MindTree Limited
(formerly MindTree Consulting Limited)
Schedule 15 – Significant accounting policies and notes to the accounts
For the year ended March 31, 2008

1. Background

MindTree Limited ('MindTree' or 'the Company') [formerly 'MindTree Consulting Limited'] is an international Information Technology ("IT") consulting and implementation company that delivers business solutions through global software development. MindTree is structured into two business units that focus on software development – R&D Services and IT Services. R&D Services enables faster product realization by leveraging the expertise in the areas of hardware design, embedded software, middleware and testing and through MindTree's own IP building blocks in the areas of Bluetooth, VOIP, IVP6, iSCSI and others in datacom, telecom, wireless, storage, industrial automation, avionics, consumer products and computing. IT 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. MindTree is head quartered in Bangalore and has offices in India, United States of America, United Kingdom, Japan, Singapore, Australia, Germany, Switzerland, Sweden, UAE, Netherlands and Canada.

The Company was converted into a public limited company by a special resolution of the members passed at the Annual General Meeting held on September 27, 2006. Consequent to the change of name, a fresh certificate of incorporation was granted to the Company on November 6, 2006 by the Registrar of Companies, Karnataka.

In February 2007, the Company completed an Initial Public Offering ('IPO') of its equity shares comprising fresh issue of 5,593,300 equity shares of Rs 10 each at a price of Rs 425 per share.

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

2. Significant accounting policies

2.1. Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting and comply with the Accounting Standards prescribed by Companies (Accounting Standards) Rules, 2006, 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 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.

2.3 Fixed assets

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 Leases under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets acquired on or after April 1, 2001 are capitalised at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower. Lease payments under operating leases are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

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

2.3.4 Depreciation is provided on the straight-line method. The rates specified under schedule XIV of the Companies Act, 1956 are considered as the minimum rates. If the management's estimate of the useful life of a fixed asset at the time of the acquisition of the asset or of the remaining useful life on a subsequent review is shorter than envisaged in the aforesaid schedule, depreciation is provided at a higher rate based on the management's estimate of the useful life/remaining useful life. Pursuant to this policy, the management has estimated the useful life as under:

Asset classification	**Useful life**
Computer systems (including software)	2-3 years
Furniture and fixtures	5 years
Electrical installations	3 years
Office equipment	4 years
Motor vehicles	4 years
Building	30 years

2.3.5 Fixed assets individually costing Rs 5,000 or less are fully depreciated in the period of purchase/ installation.

2.3.6 The cost of leasehold land is amortised over the period of the lease. Leasehold improvements are amortised over the lease term or useful life, whichever is lower.

2.4 Investments

2.4.1 Long-term 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 (determined on the specific identification basis) and fair value. The comparison of cost and fair value is done separately in respect of each investment.

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

2.5 Retirement benefits

2.5.1 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 and SBI Life Insurance Company. Actuarial gains and losses are charged to the profit and loss account.

2.5.2 Leave encashment is 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.

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

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

Maintenance revenue is accrued over the period of the contract.

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.

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

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

2.7. Foreign exchange transactions

2.7.1 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. Additionally, the Company enters into interest rate and currency derivatives to minimize its interest costs.

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

2.7.3 Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rates on that date; the resultant exchange differences are recognized in the profit and loss account. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

2.7.4 Forward contracts and other similar instruments (forward exchange contracts) that are not hedges of forecasted transactions are accounted for using the guidance in Accounting Standard ('AS') 11, 'The effects of changes in foreign exchange rates'. For such forward exchange contracts covered by AS 11, based on the nature and purpose of the contract, either the contracts are recorded based on the forward rate/fair value at the reporting date, or based on the spot exchange rate on the reporting date. For contracts recorded at the spot exchange rates, the premium or discount at the inception is amortized as income or expense over the life of the contract.

2.7.5 For forward exchange contracts and other derivatives that are not covered by AS-11, the Company follows the guidance in the Announcement of the ICAI dated March 29, 2008 whereby for each category of derivatives, the Company records any net mark-to-market losses. Net mark-to-market gains are not recorded for such derivatives.

2.8. Warranties

Warranty costs are estimated by the management on the basis of technical evaluation and past experience. Provision is made for estimated liability in respect of warranty costs in the year of recognition of revenue.

