

Mindtree Limited
Balance sheet

	Note	As at September 30, 2012	Rs in million As at March 31, 2012
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3.1.1	409	405
Reserves and surplus	3.1.2	11,084	9,171
		11,493	9,576
Non-current liabilities			
Long-term borrowings	3.2.1	32	37
Other long-term liabilities	3.2.2	53	46
		85	83
Current liabilities			
Short-term borrowings	3.3.1	476	407
Trade payables		94	107
Other current liabilities	3.3.2	2,071	2,455
Short-term provisions	3.3.3	923	724
		3,564	3,693
		15,142	13,352
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	3.4.1	2,533	2,548
Intangible assets	3.4.1	35	43
Capital work-in-progress		215	85
Non-current investments	3.4.2	7	30
Deferred tax assets (net)	3.4.3	347	320
Long-term loans and advances	3.4.4	522	544
Other non-current assets	3.4.5	1,070	1,028
		4,729	4,598
Current assets			
Current investments	3.5.1	3,715	3,075
Trade receivables	3.5.2	4,501	4,078
Cash and bank balances	3.5.3	670	585
Short-term loans and advances	3.5.4	413	191
Other current assets	3.5.5	1,114	825
		10,413	8,754
		15,142	13,352

Significant accounting policies and notes to the accounts 2&3

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

For **Mindtree Limited**

Supreet Sachdev
Partner
Membership Number: 205385

Subroto Bagchi
Chairman

N. Krishnakumar
CEO & Managing Director

Rostow Ravanan
Chief Financial Officer

Rajesh Srichand Narang
Company Secretary

Place: Bangalore
Date : October 16, 2012

Place: Bangalore
Date : October 16, 2012

Mindtree Limited
Statement of profit and loss

Rs in million

Particulars	Note	For the quarter ended		For the six months ended	
		September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Revenue from operations		5,963	4,567	11,593	8,698
Other income	3.6	74	239	126	361
Total revenues		6,037	4,806	11,719	9,059
Expenses:					
Employee benefits expense	3.7	3,570	3,047	7,012	5,840
Finance costs	3.7	4	1	7	1
Depreciation and amortisation expense	3.4.1	159	174	318	354
Other expenses	3.7	1,489	932	2,417	1,809
Total expenses		5,222	4,154	9,754	8,004
Profit before tax		815	652	1,965	1,055
Tax expense:	3.4.3				
Current tax		106	155	380	228
Deferred tax		(13)	(46)	(27)	(62)
Profit for the period		722	543	1,612	889
Earnings per equity share	3.17				
Equity shares of par value Rs 10/- each					
Basic		17.68	13.53	39.59	22.16
Diluted		17.43	13.43	39.02	21.98
Weighted average number of equity shares used in computing earnings per share					
Basic		40,802,000	40,193,542	40,710,236	40,141,761
Diluted		41,397,362	40,476,730	41,300,187	40,461,377

Significant accounting policies and notes to the accounts 2&3

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Mindtree Limited
Cash flow statement

Rs in million
For the six months ended September 30,

	2012	2011
Cash flow from operating activities		
Profit before tax	1,965	1,055
Adjustments for :		
Depreciation and amortisation	318	354
Interest expense	7	1
Interest/ dividend income	(80)	(48)
Profit on sale of fixed assets	(5)	(1)
Profit on sale of investments	(41)	(14)
Loss on dissolution of subsidiary	3	-
Exchange difference on derivatives	(233)	93
Effect of exchange differences on translation of foreign currency borrowings	(12)	-
Effect of exchange differences on translation of foreign currency cash and cash equivalents	(9)	(9)
Operating profit before working capital changes	1,913	1,431
Changes in trade receivables	(424)	(810)
Changes in loans and advances and other assets	(325)	(103)
Changes in liabilities and provisions	57	348
Net cash provided by operating activities before taxes	1,221	866
Income taxes paid	(463)	(235)
Net cash provided by operating activities	758	631
Cash flow from investing activities		
Purchase of fixed assets	(302)	(191)
Proceeds from sale of fixed assets	7	1
Proceeds on dissolution of subsidiary	18	-
Interest/ dividend received from investments	74	53
Purchase of investments	(5,155)	(3,782)
Sale/ maturities of investments	4,557	3,351
Net cash used in investing activities	(801)	(568)
Cash flow from financing activities		
Issue of share capital (net of issue expenses paid)	123	64
Interest paid on loans	(9)	(1)
Proceeds from/ (repayment of) loans	76	(4)
Dividends paid (including distribution tax)	(71)	(58)
Net cash provided by financing activities	119	1
Effect of exchange differences on translation of foreign currency cash and cash equivalents	9	9
Net increase in cash and cash equivalents	85	73
Cash and cash equivalents at the beginning of the period	585	440
Cash and cash equivalents at the end of the period (Refer note 3.5.3)	670	513

As per our report attached
For **B S R & Co.**
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Mindtree Limited
Significant accounting policies and notes to the accounts
For the quarter and six months ended September 30, 2012

1. Background

Mindtree Limited ('Mindtree' or 'the Company') is an international Information Technology consulting and implementation company that delivers business solutions through global software development. The Company is structured into two business units – 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 Company 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 and France.

2. Significant accounting policies

2.1 Basis of preparation of financial statements

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

2.2 Use of estimates

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

Mindtree Limited
Significant accounting policies and notes to the accounts (continued)
For the quarter and six months ended September 30, 2012

2.3 Fixed assets and depreciation

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

Asset classification	Useful life
Buildings	25-30 years
Computer systems (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

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

Mindtree Limited
Significant accounting policies and notes to the accounts (continued)
For the quarter and six months ended September 30, 2012

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

2.4 Investments

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

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

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

2.5 Cash and cash equivalents

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

2.6 Cash flow statement

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

2.7 Employee benefits

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

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

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

Mindtree Limited
Significant accounting policies and notes to the accounts (continued)
For the quarter and six months ended September 30, 2012

2.8 Revenue recognition

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

2.8.2 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.

