

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS OF MINDTREE LIMITED

Report on the Financial Statements of Mindtree Software (Shanghai) Co., Ltd. (a Wholly Owned Subsidiary of Mindtree Limited)

We have audited the accompanying financial statements of **MINDTREE SOFTWARE (SHANGHAI) CO., LTD** ("the Company"), which comprise the Balance Sheet as at March 31, 2016, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information. The financial statements have been prepared by the management for purposes of inclusion by Mindtree Limited in its consolidated financial statements for the year ended March 31, 2016.

Management's Responsibility for the Financial Statements

The Board of Directors of the Company and Mindtree Limited are responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting policies of Mindtree Limited followed by it in preparing its consolidated financial statements as per the accounting principles generally accepted in India including the Accounting Standards prescribed under section 133 of the Companies Act, 2013 ("the Act") as applicable. This responsibility also includes maintenance of adequate accounting records; safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.



An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation and presentation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements presents fairly in all material respects in accordance with the accounting policies of Mindtree Limited, the state of affairs of the Company as at March 31, 2016, and its profit and its cash flows for the year ended on that date.

Restriction of Distribution and Use

Without modifying our opinion, we draw attention to Note 2.1 to the financial statements, which describe the basis of preparation of the financial statements. These financial statements are prepared as per accounting policies of Mindtree Limited for use in preparation of the consolidated financial statements of Mindtree Limited as per the requirements of the Act. As a result, these financial statements may not be suitable for another purpose. Our report is solely intended for Mindtree Limited and should not be used for any purpose other than for preparation and audit of the consolidated financial statements of Mindtree Limited.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Firm's Registration No. 008072S)



V. Balaji
Partner
(Membership No. 203685)

BENGALURU, April 18, 2016

Mindtree Software (Shanghai) Co., Ltd.
Balance sheet

	Note	As at March 31, 2016	(Amount in Rs.) As at March 31, 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3.1.1	13,592,500	13,592,500
Reserves and surplus	3.1.2	(1,716,116)	(3,135,078)
		<u>11,876,384</u>	<u>10,457,422</u>
Current liabilities			
Trade payables		814,122	1,147,376
Other current liabilities	3.2.1	476,123	1,024,179
Short-term provisions	3.2.2	47,249	47,099
		<u>1,337,494</u>	<u>2,218,654</u>
		<u>13,213,878</u>	<u>12,676,076</u>
ASSETS			
Non-current assets			
Long-term loans and advances	3.3.1	381,351	117,978
		<u>381,351</u>	<u>117,978</u>
Current assets			
Trade receivables	3.4.1	1,156,100	6,170,122
Cash and bank balances	3.4.2	11,479,259	6,281,118
Short-term loans and advances	3.4.3	197,168	106,858
		<u>12,832,527</u>	<u>12,558,098</u>
		<u>13,213,878</u>	<u>12,676,076</u>
Significant accounting policies and notes to the accounts	2 & 3		

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

As per our report of even date attached
For **Deloitte Haskins & Sells**
Chartered Accountants
Firm Registration Number: 008072S

For Mindtree Software (Shanghai) Co., Ltd.



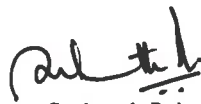
V. Balaji
Partner
Membership Number: 203685



Rostow Ramanan
Chairman



Jagannathan Chakravarthi
Director



Sushanth Pai
Director

Place: Bengaluru
Date : April 18, 2016

Place: Bengaluru
Date : April 18, 2016

Mindtree Software (Shanghai) Co., Ltd.
Statement of profit and loss

Particulars	Note	(Amount in Rs.)	
		For the year ended	
		March 31, 2016	March 31, 2015
Revenue from operations		19,232,314	18,321,536
Other income	3.5	122,191	473,800
Total revenues		19,354,505	18,795,336
Expenses:			
Employee benefits expense	3.6	10,651,003	9,431,799
Other expenses	3.6	7,284,540	8,412,107
Total expenses		17,935,543	17,843,906
Profit for the year		1,418,962	951,430