2.9 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.

2.10 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 year in which the timing difference originate. For this purpose the timing differences which originate first are considered to reverse first. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, when there is a brought forward loss or unabsorbed depreciation under taxation laws, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written up to reflect the amount that is reasonably/virtually certain to be realised.

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.

2.11 Fringe benefit tax

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

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

2.12 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 year. The number of equity shares used in computing diluted earnings per share comprises weighted average number of equity shares considered for deriving basic earnings per share and also weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares.

2.13 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 profit and loss account. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of asset does not exceed the net book value that would have been determined; if no impairment loss had been recognized.

2.14 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. Warrants

In December 2003, the Company entered into an agreement with an overseas customer whereby warrants were issued to the customer. The warrants could be converted into equity share at an exercise price of Rs 2 per share, subject to regulatory provisions relating to pricing of shares issued to overseas persons. The customer could convert these warrants into equity shares based on revenues provided by the customer during the defined period and on fulfilling the conditions specified in the agreement.

On November 16, 2006, the customer converted these warrants into 1,240,017 equity shares of Rs 2 each at a premium of Rs 4.71 per share pursuant to an agreement entered into with the Company.

4. On November 16, 2006, 31,695,237 equity shares outstanding of Rs 2 each have been consolidated into 6,339,047 equity shares of Rs 10 each and subsequently 25,356,190 bonus shares of Rs 10 each have been issued in the ratio of 4 bonus shares for every 1 share held by capitalization of securities premium, as approved by shareholders in the Extra Ordinary General Meeting on November 16, 2006.

5. Purchase of business

On December 17, 2007, the Company acquired 100% of the outstanding equity shares of TES PV Electronic Solutions Private Limited ('TES PV'), which was subsequently renamed as MindTree Technologies Private Limited. The total consideration for the acquisition was Rs 259,718,592 (equivalent to USD 6.55 million) including direct costs of acquisition amounting to Rs 1,762,093. Subsequent to the acquisition, TES PV has become a fully owned subsidiary of MindTree.

6. 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 five stock option programs.

Program 1 [ESOP 1999]

Options under this program have been granted to employees at an exercise price of Rs 2 per option. In conjunction with the consolidation and subsequent issue of bonus shares, the Company increased the exercise price of the options outstanding as at December 31, 2006 (to the revised par value of the underlying equity shares), to comply with the regulatory requirements. The modifications did not increase the value of the options for the employee, and accordingly did not result in an accounting consequence. All stock options have a four-year vesting term and vest at the rate of 15%, 20%, 30% and 35% at the end of 1, 2, 3 and 4 years respectively from the date of grant and become fully exercisable. Each option is entitled to 1 equity share of Rs 10 each. This program extends to employees who have joined on or before September 30, 2001 or have been issued employment offer letters on or before August 7, 2001. This plan was terminated on September 30, 2001. The contractual life of each option is 11 years after the date of grant.

Outstanding options as at April 1, 2007	96,639
Granted during the year	-
Exercised during the year	54,700
Lapsed during the year	2,400
Forfeited during the year	-
Outstanding options as at March 31, 2008	39,539

Program 2 [ESOP 2001]

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

Outstanding options as at April 1, 2007	486,900
Granted during the year	-
Exercised during the year	84,984
Lapsed during the year	12,027
Forfeited during the year	27,263
Outstanding options as at March 31, 2008	362,626

Program 3 [ESOP 2006 (a)]

Options under this program have been granted to employees at an exercise price of Rs 250 per option. All stock options have a four-year vesting term and vest at the rate of 15%, 20%, 30% and 35% at the end of 1, 2, 3 and 4 years respectively from the date of grant and become fully exercisable. Each option is entitled to 1 equity share of Rs 10 each. This program extends to employees to whom the options are granted on or after May 1, 2006. This plan was terminated on October 25, 2006. The contractual life of each option is 5 years after the date of grant.