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

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

2.9 Foreign exchange transactions

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

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

2.9.3 Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rates on that date; the resultant exchange differences are 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.

Mindtree Limited
Significant accounting policies and notes to the accounts (continued)
For the quarter and six months ended September 30, 2012

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

2.10 Warranties

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

2.11 Provision and contingent liabilities

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

Mindtree Limited
Significant accounting policies and notes to the accounts (continued)
For the quarter and six months ended September 30, 2012

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

2.12 Taxation

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

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

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

2.13 Earnings per share

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

Mindtree Limited
Significant accounting policies and notes to the accounts (continued)
For the quarter and six months ended September 30, 2012

2.14 Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that an asset (including goodwill) may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is 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.

2.15 Employee stock options

The Company 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.

3. Notes to the accounts

3.1 Shareholders' funds

3.1.1 Share capital

a) Particulars	Rs in million	
	As at September 30, 2012	As at March 31, 2012
Authorised		
79,620,000 (March 31, 2012: 79,620,000) equity shares of Rs 10/- each	796	796
Issued, subscribed and paid-up capital		
40,924,556 (March 31, 2012: 40,543,923) equity shares of Rs 10/- each fully paid	409	405
Total	409	405

Mindtree Limited
Significant accounting policies and notes to the accounts (continued)
For the quarter and six months ended September 30, 2012

- 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 September 30, 2012		As at March 31, 2012	
	No of shares	Rs in million	No of shares	Rs in million
Number of shares outstanding at the beginning of the period	40,543,923	405	40,035,187	400
Add: Shares issued on exercise of employee stock options	380,633	4	508,736	5
Number of shares outstanding at the end of the period	40,924,556	409	40,543,923	405

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

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

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

The Board of Directors at its meeting held on October 16, 2012 have recommended an interim dividend of 30% (Re 3 per equity share of par value Rs 10/- each) for the six months ended September 30, 2012.

During the six months ended September 30, 2011, the amount of per share dividend recognized as distributions to equity shareholders was Rs 2.50 per equity share.

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

- 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 September 30, 2012		As at March 31, 2012	
		Number of shares	%	Number of shares	%
1	Coffee Day Resorts Private Limited	4,565,442	11.2	4,565,442	11.3
2	Walden Software Investment Limited	-	-	3,964,205	9.8
3	Nalanda India Fund Limited	3,949,089	9.7	3,949,089	9.7
4	Global Technology Ventures Limited	2,498,561	6.1	2,648,561	6.5
5	Subroto Bagchi	2,078,435	5.1	2,078,435	5.1

Mindtree Limited**Significant accounting policies and notes to the accounts (continued)****For the quarter and six months ended September 30, 2012**

- e) The Company has not allotted any fully paid up equity shares by way of bonus shares nor has bought back any class of equity shares during the period of five years immediately preceding the balance sheet date. Number of equity shares allotted as fully paid up without payment being received in cash is 1,300,965 during the period of five years immediately preceding September 30, 2012 and March 31, 2012. These shares were allotted to the shareholders of erstwhile Aztecsoft Limited pursuant to the scheme of amalgamation for the financial year ended March 31, 2010.

f) Employee stock options

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

Program 1 [ESOP 1999]

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

Particulars	Quarter ended		Six months ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Outstanding options, beginning of the period	500	4,088	4,000	4,088
Granted during the period	-	-	-	-
Exercised during the period	500	88	500	88
Lapsed during the period	-	-	3,500	-
Forfeited during the period	-	-	-	-
Outstanding options, end of the period	-	4,000	-	4,000
Options vested and exercisable, end of the period	-	4,000	-	4,000

Mindtree Limited
Significant accounting policies and notes to the accounts (continued)
For the quarter and six months ended September 30, 2012

Program 2 [ESOP 2001]

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

Particulars	Quarter ended		Six months ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Outstanding options, beginning of the period	68,936	110,652	79,367	126,763
Granted during the period	-	-	-	-
Exercised during the period	5,568	14,700	12,372	24,355
Lapsed during the period	135	-	3,762	6,456
Forfeited during the period	-	-	-	-
Outstanding options, end of the period	63,233	95,952	63,233	95,952
Options vested and exercisable, end of the period	63,233	95,952	63,233	95,952

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.

Particulars	Quarter ended		Six months ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Outstanding options, beginning of the period	-	31,890	-	83,548
Granted during the period	-	-	-	-
Exercised during the period	-	9,545	-	39,288
Lapsed during the period	-	6,945	-	28,825
Forfeited during the period	-	-	-	35
Outstanding options, end of the period	-	15,400	-	15,400
Options vested and exercisable, end of the period	-	15,400	-	15,400

Mindtree Limited
Significant accounting policies and notes to the accounts (continued)
For the quarter and six months ended September 30, 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.

