012**	**As at March 31, 2011**
Provision for employee benefits		
- Gratuity	1	8
- Compensated absences	228	179
Provision for taxes	257	229
Provision for discount	109	49
Dividend payable	61	50
Dividend distribution tax payable	10	8
Provision for forseeable losses on contracts	4	2
Provision for post contract support services	5	5
Provision for disputed dues*	49	-
Total	**724**	**530**

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

Rs in million

Particulars	**As at March 31, 2012**	**As at March 31, 2011**
Obligations at the beginning of the year	265	229
Service cost	41	54
Interest cost	19	13
Benefits settled	(74)	(30)
Actuarial (gain)/loss	25	(1)
Obligations at end of the year	**276**	**265**
Change in plan assets		
Plan assets at the beginning of the year, at fair value	257	227
Expected return on plan assets	19	17
Actuarial gain/(loss)	38	6
Contributions	35	37
Benefits settled	(74)	(30)
Plan assets at the end of the year, at fair value	**275**	**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 year	275	257
Present value of defined obligations as at the end of the year	(276)	(265)
Asset/ (liability) recognised in the balance sheet	**(1)**	**(8)**

Rs in million

Particulars	For the year ended March 31, 2012	2011
Gratuity cost		
Service cost	41	54
Interest cost	19	13
Expected return on plan assets	(19)	(17)
Actuarial (gain)/loss	(13)	(7)
Net gratuity cost	**28**	**43**
Actual Return on plan assets	56	23
Assumptions		
Interest rate	8.54%	7.99%
Expected rate of return on plan assets	7.50%	7.99%
Salary increase	6%	10-12%
Attrition rate	18.2%	25.1%
Retirement age	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 year ended March 31, 2012	For the year ended March 31, 2011
Balance as at beginning of the year	5	5
Provisions made during the year	-	-
Utilisations during the year	-	-
Released during the year	-	-
Provision as at the end of the year	5	5

Provision for discount

Rs in million

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
Balance as at beginning of the year	49	50
Provisions made during the year	87	25
Utilisations during the year	(27)	(11)
Released during the year	-	(15)
Provision as at the end of the year	109	49

Provision for foreseeable losses

Rs in million

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
Balance as at beginning of the year	2	24
Provisions made during the year	12	19
Utilisations during the year	(10)	(11)
Released during the year	-	(30)
Provision as at the end of the year	4	2

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

* Represents disputed tax dues provided during the current year pursuant to unfavourable order received from the tax authorities against which the Group has preferred an appeal with relevant authority. In respect of 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 year ended March 31, 2012

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 year	Deletions during the year	As at March 31, 2012	As at April 1, 2011	For the year	Deletions during the year	As at March 31, 2012	As at March 31, 2012	As at March 31, 2011
Tangible assets										
Leasehold land	425	-	-	425	47	12	-	59	366	378
Buildings	1,626	-	-	1,626	174	58	-	232	1,394	1,452
Leasehold improvements	1,011	65	12	1,064	548	171	11	708	356	463
Computer systems (including software)	1,542	143	49	1,636	1,227	247	49	1,425	211	315
Test equipment	203	15	-	218	70	73	-	143	75	133
Furniture and fixtures	142	7	5	144	108	22	5	125	19	34
Electrical installations	211	20	9	222	154	34	8	180	42	57
Office equipment	386	32	10	408	275	65	10	330	78	111
Motor vehicles	3	-	1	2	2	1	1	2	-	1
Plant and machinery	8	-	-	8	1	-	-	1	7	7
Total (A)	**5,557**	**282**	**86**	**5,753**	**2,606**	**683**	**84**	**3,205**	**2,548**	**2,951**
Intangible assets										
Intellectual property (Refer note 3.10)	67	-	-	67	12	12	-	24	43	55
Total (B)	**67**	**-**	**-**	**67**	**12**	**12**	**-**	**24**	**43**	**55**
Total (A+B)	**5,624**	**282**	**86**	**5,820**	**2,618**	**695**	**84**	**3,229**	**2,591**	**3,006**
Previous year	4,512	1,162	50	5,624	1,973	691	46	2,618	3,006	

3.4.2 Non-current investments

Rs in million

Particulars	**As at March 31, 2012**	**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 March 31, 2012**	**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 year ended March 31, 2012**	**2011**
Tax expense		
- Current tax	672	291
- MAT credit entitlement	(138)	-
	534	291
Deferred tax	(104)	(3)
Total	**430**	**288**

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 year ended March 31, 2012 includes a charge of 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 March 31, 2012**	**As at March 31, 2011**
Excess of depreciation as per books over depreciation allowed under Income Tax Act, 1961	222	176
Provision for doubtful debts	6	5
Compensated absence	39	33
Provision for post contract support services	-	2
Provision for discount	34	-
Others	20	-
Total deferred tax assets	**321**	**216**

3.4.4 Long term loans and advances

Rs in million

Particulars	**As at March 31, 2012**	**As at March 31, 2011**
(Secured, considered good)		
Capital advances	102	27
Security deposits	442	389
Total	**544**	**416**