Outstanding options as at April 1, 2007	366,500
Granted during the year	-
Exercised during the year	10,227
Lapsed during the year	4,020
Forfeited during the year	49,690
Outstanding options as at March 31, 2008	302,563

Program 4 [ESOP 2006 (b)]

Options under this program are granted to employees at an exercise price periodically determined by the Compensation Committee. All stock options have a four-year vesting term and vest at the rate of 15%, 20%, 30% and 35% at the end of 1, 2, 3 and 4 years respectively from the date of grant and become fully exercisable. Each option is entitled to 1 equity share of Rs 10 each. This program extends to employees to whom the options are granted on or after October 25, 2006. The contractual life of each option is 5 years after the date of grant.

Outstanding options as at April 1, 2007	1,339,350
Granted during the year	1,667,500
Exercised during the year	14,740
Lapsed during the year	2,570
Forfeited during the year	178,770
Outstanding options as at March 31, 2008	2,810,770

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

Options under this program have been granted to independent directors at an exercise price of Rs 300 per option. All stock options vest equally over three year vesting term at the end of 1, 2 and 3 years respectively from the date of the grant and become fully exercisable. Each option is entitled to 1 equity share of Rs10 each. The contractual life of each option is 4 years after the date of the grant.

Outstanding options as at April 1, 2007	70,000
Granted during the year	-
Exercised during the year	3,330
Lapsed during the year	-
Forfeited during the year	-
Outstanding options as at March 31, 2008	66,670

The weighted average exercise price is Rs 10 under program 1, Rs 50 under program 2, Rs 250 under program 3, Rs 329.44 under program 4 and Rs 300 under DSOP 2006.

The weighted average excercise price for stock options exercised during year ended March 31, 2008 was Rs 76.18. The options outstanding at March 31, 2008 had a weighted average exercise price of Rs 290.26 and a weighted average remaining contractual life of 4.49 years.

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

Had compensation been determined under the fair value approach described in the guidance note on, "Accounting for employee share based payments", the Company's net profit and basic and diluted earnings per share would have reduced to the proforma amounts as indicated:

Amount in Rs.

	Year ended March 31, 2008	**Year ended March 31, 2007**
Net profit as reported	1,041,792,283	900,522,971
Add: Stock-based employee compensation expense (intrinsic value method)	19,193,756	12,211,803
Less: Stock-based employee compensation expense (fair value method)	79,179,869	38,090,174
Pro forma net profit	981,806,170	874,644,600
Basic earnings per share as reported	27.69	28.98
Pro forma basic earnings per share	26.09	28.15
Diluted earnings per share as reported	26.75	27.70
Pro forma diluted earnings per share	25.36	26.94

The weighted average fair value of each option granted during the year ended March 31, 2008, estimated on the date of grant was Rs 142.32 using the Black-Scholes model with the following assumptions:

Grant date share price	Rs 335 & 459.15
Exercise price	Rs 335 & 460
Dividend yield%	0.22 - 0.33%
Expected life	3-5 years
Risk free interest rate	6.70 - 7.81%
Volatility	29% - 40%

The Company has established a Trust ('MindTree Benefit Trust'), which may at its discretion, repurchase shares from the employees, when an employee leaves the Company. This is facilitated through a loan to the Trust from the Company. Under certain circumstances, the shares repurchased by Trust, are issued to the employees of the Company. As at March 31, 2008, outstanding shares held by the trust were 189,110.

7. Provision for taxation

The Company's profits from export of software and related activities are fully deductible from taxable income. Further, the unit of the Company at Bangalore is registered as a 100 percent Export Oriented Unit, which is entitled to a tax holiday period of ten years from the date of commencement of commercial operations under Section 10B of the Income Tax Act, 1961.

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

Amounts in Rs.

Particulars	As at March 31, 2008	As at March 31, 2007
Excess of depreciation as per books over depreciation allowed under Income Tax Act	45,102,442	46,355,361
Provision for doubtful debts	44,746,709	-
Total deferred tax assets	**89,849,151**	**46,355,361**

8. Contingent liabilities and commitments

a) Guarantees given by Company's bankers as at March 31, 2008 are Rs 43,317,454 (previous year- Rs 24,267,492).

b) Estimated amount of contracts remaining to be executed on capital account and not provided for as at March 31, 2008 is Rs 160,583,022 (previous year - Rs 695,007,234).