Particulars	Quarter ended September 30,		Six months ended September 30,	
	2012	2011	2012	2011
Outstanding options, beginning of the period	1,166,119	2,136,211	1,349,038	2,308,946
Granted during the period	-	-	-	-
Exercised during the period	186,049	115,444	323,675	155,003
Lapsed during the period	1,125	59,992	27,043	140,008
Forfeited during the period	13,000	55,810	32,375	108,970
Outstanding options, end of the period	965,945	1,904,965	965,945	1,904,965
Options vested and exercisable, end of the period	720,020	1,221,302	720,020	1,221,302

Program 5 [ESOP 2008A]

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

Particulars	Quarter ended September 30,		Six months ended September 30,	
	2012	2011	2012	2011
Outstanding options, beginning of the period	120,999	146,676	124,803	150,218
Granted during the period	-	-	-	-
Exercised during the period	4,474	164	7,419	302
Lapsed during the period	728	3,245	1,587	6,649
Forfeited during the period	-	-	-	-
Outstanding options, end of the period	115,797	143,267	115,797	143,267
Options vested and exercisable, end of the period	115,797	142,557	115,797	142,557

Mindtree Limited**Significant accounting policies and notes to the accounts (continued)****For the quarter and six months ended September 30, 2012*****Directors' Stock Option Plan, 2006 ('DSOP 2006')***

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

Particulars	Quarter ended September 30,		Six months ended September 30,	
	2012	2011	2012	2011
Outstanding options, beginning of the period	165,000	151,667	151,667	165,000
Granted during the period	-	-	20,000	-
Exercised during the period	30,000	-	36,667	13,333
Lapsed during the period	-	-	-	-
Forfeited during the period	-	-	-	-
Outstanding options, end of the period	135,000	151,667	135,000	151,667
Options vested and exercisable, end of the period	38,333	26,667	38,333	26,667

Program 7 [ESOP 2010A]

In-principle approvals for administering the seventh stock option program i.e. ESOP 2010 (A) has been received by the Company from the BSE and NSE for 1,135,000 equity shares of Rs 10 each. No options have been granted under the program as at September 30, 2012.

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

Particulars	Amount in Rs			
	Quarter ended September 30,		Six months ended September 30,	
	2012	2011	2012	2011
Program 1	10.00	10.00	10.00	10.00
Program 2	50.00	50.00	50.00	50.00
Program 3	-	250.00	-	250.00
Program 4	342.12	307.17	339.60	308.17
Program 5	398.35	167.75	407.62	170.44
DSOP 2006	238.00	-	259.27	355.00

Mindtree Limited
Significant accounting policies and notes to the accounts (continued)
For the quarter and six months ended September 30, 2012

The following tables summarize information about the options outstanding under various programs as at September 30, 2012 and March 31, 2012 respectively:

Particulars	As at September 30, 2012		
	Number of shares arising out of options	Weighted average remaining contractual life (in years)	Weighted average exercise price (in Rs)
Program 1	-	-	-
Program 2	63,233	2.40	50.00
Program 3	-	-	-
Program 4	965,945	1.27	387.15
Program 5	115,797	3.75	392.28
DSOP 2006	135,000	2.45	559.41

Particulars	As at March 31, 2012		
	Number of shares arising out of options	Weighted average remaining contractual life (in years)	Weighted average exercise price (in Rs)
Program 1	4,000	0.04	10.00
Program 2	79,367	2.91	50.00
Program 3	-	-	-
Program 4	1,349,038	1.59	380.25
Program 5	124,803	4.20	390.41
DSOP 2006	151,667	2.23	495.12

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

Mindtree Limited**Significant accounting policies and notes to the accounts (continued)****For the quarter and six months ended September 30, 2012**

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

Particulars	Rs in million except EPS data			
	Quarter ended		Six months ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Net profit as reported	722	543	1,612	889
Add: Stock-based employee compensation expense (intrinsic value method)	-	-	-	-
Less: Stock-based employee compensation expense (fair value method)	(18)	(24)	(43)	(47)
Pro forma net profit	704	519	1,569	842
Basic earnings per share as reported	17.68	13.53	39.59	22.16
Pro forma basic earnings per share	17.24	12.93	38.53	20.99
Diluted earnings per share as reported	17.43	13.43	39.02	21.98
Pro forma diluted earnings per share	16.99	12.84	37.98	20.83

During the quarter and six months ended September 30, 2012, Nil and 20,000 options were granted by the Company respectively under DSOP 2006.

The weighted average fair value of each option of Mindtree, granted during the quarter and six months ended September 30, 2012 was Rs Nil and Rs 393.56 respectively using the Black-Scholes model with the following assumptions:

Weighted average grant date share price	Rs 556
Weighted average exercise price	Rs 556
Dividend yield %	0.18%
Expected life	3 – 5 years
Risk free interest rate	8.11%
Volatility	101.5%

Mindtree Limited
Significant accounting policies and notes to the accounts (continued)
For the quarter and six months ended September 30, 2012

3.1.2 Reserves and surplus

Particulars	Rs in million	
	As at September 30, 2012	As at March 31, 2012
<i>Capital reserve</i>		
Opening balance	87	87
Additions during the period	-	-
	87	87
<i>Securities premium reserve</i>		
Opening balance	1,808	1,669
Additions during the period on exercise of employee stock options	119	139
	1,927	1,808
<i>General reserve</i>		
Opening balance	752	533
Add: Transfer from statement of profit and loss	161	219
	913	752
<i>Share option outstanding account</i>		
Opening balance	48	48
Additions during the period	-	-
	48	48
<i>Hedge reserve</i>		
Opening balance	(250)	81
Additions during the period	325	(331)
	75	(250)
<i>Surplus (Balance in the statement of profit and loss)</i>		
Opening balance	6,726	4,946
Add: Amount transferred from statement of profit and loss	1,612	2,187
Amount available for appropriations	8,338	7,133
Appropriations:		
Interim dividend	(123)	(101)
Final dividend	-	(61)
Dividend distribution tax	(20)	(26)
Amount transferred to general reserve	(161)	(219)
	8,034	6,726
Total	11,084	9,171

Mindtree Limited
Significant accounting policies and notes to the accounts (continued)
For the quarter and six months ended September 30, 2012

3.2 Non-current liabilities

3.2.1 Long-term borrowings

Particulars	Rs in million	
	As at September 30, 2012	As at March 31, 2012
<i>(Unsecured)</i>		
Other loans and advances	32	37
Total	32	37

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% p.a on the outstanding amount of loan. Repayment of loan is in 10 equal annual installments commencing from June 2011. The project implementation period was a moratorium period ending May 2011 and was not liable for repayment of installments and interest during the said period. However, the interest accrued during the period is amortized and is payable in 3 equal annual installments commencing from June 2011. Any delay in repayment entails a liability of 12% p.a. compounded monthly for the period of delay.