Significant accounting policies and notes to the accounts 2 & 3

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

As per our report of even date attached
For **Deloitte Haskins & Sells**
Chartered Accountants
Firm Registration Number: 008072S



V. Balaji
Partner
Membership Number: 203685

For **Mindtree Software (Shanghai) Co., Ltd.**



Rostow Ravanan
Chairman



Jagannathan Chakravarthi
Director



Sushanth Pai
Director

Place: Bengaluru
Date : April 18, 2016

Place: Bengaluru
Date : April 18, 2016

Mindtree Software (Shanghai) Co., Ltd.
Cash flow statement

	(Amount in Rs.)	
	For the year ended March 31,	
	2016	2015
Cash flow from operating activities		
Profit	1,418,962	951,430
Adjustments for :		
Interest income	(20,589)	(11,032)
Effect of exchange differences on translation of foreign currency cash and cash equivalents	(50,047)	(311,383)
Operating profit before working capital changes	1,348,326	629,015
Changes in trade receivables	5,014,022	(6,170,122)
Changes in loans and advances and other assets	(90,310)	533,483
Changes in liabilities and provisions	(881,160)	1,561,531
Net cash provided by operating activities before taxes	5,390,878	(3,446,093)
Income taxes paid	(263,373)	-
Net cash provided by/ (used in) operating activities	5,127,505	(3,446,093)
Cash flow from investing activities		
Interest/ dividend received from investments	20,589	11,032
Net cash provided by investing activities	20,589	11,032
Effect of exchange differences on translation of foreign currency cash and cash equivalents	50,047	311,383
Net decrease in cash and cash equivalents	5,198,141	(3,123,678)
Cash and cash equivalents at the beginning of the year	6,281,118	9,404,796
Cash and cash equivalents at the end of the year	11,479,259	6,281,118

As per our report of even date attached
For **Deloitte Haskins & Sells**
Chartered Accountants
Firm Registration Number: 008072S

For **Mindtree Software (Shanghai) Co., Ltd.**

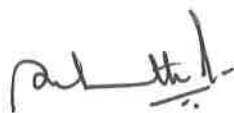


V. Balaji
Partner
Membership Number: 203685



Rostow Ravanan
Chairman

Jagannathan Chakravarthi
Director



Sushanth Pai
Director

Place: Bengaluru
Date : April 18, 2016

Place: Bengaluru
Date : April 18, 2016

Mindtree Software (Shanghai) Co., Ltd.
Significant accounting policies and notes to the accounts
For the year ended March 31, 2016

1. Background

Mindtree Software (Shanghai) Co., Ltd. ('the Company') is a wholly owned subsidiary of Mindtree Limited. Mindtree Limited, headquartered in Bangalore, India is an international Information Technology consulting and implementation company that delivers business solutions through global software development. The Company offers services in the areas of agile, analytics and information management, application development and maintenance, business process management, business technology consulting, cloud, digital business's, independent testing, infrastructure management services, mobility, product engineering and SAP services.

The Company is head quartered in Shanghai and has an office in Beijing.

2. Significant accounting policies

2.1 Basis of preparation of financial statements

These financial statements are prepared solely for the purpose of consolidation with Mindtree Limited and presented in accordance with Indian Generally Accepted Accounting Principles (GAAP) including the Accounting Standards prescribed under section 133 of the Companies Act, 2013 ("the Act") as applicable and under the historical cost convention on the accrual basis.

The functional currency of the Company is Renminbi (RMB). The Indian Rupee (INR) equivalent items in the statement of profit and loss are translated at the rates prevailing on the dates of the respective transactions and the assets and liabilities are translated at the exchange rates prevailing as at balance sheet date. The resultant exchange gain or loss is taken to the Statement of profit and loss.