c) On 19 September 2007, the Company received a notice from the Honorable High court of Karnataka to appear before the Honorable court in respect of assessment of income for A.Y 2001-02. The Assessing Officer ('AO') has held that interest receipts are not eligible for deduction under section 10B of the Act even though they are business income and disallowed the same. Further AO also mentioned that losses from export earnings cannot be set off against other income. The AO also rejected the claim of carry forward of business loss and unabsorbed depreciation. The order of the

AO was not upheld by ITAT and the AO preferred an appeal with the Honorable High court of Karnataka against the order of the ITAT. Management believes that the position taken by it on the matter is tenable and hence, no adjustment has been made to the financial statements for the year ended March 31, 2008.

d) On January 2, 2008, MindTree has received an assessment order for A.Y 2005-06 from the AO with a demand amounting to Rs. 6,479,880 on account of certain disallowances / adjustments made by income tax department. A significant portion of this amount arises from manner of adjustment of brought forward losses in arriving at the taxable profits of the Company. Management believes that the position taken by it on the matter is tenable and hence, no adjustment has been made to the financial statements for the year ended March 31, 2008. The Company has filed an appeal against the demand received.

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 3 and 4C of Part II of the Schedule VI to the Companies Act, 1956.

10. Value of imports on CIF basis

		Amounts in Rs
	For the year ended March 31, 2008	**For the year ended March 31, 2007**
Capital goods	234,216,056	157,090,354
Others	21,603,895	8,406,183
Total	**255,819,951**	**165,496,537**

11. Expenditure in foreign currency (accrual basis)

		Amounts in Rs
	For the year ended March 31, 2008	**For the year ended March 31, 2007**
Travel expenses	314,547,915	213,707,629
Professional charges	8,685,556	19,553,901
Branch office expenses	1,890,698,276	1,623,155,864
Others	23,461,484	51,145,906
Total	**2,237,393,231**	**1,907,563,300**

12. Earnings in foreign currency (accrual basis)

		Amounts in Rs
	For the year ended March 31, 2008	**For the year ended March 31, 2007**
Income from software development	6,830,586,387	5,534,426,308
Interest income	441,867	304,325
Other income	-	479,787
	6,831,028,254	**5,535,210,420**

13. Management has initiated the process of identifying enterprises which have provided goods and services to the Company and which qualify under the definition of micro and small enterprises, as defined under Micro, Small and Medium Enterprises Development Act, 2006 and circularized the letters for this purpose. However, management has not yet received response from any of the enterprises as at March 31, 2008. Accordingly, the disclosures in respect of the amounts payable to such medium and small enterprises as at March 31, 2008 have not been made in the financials statements. In the view of the management, the impact of interest, if any, that may be payable in accordance with the provisions of the Act is not expected to be material.

14. Auditor's remuneration

Amounts in Rs.

Particulars	**For the year ended March 31, 2008**	**For the year ended March 31, 2007**
Audit fees	4,865,524	8,421,960*
Tax audit fee	177,681	168,540
Other services	-	224,720
Reimbursement of expenses	90,695	121,687*

* Audit fees and reimbursement of expenses include Rs. 4,714,080 and Rs. 85,669 towards share issue expenses for audit in connection with issue of equity shares of the Company which has been offset against the balance available in the securities premium account.

15. Segmental reporting

The Company's operations predominantly relate to providing IT services in two primary business segments viz. IT Services and R&D Services. 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

Amounts in Rs.

Profit and Loss statement for the year ended March 31, 2008	R&D Services	IT Services	Total
Revenues	1,608,738,059	5,729,657,397	7,338,395,456
Operating expenses, net	1,424,952,076	4,651,292,533	6,076,244,609
Segmental operating income	**183,785,983**	**1,078,364,864**	**1,262,150,847**
Unallocable expenses			353,567,060
Profit for the period before interest			**908,583,787**
Interest expense			58,948,643
Other income			277,618,941
Net profit before taxes			**1,127,254,085**
Income taxes			85,461,802
Net profit after taxes			**1,041,792,283**

Profit and Loss statement for the year ended March 31, 2007	R&D Services	IT Services	Total
Revenues	1,444,629,293	4,458,894,575	5,903,523,868
Operating expenses, net	1,190,620,187	3,588,521,661	4,779,141,848
Segmental operating income	**254,009,106**	**870,372,914**	**1,124,382,020**
Unallocable expenses			272,381,076
Profit for the period before interest			**852,000,944**
Interest expense			29,987,696
Other income			73,647,603
Net profit before taxes			**895,660,851**
Income taxes			(4,862,120)
Net profit after taxes			**900,522,971**

Geographical segments

Amounts in Rs.