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

3.2.2 Other long-term liabilities

Particulars	Rs in million	
	As at September 30, 2012	As at March 31, 2012
Interest accrued but not due on borrowings	-	1
Other long-term liabilities	53	45
Total	53	46

3.3 Current liabilities

3.3.1 Short-term borrowings

Particulars	Rs in million	
	As at September 30, 2012	As at March 31, 2012
<i>(Secured)</i>		
Other loans from banks	476	407
Total	476	407

Mindtree Limited
Significant accounting policies and notes to the accounts (continued)
For the quarter and six months ended September 30, 2012

During the period, the Company has availed an additional packing credit loan of USD 1 million (net of repayments) secured against the trade receivables of the Company. As at September 30, 2012, the Company has outstanding packing credit loan of USD 9 million (As at March 31, 2012: USD 8 million). The Company has taken forward exchange contracts with respect to this loan. In accordance with 'AS 11' the forward premium arising at inception is amortized as an expense over the life of the contract.

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

Name of the bank	As at September 30, 2012			As at March 31, 2012		
	Rs in million	Rate of interest p.a	Date of repayment	Rs in million	Rate of interest p.a	Date of repayment
HSBC	106	1.98%	14-Dec-12	254	2.00%	25-May-12
HSBC	-	-	-	153	2.39%	31-Aug-12
SCB	106	1.99%	10-Dec-12	-	-	-
Citi bank	264	1.98%	23-Nov-12	-	-	-
Total	476			407		

3.3.2 Other current liabilities

Particulars	Rs in million	
	As at September 30, 2012	As at March 31, 2012
Current maturities of long-term debt*	5	5
Interest accrued but not due on borrowings	1	2
Unearned income	22	19
Unpaid dividends	3	3
Creditors for capital goods	138	33
Advances from customers	65	69
Employee related liabilities	740	836
Book overdraft	59	125
Other liabilities**	1,038	1,363
Total	2,071	2,455

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

**Includes derivative liability of Rs 187 million (As at March 31, 2012: Rs 590 million).

As at September 30, 2012, the Company has outstanding forward contracts amounting to USD 119.5 million (As at March 31, 2012: USD 112.5 million) and Euro 8.25 million (As at March 31, 2012: Euro 9 million), forward strips and leverage option contracts amounting to USD 6 million (As at March 31, 2012: USD 29.25 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 gain has been credited 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 180 million for the quarter ended

Mindtree Limited
Significant accounting policies and notes to the accounts (continued)
For the quarter and six months ended September 30, 2012

September 30, 2012 and Rs 233 million for the six months ended September 30, 2012 (quarter ended September 30, 2011: loss of Rs 152 million, six months ended September 30, 2011: loss of Rs 93 million) has been recorded in the statement of profit and loss.

3.3.3 Short-term provisions

Particulars	Rs in million	
	As at September 30, 2012	As at March 31, 2012
Provision for employee benefits		
- Gratuity	38	1
- Compensated absences	285	228
Provision for taxes	267	257
Provision for discount	130	109
Dividend payable	123	61
Dividend distribution tax payable	20	10
Provision for foreseeable losses on contracts	1	4
Provision for post contract support services	5	5
Provision for disputed dues*	54	49
Total	923	724

*Represents disputed tax dues provided during the previous year pursuant to unfavourable order received from the tax authorities against which the Company has preferred an appeal with the 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 (continued)
For the quarter and six months ended September 30, 2012

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

Particulars	Rs in million	
	As at September 30, 2012	As at March 31, 2012
Change in projected benefit obligations		
Obligations at the beginning of the period	276	265
Service cost	43	41
Interest cost	10	19
Benefits settled	(24)	(74)
Actuarial (gain)/loss	(1)	25
Obligations at end of the period	304	276
Change in plan assets		
Plan assets at the beginning of the period, at fair value	275	257
Expected return on plan assets	10	19
Actuarial gain/(loss)	4	38
Contributions	1	35
Benefits settled	(24)	(74)
Plan assets at the end of the period, at fair value	266	275
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	266	275
Present value of defined obligations at the end of the period	(304)	(276)
Asset/ (liability) recognised in the balance sheet	(38)	(1)

Mindtree Limited
Significant accounting policies and notes to the accounts (continued)
For the quarter and six months ended September 30, 2012

Particulars	Rs in million			
	For the quarter ended September 30,		For the six months ended September 30,	
	2012	2011	2012	2011
Gratuity cost for the quarter				
Service cost	21	19	43	33
Interest cost	5	6	10	11
Expected return on plan assets	(5)	(5)	(10)	(10)
Actuarial (gain)/loss	(3)	(3)	(5)	(18)
Net gratuity cost	18	17	38	16
Actual Return on plan assets	7	16	14	27
Assumptions				
Interest rate	8.15%	8.43%	8.15%	8.43%
Expected rate of return on plan assets	8.15%	8.00%	8.15%	8.00%
Salary increase	6.00%	6.00%	6.00%	6.00%
Attrition rate	15.50%	20.32%	15.50%	20.32%
Retirement age	60	60	60	60

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

The disclosure of provisions movement as required under the provisions of Accounting Standard – 29 ‘Provisions, Contingent Liabilities and Contingent Assets’ (‘AS 29’) is as follows:-