3.4.5 Other non-current assets

Rs in million

Particulars	**As at March 31, 2012**	**As at March 31, 2011**
(Unsecured considered good)		
MAT credit entitlement	246	108
Other non-current assets	11	3
Total	**257**	**111**

3.5 Current assets

3.5.1 Current investments

Rs in million

Particulars	As at March 31, 2012	As at March 31, 2011
Investment in mutual funds (net)	2,750	835
Term deposits	325	270
Total	**3,075**	**1,105**
Aggregate amount of quoted investments	2,750	835
Aggregate market value of quoted investments	2,803	851
Aggregate amount of unquoted investments	325	270

Details of investment in mutual funds are as given below:

Rs in million

Particulars	As at March 31, 2012	As at March 31, 2011
ICICI Prudential Mutual Fund	301	46
IDFC Mutual Fund	346	101
UTI Mutual Fund	233	-
HSBC Mutual Fund	170	-
Franklin Templeton Mutual Fund	176	52
DSP Blackrock Mutual Fund	215	170
Birla Sun Life Mutual Fund	291	128
Reliance Mutual Fund	267	81
Tata Mutual Fund	284	157
L&T Mutual Fund	-	40
SBI Mutual Fund	50	60
HDFC Mutual Fund	122	-
Axis Mutual Fund	120	-
Fidelity Mutual Fund	50	-
IDBI Mutual Fund	125	-
Total	**2,750**	**835**

Details of investments in term deposit are as given below:

Rs in million

Particulars	As at March 31, 2012	As at March 31,2011
HDFC Limited	200	170
Janalakshmi Financial Services Private Limited	125	100
Total	**325**	**270**

3.5.2 Trade receivables

Rs in million

Particulars	**As at March 31, 2012**	**As at March 31, 2011**
(Unsecured)		
Debts overdue for a period exceeding six months		
- considered good	26	20
- considered doubtful	21	33
Other debts		
- considered good	4,052	2,805
- considered doubtful	19	2
Less: Provision for doubtful debts	(40)	(35)
Total	**4,078**	**2,825**

3.5.3 Cash and bank balances

Rs in million

Particulars	**As at March 31, 2012**	**As at March 31, 2011**
Balances with banks in current and deposit accounts	599	456
Other bank balances*	3	3
Total	**602**	**459**

*Other bank balances represent balances in respect of unpaid dividends

3.5.4 Short term loans and advances

Rs in million

Particulars	**As at March 31, 2012**	**As at March 31, 2011**
(Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	219	335
Total	**219**	**335**

3.5.5 Other current assets

Rs in million

Particulars	**As at March 31, 2012**	**As at March 31,2011**
Unbilled revenue	478	450
Less: Provision for doubtful assets	1	(13)
	479	437
Advance tax and tax deducted at source, net of provision for taxes	742	823
Other current assets*	346	404
Total	**1,567**	**1,664**

***includes derivative asset of Rs 25 million (As at March 31, 2011: Rs 101 million)

3.6 Other income

Rs in million

Particulars	**For the year ended March 31, 2012**	**2011**
Interest income	53	28
Dividend income	65	41
Net gain/loss on sale of investments	27	-
Foreign exchange gain/(loss)	197	156
Other non-operating income*	43	17
Total	**385**	**242**

*Includes a liability written back amounting to Rs 37 million (previous year: Rs Nil). Refer Note 3.8

3.7 Expenses

Rs in million

Employee benefit expense	**For the year ended March 31, 2012**	**2011**
Salaries and wages	11,227	8,998
Contribution to provident and other funds	933	769
Staff welfare expenses	101	86
Total	**12,261**	**9,853**

Finance costs	**For the year ended March 31, 2012**	**2011**
Interest expense	5	2
Other borrowing cost	-	2
Total	**5**	**4**

Other expenses	**For the year ended March 31, 2012**	**2011**
Travel expenses	999	949
Sub-contractor charges	661	457
Computer consumables	341	282
Legal & Professional charges	218	182
Power and fuel	183	169
Rent (Refer note 3.14)	343	363
Repairs to buildings	32	44
Repairs to machinery	16	14
Insurance	20	21
Rates and taxes	103	4
Other expenses	1,045	975
Total	**3,961**	**3,460**

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 year, 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 March 31, 2012 is Rs 420 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 3,712 million (March 31, 2011: Rs 2,455 million).

c) The Group has received orders for the financial years 2004-05 and 2008-09 wherein demand of Rs 6 million and Rs 24 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. 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 45 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 year 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 year ended March 31, 2012	**IT Services**	**PE Services**	**Total**
Revenues	12,558	6,594	19,152
Operating expenses, net	10,463	5,759	16,222
Segmental operating income	**2,095**	**835**	**2,930**
Unallocable expenses			695
Profit for the year before interest, other income and tax			**2,235**
Interest expense			(5)
Other income			385
Net profit before taxes			**2,615**
Income taxes			(430)
Net profit after taxes			**2,185**