Revenues	Year ended March 31, 2008	Year ended March 31, 2007
America	4,844,040,680	3,734,733,310
Europe	1,348,610,633	1,306,393,578
India	420,941,397	304,729,375
Rest of World	724,802,746	557,667,605
Total	**7,338,395,456**	**5,903,523,868**

16. Related party transactions

Name of Related Party	Relationship
MindTree Benefit Trust	The Trust is effectively controlled by the Company
MindTree Technologies Private Limited	100% Subsidiary

Transactions with the above related parties during the period were:

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Name of Related Party	Nature of Transaction	March 31, 2008	March 31, 2007
MindTree Benefit Trust	Loans given/ (repaid)	Nil	(5,356,600)
MindTree Technologies Private Limited	Advance given	8,620,889	Nil
MindTree Technologies Private Limited	Sub contracting services received	6,006,269	Nil

Balances receivable from related parties are as follows:

Name of Related Party	March 31, 2008	March 31, 2007
MindTree Benefit Trust	Nil	Nil
MindTree Technologies Private Limited	2,614,620	Nil

Key managerial personnel:

Ashok Soota	Chairman and Managing Director
Subroto Bagchi	Chief Operating Officer
N Krishnakumar	President and CEO, IT services
S Janakiraman	President and CEO, R&D services
Dr. Albert Hieranimous	Non executive Director
George M. Scalise	Non executive Director
Mark A. Runacres	Non executive Director
N. Vittal	Non executive Director
R. Srinivasan	Non executive Director

Remuneration paid to key managerial personnel amounts to Rs. 30,484,619 (Rs 18,820,257 for previous year ended March 31, 2007). Advances due from directors in the nature of travel and business expense advances as at March 31, 2008 amounted to Rs 782,221 (Rs1,410,650 for previous year ended March 31, 2007).

17. Computation of net profit in accordance with section 198 and with section 349 of the Companies Act, 1956

Amount in Rs.

Particulars	**For the year ended March 31, 2008**
Profit before taxation	1,127,254,085
Add: Depreciation as per accounts	349,339,406
Managerial remuneration	22,313,329
Provision for doubtful debts/advances	15,055,125
Less: Depreciation as per Section 350*	349,339,406
Bad debts written off	-
Profit on sale of investments	25,277,357
Net profit for section 198 of the Companies Act, 1956	**1,139,345,182**
Managerial remuneration comprises of:**	
Salaries and allowances	14,599,764
Contribution to provident fund	240,234
Perquisites	275,331
Directors’ sitting fees	1,200,000
Commission to non-executive Directors	5,998,000
Total	**22,313,329**

* The Company depreciates the fixed assets based on the estimated useful lives that are lower than those implicit in Schedule XIV of the Companies Act 1956. Accordingly the rates of the depreciation used by the Company are higher than the minimum prescribed by the Schedule XIV

**Stock compensation cost amounting to Rs 1,190,000 has not been considered in the managerial remuneration computation.

The above excludes gratuity and leave encashment payable which cannot be separately identified from the composite amount advised by the actuary.

18. Lease transactions

All assets leased on a 'finance lease' basis on or after April 1, 2001 are capitalized in the books of the Company with a corresponding liability recognising future liability on these leases. The Company has acquired certain vehicles on finance lease. The legal title to these vehicles under finance lease vests in the lessors.

The total minimum lease payments at the balance sheet date, element of interest included in such payments, and present value of minimum lease payments are as follows:

		Amount in Rs
	As at March 31, 2008	As at March 31, 2007
(a) Total minimum lease payments	37,240,501	47,607,360
(b) Future interest included in (a) above	4,840,046	5,976,041
(c) Present value of minimum lease payments [(a)- (b)]	32,400,455	41,631,319

The maturity profile of finance lease obligations is as follows:

Period	Minimum lease payments	Present value
Payable not later than one year	15,871,885	13,225,317
Payable later than one year and not later than five years	21,368,616	19,175,127

Finance charges during the year on such finance leases as mentioned above are Rs 4,033,871 (previous year-Rs 3,367,292) which is included under 'Interest on short term credit / finance charges'.