Provision for post contract support services

Particulars	Rs in million	
	For the six months ended September 30,	
	2012	2011
Balance at the beginning of the period	5	5
Provisions made during the period	-	-
Utilisations during the period	-	-
Released during the period	-	-
Provision at the end of the period	5	5

Mindtree Limited**Significant accounting policies and notes to the accounts (continued)****For the quarter and six months ended September 30, 2012****Provision for discount**

Particulars	Rs in million	
	For the six months ended September 30,	
	2012	2011
Balance at the beginning of the period	109	49
Provisions made during the period	74	40
Utilisations during the period	(53)	(23)
Released during the period	-	-
Provision at the end of the period	130	66

Provision for foreseeable losses on contracts

Particulars	Rs in million	
	For the six months ended September 30,	
	2012	2011
Balance at the beginning of the period	4	2
Provisions made during the period	-	13
Utilisations during the period	(3)	(2)
Released during the period	-	-
Provision at the end of the period	1	13

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

Mindtree Limited

Significant accounting policies and notes to the accounts

For the quarter and six months ended September 30, 2012

3.4 Non-current assets

3.4.1 Fixed assets

Rs in million

Assets	Gross block			As at September 30, 2012	Accumulated depreciation			Net book value		
	As at April 1, 2012	Additions during the period	Deletions during the period		As at April 1, 2012	For the period	Deletions during the period	As at September 30, 2012	As at September 30, 2012	As at March 31, 2012
Tangible assets										
Leasehold land	425	-	-	425	59	6	-	65	360	366
Buildings	1,626	-	-	1,626	232	29	-	261	1,365	1,394
Leasehold improvements	1,064	73	12	1,125	708	83	10	781	344	356
Computer systems (including software)	1,636	179	4	1,811	1,425	112	2	1,535	276	211
Test equipment	218	1	-	219	143	28	-	171	48	75
Furniture and fixtures	144	7	6	145	125	12	5	132	13	19
Electrical installations	222	22	6	238	180	15	6	189	49	42
Office equipment	408	18	8	418	330	25	8	347	71	78
Motor vehicles	2	-	-	2	2	-	-	2	-	-
Plant and machinery	8	-	-	8	1	-	-	1	7	7
Total (A)	5,753	300	36	6,017	3,205	310	31	3,484	2,533	2,548
Intangible assets										
Intellectual property	67	-	-	67	24	8	-	32	35	43
Total (B)	67	-	-	67	24	8	-	32	35	43
Total (A+B)	5,820	300	36	6,084	3,229	318	31	3,516	2,568	2,591
Previous year	5,624	282	86	5,820	2,618	695	84	3,229	2,591	

Mindtree Limited
Significant accounting policies and notes to the accounts
For the quarter and six months ended September 30, 2012

3.4.2 Non-current investments

Particulars	Rs in million	
	As at September 30, 2012	As at March 31, 2012
Investment in equity instruments		
Investment in Trade - unquoted investments	8	8
Investment in subsidiary	-	23
Less: Provision for diminution in value of investments	(1)	(1)
Total	7	30
Aggregate amount of quoted investments	-	-
Aggregate market value of quoted investments	-	-
Aggregate amount of unquoted investments	8	31

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

Particulars	Rs in million	
	As at September 30, 2012	As at March 31, 2012
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

Investment in subsidiary represents investment in Mindtree Software (Shenzhen) Co., Ltd ('MSSL').

During the quarter ended September 30, 2012, the Company has dissolved MSSL and the funds available with MSSL amounting to Rs 18 million were received by the Company. Consequently, the loss on the dissolution of MSSL amounting to Rs 3 million has been recognised in the statement of profit and loss.

Mindtree Limited
Significant accounting policies and notes to the accounts (continued)
For the quarter and six months ended September 30, 2012

3.4.3 Taxes

Particulars	Rs in million			
	For the quarter ended September 30,		For the six months ended September 30,	
	2012	2011	2012	2011
Tax expense				
- Current tax	106	150	380	247
- MAT credit entitlement	-	5	-	(19)
	106	155	380	228
Deferred tax	(13)	(46)	(27)	(62)
Total	93	109	353	166

The Company 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 Company 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.

During the quarter, the Company has recorded additional foreign tax credit of Rs 97 million relating to financial year 2010-2011 and financial year 2011-2012. Accordingly, tax provision for current quarter is lower by Rs 97 million. The Company has reflected this credit in the Income tax return for the financial year 2011-2012 and revised return for the financial year 2010-2011.

Deferred tax assets (net):

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

Particulars	Rs in million	
	As at September 30, 2012	As at March 31, 2012
Excess of depreciation as per books over depreciation allowed under Income Tax Act, 1961	227	222
Provision for doubtful debts	10	6
Compensated absence	58	39
Provision for volume discount	34	34
Others	18	19
Total deferred tax assets	347	320

Mindtree Limited
Significant accounting policies and notes to the accounts (continued)
For the quarter and six months ended September 30, 2012

3.4.4 Long-term loans and advances

Particulars	Rs in million	
	As at September 30, 2012	As at March 31, 2012
<i>(Unsecured considered good)</i>		
Capital advances	80	102
Security deposits*	395	442
Advances recoverable in cash or in kind or for value to be received*	47	-
Total	522	544

*Refer note 3.15 for related party balances.