2.2 Use of estimates

The preparation of financial statements in conformity with the generally accepted accounting principles 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.

h

u

Mindtree Software (Shanghai) Co., Ltd.
Significant accounting policies and notes to the accounts
For the year ended March 31, 2016

2.3 Cash and cash equivalents

Cash and cash equivalents comprise of cash-in-hand and balance in bank in current accounts and deposit accounts that are highly liquid and are readily convertible to known amount of cash.

2.4 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.

2.5 Employee benefits

2.5.1 The Company accrues for the expected cost of short-term compensated absences in the period in which the employee renders services.

2.5.2 Contributions payable to the social security plans, which are a defined contribution scheme, are charged to the statement of profit and loss in the period in which the employee renders services.

2.6 Revenue recognition

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

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

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

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

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

h

h

2.7 Foreign exchange transactions

- 2.7.1 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.
- 2.7.2 Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rates on that date; the resultant exchange differences are recognised in the statement of profit and loss. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.
- 2.7.3 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.
- 2.7.4 In respect of non-integral operations, assets and liabilities are translated at the exchange rate prevailing at the date of the balance sheet. The items in the statement of profit and loss are translated at the average exchange rate during the period. The differences arising out of the translation are transferred to foreign currency translation reserve.

2.8 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.

2.9 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.

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.

2.10 Taxation

The current income tax charge is determined in accordance with the relevant tax regulations applicable to the Company.



Mindtree Software (Shanghai) Co., Ltd.
 Significant accounting policies and notes to the accounts
 For the year ended March 31, 2016

3 Notes to the accounts

3.1 Shareholders' funds

3.1.1 Share capital

a)

Particulars	As at March 31, 2016	As at March 31, 2015
Issued, subscribed and paid-up capital		
The registered capital is \$250,000 which is paid fully by Mindtree Limited, Holding Company at Rs 54.37 per USD which equals to Rs 13,592,500	13,592,500	13,592,500
Total	13,592,500	13,592,500

3.1.2 Reserves and surplus

Particulars	As at March 31, 2016	As at March 31, 2015
<i>Surplus (Balance in the statement of profit and loss)</i>		
Opening balance	(3,135,078)	(4,086,508)
Add: Amount transferred from statement of profit and loss	1,418,962	951,430
Total	(1,716,116)	(3,135,078)

3.2 Current liabilities

3.2.1 Other current liabilities

Particulars	As at March 31, 2016	As at March 31, 2015
Employee related liabilities	322,194	805,533
Other liabilities	153,929	218,646
Total	476,123	1,024,179

3.2.2 Short-term provisions

Particulars	As at March 31, 2016	As at March 31, 2015
Provision for employee benefits		
- Compensated absences	47,249	47,099
Total	47,249	47,099

3.3 Non-current assets

3.3.1 Long-term loans and advances

Particulars	As at March 31, 2016	As at March 31, 2015
<i>(Unsecured, considered good)</i>		
Security deposits	117,978	117,978
Advance tax and tax deducted at source, net of provision for taxes	263,373	-
Total	381,351	117,978

u

u

Mindtree Software (Shanghai) Co., Ltd.
Significant accounting policies and notes to the accounts
For the year ended March 31, 2016

3.4 Current assets

3.4.1 Trade receivables

Particulars	As at March 31, 2016	As at March 31, 2015
<i>(Unsecured, considered good)</i>		
Receivables overdue for a period exceeding six months	-	-
Other receivables	1,156,100	6,170,122
Total	1,156,100	6,170,122

3.4.2 Cash and bank balances

Particulars	As at March 31, 2016	As at March 31, 2015
Balances with banks in current accounts	11,479,259	6,281,118
Total	11,479,259	6,281,118

3.4.3 Short-term loans and advances

Particulars	As at March 31, 2016	As at March 31, 2015
<i>(Unsecured, considered good)</i>		
Advances recoverable in cash or in kind or for value to be received	197,168	106,858
Total	197,168	106,858

u

u

Mindtree Software (Shanghai) Co., Ltd.
Significant accounting policies and notes to the accounts
For the year ended March 31, 2016