Rs in million

Consolidated statement of profit and loss for year ended March 31, 2011	**IT Services**	**PE Services**	**Total**
Revenues	8,783	6,307	15,090
Operating expenses, net	7,663	5,844	13,507
Segmental operating income	**1,120**	**463**	**1,583**
Unallocable expenses			517
Profit for the year before interest, other income and tax			**1,066**
Interest expense			(4)
Other income			242
Net profit before taxes			**1,304**
Income taxes			(288)
Net profit after taxes			**1,016**

Geographical segments

Rs in million

Revenues	**Year ended March 31,**	
	2012	**2011**
America	11,104	9,346
Europe	5,013	2,885
India	1,490	1,284
Rest of World	1,545	1,575
Total	**19,152**	**15,090**

3.13 Related party transactions

Key managerial personnel:

Dr. Albert Hieranimous	Non-Executive Chairman (Appointed as Non-Executive Vice Chairman with effect from April 1, 2012)
Subroto Bagchi	Gardner and Vice-Chairman (Appointed as Chairman with effect from April 1, 2012)
N Krishnakumar	CEO & Managing Director
S Janakiraman	President & Group-CEO-PES
George M. Scalise	Non executive Director of MindTree (Stepped down with effect from March 31, 2012)
Mark A. Runacres	Non executive Director of MindTree (Resigned with effect from March 31, 2012)
N. Vittal	Non executive Director of MindTree (Stepped down with effect from March 31, 2012)
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
Prof. Pankaj Chandra	Appointed as Non executive Director of MindTree with effect from March 19, 2012

Remuneration paid to key managerial personnel during the year ending March 31, 2012 amounts to Rs 73 million (year ending March 31, 2011 amounts to Rs 44 million). Amounts payable by directors in the nature of travel and business expenses as at March 31, 2012 amounted to Rs Nil (March 31, 2011: 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 year ended March 31, 2012 Rs 89 million (for the year ended March 31, 2011 : Rs 162 million). Future minimum lease payments under non-cancelable operating lease as at March 31, 2012 is as below:

Rs in million

Minimum lease payments	**As at March 31, 2012**	**As at March 31, 2011**
Payable -- Not later than one year	138	29
Payable -- Later than one year and not later than five years	224	18

Additionally, the Group leases office facilities and residential facilities under cancelable operating leases. The rental expense under cancellable operating lease during the year ended March 31, 2012 was Rs 254 million (for the year ended March 31, 2011 : Rs 201 million).

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 year ended March 31, 2012		**For the year ended March 31, 2011**	
Particulars	**Basic EPS**	**Diluted EPS**	**Basic EPS**	**Diluted EPS**
Weighted average number of equity shares outstanding during the year	40,295,202	40,295,202	39,766,786	39,766,786
Weighted average number of equity shares resulting from assumed exercise of employee stock options		67,957		1,098,482
Weighted average number of equity shares for calculation of earnings per share	40,295,202	40,363,159	39,766,786	40,865,268

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 As per order of Ministry of Corporate affairs letter no 3/2011-CL-III dated 8 February, 2011, required details of subsidiaries as at March 31, 2012 and year ended March 31, 2011 are as follows:

Rs in million

		As at March 31, 2012
Particulars	**MindTree Software (Shenzhen) Co Ltd**	**MindTree Wireless Pte Limited**
Capital	23	-
Reserves	-	-
Total Assets (gross)	23	-
Total Liabilities	-	-
Details of investments	-	-
Turnover	-	-
Profit /(Loss)before taxation	(1)	-
Provision for taxation	-	-
Profit after taxation	(1)	-
Proposed dividend	-	-

* Total assets of MindTree Software (Senzhen) Co Ltd. include Rs 4 million of debit balance in profit and loss account.

Rs in million

		As at March 31, 2011
Particulars	**MindTree Software (Shenzhen) Co Ltd**	**MindTree Wireless Pte Limited**
Capital	23	-
Reserves	-	-
Total Assets (gross)	24	-
Total Liabilities	1	-
Details of investments	-	-
Turnover	-	-
Profit /(Loss)before taxation	(2)	-
Provision for taxation	-	-
Profit after taxation	(2)	-
Proposed dividend	-	-

* Total assets of MindTree Software (Senzhen) Co Ltd. include Rs 3 million of debit balance in profit and loss account.

3.18 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’ figures have been recast/restated to conform to the classification required by the revised Schedule VI.

3.19 Corresponding figures for previous year presented have been regrouped, where necessary, to conform to the current year's classification.

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

For **MindTree Limited**

Supreet Sachdev
Partner
Membership No. 205385

Subroto Bagchi
Chairman

N. Krishnakumar
CEO & Managing Director

Rostow Ravanan
Chief Financial Officer

Rajesh Srichand Narang
Company Secretary

Place: Bangalore
Date: April 16, 2012

Place: Bangalore
Date: April 16, 2012