3.4.5 Other non-current assets

Particulars	Rs in million	
	As at September 30, 2012	As at March 31, 2012
<i>(Unsecured considered good)</i>		
Advance tax and tax deducted at source, net of provision for taxes	887	742
MAT credit entitlement	149	246
Others non-current assets	34	40
Total	1,070	1,028

3.5 Current assets

3.5.1 Current investments

Particulars	Rs in million	
	As at September 30, 2012	As at March 31, 2012
Investment in mutual funds (net)	3,315	2,750
Term deposits	400	325
Total	3,715	3,075
Aggregate amount of quoted investments	3,315	2,750
Aggregate market value of quoted investments	3,424	2,803
Aggregate amount of unquoted investments	400	325

Mindtree Limited
Significant accounting policies and notes to the accounts (continued)
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Details of investment in mutual funds are as given below:

Particulars	Rs in million	
	As at September 30, 2012	As at March 31, 2012
ICICI Prudential Mutual Fund	322	301
IDFC Mutual Fund	205	346
UTI Mutual Fund	288	233
HSBC Mutual Fund	120	170
Franklin Templeton Mutual Fund	297	176
DSP Blackrock Mutual Fund	295	215
Birla Sun Life Mutual Fund	261	291
Reliance Mutual Fund	327	267
Tata Mutual Fund	201	284
DWS Mutual Fund	150	-
SBI Mutual Fund	323	50
HDFC Mutual Fund	396	122
Axis Mutual Fund	-	120
AIG Mutual Fund	30	-
Fidelity Mutual Fund	50	50
IDBI Mutual Fund	50	125
Total	3,315	2,750

Details of investments in term deposit are as given below:

Particulars	Rs in million	
	As at September 30, 2012	As at March 31, 2012
HDFC Limited	400	200
Janalakshmi Financial Services Private Limited	-	125
Total	400	325

3.5.2 Trade receivables

Particulars	Rs in million	
	As at September 30, 2012	As at March 31, 2012
<i>(Unsecured)</i>		
Debts overdue for a period exceeding six months		
- considered good	36	26
- considered doubtful	44	21
Other debts		
- considered good	4,465	4,052
- considered doubtful	4	19
Less: Provision for doubtful debts	(48)	(40)
Total	4,501	4,078

Mindtree Limited
Significant accounting policies and notes to the accounts (continued)
For the quarter and six months ended September 30, 2012

3.5.3 Cash and bank balances

Particulars	Rs in million	
	As at September 30, 2012	As at March 31, 2012
Cash and cash equivalents		
Balances with banks in current and deposit accounts*	667	582
Other bank balances**	3	3
Total	670	585

* Balances with banks include the following:

Particulars	Rs in million	
	As at September 30, 2012	As at March 31, 2012
Balance with banks held as margin money towards guarantees	1	1
Bank deposits with more than 12 months of maturity	-	1

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

3.5.4 Short-term loans and advances

Particulars	Rs in million	
	As at September 30, 2012	As at March 31, 2012
<i>(Unsecured considered good)</i>		
Advances recoverable in cash or in kind or for value to be received*	413	191
Total	413	191

*Refer note 3.15 for related party balances.

3.5.5 Other current assets

Particulars	Rs in million	
	As at September 30, 2012	As at March 31, 2012
Unbilled revenue	487	479
MAT credit entitlement	46	-
Other current assets*	581	346
Total	1,114	825

*Includes derivative asset of Rs 152 million (As at March 31, 2012: Rs 25 million).

Mindtree Limited
Significant accounting policies and notes to the accounts (continued)
For the quarter and six months ended September 30, 2012

3.6 Other income

Particulars	Rs in million			
	For the quarter ended September 30,		For the six months ended September 30,	
	2012	2011	2012	2011
Interest income	16	11	29	21
Dividend income	25	13	51	27
Net gain on sale of investments	29	8	41	14
Foreign exchange gain	-	169	-	260
Other non-operating income	4	38	5	39
Total	74	239	126	361

Mindtree Limited
Significant accounting policies and notes to the accounts (continued)
For the quarter and six months ended September 30, 2012

3.7 Expenses

	Rs in million			
Employee benefits expense	For the quarter ended September 30,		For the six months ended September 30,	
	2012	2011	2012	2011
Salaries and wages	3,275	2,790	6,403	5,361
Contribution to provident and other funds	270	233	551	434
Staff welfare expenses	25	24	58	45
Total	3,570	3,047	7,012	5,840
Finance costs	For the quarter ended September 30,		For the six months ended September 30,	
	2012	2011	2012	2011
Interest expense	4	1	7	1
Total	4	1	7	1
Other expenses	For the quarter ended September 30,		For the six months ended September 30,	
	2012	2011	2012	2011
Travel expenses	214	221	434	441
Sub-contractor charges	215	162	411	288
Computer consumables	59	99	112	195
Legal and professional charges	55	41	104	93
Power and fuel	55	44	108	94
Rent (Refer note 3.16)	100	86	202	152
Repairs to buildings	19	-	33	14
Repairs to machinery	3	3	8	5
Insurance	5	3	10	8
Rates and taxes	14	55	34	63
Exchange loss, net	415	-	329	-
Other expenses	335	218	632	456
Total	1,489	932	2,417	1,809

3.8 Contingent liabilities and commitments

- a) Estimated amount of contracts remaining to be executed on capital account and not provided for as at September 30, 2012 is Rs 365 million (March 31, 2012: Rs 420 million).
- b) As of the balance sheet date, the Company's net foreign currency exposure that is not hedged by a derivative instrument or otherwise is Rs 4,020 million (March 31, 2012: Rs 3,709 million).
- c) The Company has received income tax assessment for the financial year 2008-09 wherein demand of Rs 24 million has been raised against the Company on account of certain disallowances, adjustments made by the income tax department. A significant portion of this amount arises from the manner of adjustment of brought forward losses in arriving at the taxable profits of the Company. The tax demand for financial year 2008-09 also includes disallowance of portion of profit earned outside India from the STP and SEZ units.

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Management believes that the position taken by it on the matter is tenable and hence, no adjustment has been made to the financial statements. The Company has filed an appeal against the demands received.