3.5 Other income

Particulars	For the year ended March 31,	
	2016	2015
Interest income	20,589	11,032
Foreign exchange gain	101,602	462,768
Total	122,191	473,800

3.6 Expenses

Employee benefits expense	For the year ended March 31,	
	2016	2015
Salaries and wages	8,854,835	7,244,395
Contribution to defined contribution plans	1,773,354	2,048,745
Staff welfare expenses	22,814	138,659
Total	10,651,003	9,431,799

Other expenses	For the year ended March 31,	
	2016	2015
Travel expenses	377,551	1,087,234
Communication expenses	111,402	105,771
Legal and Professional charges	4,363,340	4,529,101
Rent (Refer note 3.9)	1,496,211	1,481,037
Repairs to buildings	17,310	940,758
Rates and taxes	174,970	84,351
Recruitment Expenses	601,508	-
Other expenses	142,248	183,855
Total	7,284,540	8,412,107

u

u

Mindtree Software (Shanghai) Co., Ltd.
Significant accounting policies and notes to the accounts
For the year ended March 31, 2016

3.7 Segmental reporting

The Company is engaged in providing the Hitech and Media Services and is considered to constitute a single segment in the context of primary segment reporting as prescribed by Accounting Standard 17 - "Segment Reporting".

Net cash provided/ (used) by operating activities

3.8 Related party transactions

Name of related party	Nature of relationship
Mindtree Limited	Holding Company
Discoverture Solutions L.L.C.	Fellow subsidiary with effect from February 13, 2015
Discoverture Solutions U.L.C.*	Fellow subsidiary with effect from February 13, 2015
Discoverture Solutions Europe Limited**	Fellow subsidiary with effect from February 13, 2015
Bluefin Solutions Limited	Fellow subsidiary with effect from July 16, 2015
Bluefin Solutions Inc.	Fellow subsidiary with effect from July 16, 2015
Bluefin Solutions Sdn Bhd	Fellow subsidiary with effect from July 16, 2015
Blouvin (Pty) Limited	Fellow subsidiary with effect from July 16, 2015
Bluefin Solutions Pte Ltd	Fellow subsidiary with effect from July 16, 2015
Relational Solutions, Inc	Fellow subsidiary with effect from July 16, 2015
Magnet 360, LLC	Fellow subsidiary with effect from January 19, 2016
Reside, LLC	Fellow subsidiary with effect from January 19, 2016
M360 Investments, LLC	Fellow subsidiary with effect from January 19, 2016
Numerical Truth, LLC	Fellow subsidiary with effect from January 19, 2016

*Dissolved with effect from November 19, 2015.

**Application for dissolution filed on March 24, 2016.

Transactions with the above related parties during the year were:

Name of related party	Nature of transaction	For the year ended March 31,	
		2016	2015
Mindtree Limited	Software services rendered	19,232,314	18,321,536

Balances receivable from related parties are as follows:

Name of related party	As at March 31,	
	2016	2015
Mindtree Limited	1,156,100	6,170,122

Key Managerial Personnel:

Rostow Ravanan	Chairman
Jagannathan Chakravarthi	Director
Sushant Pai	Director

u

u

Mindtree Software (Shanghai) Co., Ltd.
Significant accounting policies and notes to the accounts
For the year ended March 31, 2016

3.9 Lease transactions

The Company leases office facilities under cancellable operating leases. The rental expense under cancelable operating lease during the year ended March 31, 2016 was Rs. 1,496,211 (for the year ended March 31, 2015: Rs 1,481,037).

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

As per our report of even date attached
For **Deloitte Haskins & Sells**
Chartered Accountants
Firm Registration Number: 008072S



V. Balaji
Partner
Membership Number: 203685

For **Mindtree Software (Shanghai) Co., Ltd.**



Rostow Ramanan
Chairman



Jagannathan Chakravarthi
Director



Sushanth Pai
Director

Place: Bengaluru
Date : April 18, 2016

Place: Bengaluru
Date : April 18, 2016