- d) The Company has received income tax assessments for financial years 2006-07 and 2007-08 for the erstwhile subsidiary 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 financial statements. The Company has filed an appeal against the demand received. The Company has not deposited the amount of demand with the department.
- e) The Company has received income tax assessments under Section 143(3) of the Income-tax Act 1961 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 Company. These demands have arisen mainly on account of transfer pricing adjustments made in the order. The Company 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 Company had received a favourable order from the Commissioner of Income Tax (Appeals) for the year 2001-02 where in the Commissioner of Income Tax (Appeals) has accepted the Company'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 assessment officer for re-assessment. The Company 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.

During the current period, the Hon'ble High Court of Karnataka has remanded the matter back to the assessment officer for re-assessment.

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

Mindtree Limited**Significant accounting policies and notes to the accounts (continued)****For the quarter and six months ended September 30, 2012**

- f) The Company 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 financial statements. The Company has filed an appeal with Commissioner of Income Tax (Appeals) against the demand received. The Company has deposited Rs 5 million with the department against this demand.

3.9 Quantitative details

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

3.10 Value of imports on CIF basis

Particulars	Rs in million	
	For the quarter ended September 30, 2012	2011
Capital goods	29	22
Others	3	2
Total	32	24

Particulars	Rs in million	
	For the six months ended September 30, 2012	2011
Capital goods	64	40
Others	3	2
Total	67	42

3.11 Expenditure in foreign currency

Particulars	Rs in million	
	For the quarter ended September 30, 2012	2011
Branch office expenses	1,931	1,379
Travel expenses	38	46
Professional charges	1	2
Others	-	264
Total	1,970	1,691

Mindtree Limited
Significant accounting policies and notes to the accounts (continued)
For the quarter and six months ended September 30, 2012

Particulars	Rs in million	
	For the six months ended September 30,	
	2012	2011
Branch office expenses	3,739	2,977
Travel expenses	70	105
Professional charges	6	3
Others	42	341
Total	3,857	3,426

3.12 Earnings in foreign currency

Particulars	Rs in million	
	For the quarter ended September 30,	
	2012	2011
Income from software development	5,745	4,132
Other income	-	1
Total	5,745	4,133

Particulars	Rs in million	
	For the six months ended September 30,	
	2012	2011
Income from software development	11,076	7,987
Other income	-	1
Total	11,076	7,988

3.13 During the quarter and six months ended September 30, 2012 the Company has remitted in foreign currency dividend of Rs 3 million (quarter and six months ended September 30, 2011: Rs 3 million).

Particulars	For the quarter and six months ended September 30, 2012
Number of shares held	1,743,465
Number of shareholders	46
Amount remitted (Rs)	3 million
Year to which dividend relates	Final dividend 2011-12

Mindtree Limited
Significant accounting policies and notes to the accounts (continued)
For the quarter and six months ended September 30, 2012

Particulars	For the quarter and six months ended September 30, 2011
Number of shares held	2,717,566
Number of shareholders	50
Amount remitted (Rs)	3 million
Year to which dividend relates	Final dividend of 2010-11

3.14 Segmental reporting

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

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

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

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

Business segments

Statement of profit and loss for the quarter ended September 30, 2012	Rs in million		
	IT Services	PE Services	Total
Revenues	4,086	1,877	5,963
Operating expenses, net	3,222	1,422	4,644
Segmental operating income	864	455	1,319
Unallocable expenses			574
Profit for the period before interest, other income and tax			745
Interest expense			(4)
Other income			74
Net profit before taxes			815
Income taxes			93
Net profit after taxes			722

Mindtree Limited**Significant accounting policies and notes to the accounts (continued)**

For the quarter and six months ended September 30, 2012

	Rs in million		
Statement of profit and loss for the quarter ended September 30, 2011	IT Services	PE Services	Total
Revenues	2,929	1,638	4,567
Operating expenses, net	2,512	1,468	3,980
Segmental operating income	417	170	587
Unallocable expenses			173
Profit for the period before interest, other income and tax			414
Interest expense			(1)
Other income			239
Net profit before taxes			652
Income taxes			109
Net profit after taxes			543

	Rs in million		
Statement of profit and loss for the six months ended September 30, 2012	IT Services	PE Services	Total
Revenues	7,971	3,622	11,593
Operating expenses, net	6,298	2,802	9,100
Segmental operating income	1,673	820	2,493
Unallocable expenses			647
Profit for the period before interest, other income and tax			1,846
Interest expense			(7)
Other income			126
Net profit before taxes			1,965
Income taxes			353
Net profit after taxes			1,612

	Rs in million		
Statement of profit and loss for the six months ended September 30, 2011	IT Services	PE Services	Total
Revenues	5,566	3,132	8,698
Operating expenses, net	4,794	2,856	7,650
Segmental operating income	772	276	1,048
Unallocable expenses			353
Profit for the period before interest, other income and tax			695
Interest expense			(1)
Other income			361
Net profit before taxes			1,055
Income taxes			166
Net profit after taxes			889

Mindtree Limited
Significant accounting policies and notes to the accounts (continued)
For the quarter and six months ended September 30, 2012

Geographical segments

Revenues	Rs in million			
	For the quarter ended September 30,		For the six months ended September 30,	
	2012	2011	2012	2011
America	3,463	2,667	6,733	5,158
Europe	1,747	1,174	3,369	2,115
India	360	362	720	717
Rest of World	393	364	771	708
Total	5,963	4,567	11,593	8,698

3.15 Related party transactions

Name of related party	Nature of relationship
Mindtree Software (Shenzhen) Co Ltd ('MSSL'), Republic of China	Subsidiary*
Amalgamated Bean Coffee Trading Company Limited ('ABCTCL') Tanglin Developments Limited ('TDL')	These entities are part of Coffee Day Group which through various entities and its promoters holds 21.14% equity stake in Mindtree, and the group has a nominee on the Mindtree Board.
Janalakshmi Financial Services Private Limited	Entity with common key management person

*Dissolved with effect from August 31, 2012.

Transactions with the above related parties during the period were:

Name of related party	Nature of transaction	Rs in million	
		For the quarter ended September 30, 2012	2011
Amalgamated Bean Coffee Trading Company Limited	Procurement of supplies	3	4
Tanglin Developments Limited	Leasing office buildings and land	78	60

Mindtree Limited**Significant accounting policies and notes to the accounts (continued)**

For the quarter and six months ended September 30, 2012

Name of related party	Nature of transaction	Rs in million	
		For the six months ended September 30,	
		2012	2011
Amalgamated Bean Coffee Trading Company Limited	Procurement of supplies	5	7
Tanglin Developments Limited	Leasing office buildings and land	157	141

Balances payable to related parties are as follows:

Name of related party	Rs in million	
	As at September 30, 2012	As at March 31, 2012
Mindtree Software (Shenzhen) Co Ltd	-	3
Amalgamated Bean Coffee Trading Company Limited	1	-
Tanglin Developments Limited	2	6

Balances receivable from related parties are as follows:

Name of related party	Nature of transactions	Rs in million	
		As at September 30, 2012	As at March 31, 2012
Tanglin Developments Limited	Rental Advance		
	- Current	141	-
	- Non-current	47	-
	Security Deposit returnable on termination of lease	345	345
Janalakshmi Financial Services Private Limited	Interest bearing deposits	-*	125

*Redeemed during the quarter including interest thereon.

Mindtree Limited
Significant accounting policies and notes to the accounts (continued)
For the quarter and six months ended September 30, 2012

Key managerial personnel:

Subroto Bagchi	Appointed as Chairman with effect from April 1, 2012
Dr. Albert Hieronimus	Appointed as Non-executive Vice Chairman with effect from April 1, 2012
N. Krishnakumar	CEO & Managing Director
S. Janakiraman	President & Group-CEO-PES
R. Srinivasan	Non-executive Director of Mindtree
V.G.Siddhartha	Non-executive Director of Mindtree
David B. Yoffie	Non-executive Director of Mindtree
Prof. Pankaj Chandra	Non-executive Director of Mindtree
Ramesh Ramanathan	Appointed as Non-executive Director of Mindtree with effect from May 2, 2012

The Board elected Anjan Lahiri, as an additional Board member to hold office with effect from October 24, 2012 till the date of the next Annual General Meeting of the Company. The Board also elected N S Parthasarathy as an Alternate Director to S Janakiraman, with effect from October 22, 2012.

Remuneration paid to key managerial personnel during the quarter and six months ended September 30, 2012 amounts to Rs 22 million and Rs 41 million respectively (for the quarter and six months ended September 30, 2011: Rs 8 million and Rs 18 million respectively). Dividends paid to directors during the quarter and six months ended September 30, 2012 amounts to Rs 10 million (quarter and six months ended September 30, 2011 amounts to Rs. 6 million).

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

3.16 Lease transactions

Lease rental expense under non-cancellable operating lease during the quarter and six months ended September 30, 2012 amounted to Rs 66 million and Rs 101 million respectively (for the quarter and six months ended September 30, 2011: Rs 64 million and Rs 110 million respectively). Future minimum lease payments under non-cancellable operating lease are as below:

Particulars	Rs in million	
	As at September 30, 2012	As at March 31, 2012
Payable -- Not later than one year	113	138
Payable -- Later than one year and not later than five years	173	224

Additionally, the Company leases office facilities and residential facilities under cancellable operating leases. The rental expense under cancelable operating lease during the quarter and six months ended September 30, 2012 was Rs 34 million and Rs 101 million respectively (for the quarter and six months ended September 30, 2011: Rs 22 million and Rs 42 million respectively).

Mindtree Limited
Significant accounting policies and notes to the accounts (continued)
For the quarter and six months ended September 30, 2012

3.17 Earnings per equity share

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

Particulars	For the quarter ended September 30, 2012		For the quarter ended September 30, 2011	
	Basic EPS	Diluted EPS	Basic EPS	Diluted EPS
Weighted average number of equity shares outstanding during the quarter	40,802,000	40,802,000	40,193,542	40,193,542
Weighted average number of equity shares resulting from assumed exercise of employee stock options	-	595,362	-	283,188
Weighted average number of equity shares for calculation of earnings per share	40,802,000	41,397,362	40,193,542	40,476,730

Particulars	For the six months ended September 30, 2012		For the six months ended September 30, 2011	
	Basic EPS	Diluted EPS	Basic EPS	Diluted EPS
Weighted average number of equity shares outstanding during the period	40,710,236	40,710,236	40,141,761	40,141,761
Weighted average number of equity shares resulting from assumed exercise of employee stock options	-	589,951	-	319,616
Weighted average number of equity shares for calculation of earnings per share	40,710,236	41,300,187	40,141,761	40,461,377

Mindtree Limited
Significant accounting policies and notes to the accounts (continued)
For the quarter and six months ended September 30, 2012

3.18 Auditor's remuneration

Particulars	Rs in million			
	For the quarter ended September 30,		For the six months ended September 30,	
	2012	2011	2012	2011
Audit fees	3	4	7	8
Other services	1	-	2	-
Total	4	4	9	8

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

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

For **Mindtree Limited**

Supreet Sachdev
Partner
Membership No.: 205385

Subroto Bagchi
Chairman

N. Krishnakumar
CEO & Managing Director

Rostow Ravanan
Chief Financial Officer

Rajesh Srichand Narang
Company Secretary

Place: Bangalore
Date: October 16, 2012

Place: Bangalore
Date: October 16, 2012