Lease rental expense under non-cancelable operating lease during the year amounted to Rs 29,428,480 (previous year-Rs 60,722,766). Future minimum lease payments under non-cancelable operating lease as at March 31, 2008 is as below:

Minimum lease payments	Amounts in Rs
Payable -- Not later than one year	49,033,749
Payable -- Later than one year and not later than five years	42,410,503

Additionally, the Company leases office facilities and residential facilities under cancelable operating leases. The rental expense under cancelable operating lease during the period was Rs 134,897,700 (previous year-Rs 156,566,315).

Rental income from sub-lease of office facilities during the year was Rs 573,865 (previous year- Rs 19,459,656) which is included in miscellaneous income.

19. Earnings per share

The computation of earnings per share is set out below:

Amount in Rs.

	For the year ended March 31, 2008		For the year ended March 31, 2007	
Particulars	**Basic EPS**	**Diluted EPS**	**Basic EPS**	**Diluted EPS**
Profit after tax	**1,041,792,283**		**900,522,971**	
Shares				
Weighted average number of equity shares outstanding during the year	37,625,112	37,625,112	31,069,696	31,069,696
Weighted average number of equity shares resulting from assumed exercise of employee stock options	-	1,323,603	-	1,442,510
Weighted average number of equity shares for calculation of earnings per share	37,625,112	38,948,715	31,069,696	32,512,206

As per the Guidance note (issued in January 2005) on Accounting for Employee Share Based Payments by the ICAI, 189,110 (previous year-357,707), weighted average number of shares held by MindTree Benefit Trust have been reduced from the equity shares outstanding for computing basic and diluted earnings per share for the year ended March 31, 2008. Equity shares issuable pursuant to the warrant agreement with the customer are considered outstanding and included in the computation of basic and diluted earnings per share to the extent that conditions specified in the agreement are met.

Consequent to consolidation of shares and subsequent issue of bonus shares as explained in Note 4, the number of equity shares outstanding before the said event is adjusted for the proportionate change in the number of equity shares outstanding, as if the event had occurred at the beginning of the earliest period reported.

20. The disclosure of provisions movement as required under the provisions of Accounting Standard – 29 'Provisions, Contingent Liabilities and Contingent Assets' is as follows:-

Provision for warranty

Amount in Rs.

Particulars	**For the year ended March 31, 2008**	**For the year ended March 31, 2007**
Balance as at beginning of the year	20,909,554	16,710,981
Provisions made during the year	-	4,198,573
Utilisations during the year	-	-
Released during the year	(10,429,494)	-
Provision as at the end of the year	10,480,060	20,909,554

Provision for discount

Amount in Rs.

Particulars	For the year ended March 31, 2008	For the year ended March 31, 2007
Balance as at beginning of the year	53,992,168	34,033,902
Provisions made during the year	8,166,890	19,958,266
Utilisations during the year	(17,175,517)	-
Released during the year	-	-
Provision as at the end of the year	44,983,541	53,992,168

21. Statement of utilisation of IPO funds as of March 31, 2008

Particulars	Amount in Rs
Amount raised through IPO	2,377,152,500
Share issue expenses paid	188,717,404
Net proceeds	**2,188,435,096**
Deployment	
Repayment of debts	113,750,000
Utilization for Chennai facility expansion	812,542,615
Investment in fixed deposits with banks	309,940,062
Short term investments in mutual funds pending utilization	952,202,419

22. Gratuity plan

Effective April 1, 2006 the Company adopted the revised accounting standard on employee benefits. Pursuant to the adoption, there are no transitional obligations of the Company.
The following table set out the status of the gratuity plan as required under AS 15 (revised).

Amount in Rs.

Particulars	As at March 31, 2008 (Rs)	As at March 31, 2007 (Rs)
Obligations at beginning of the year	69,954,568	45,996,519
Service cost	31,412,987	23,762,574
Interest cost	5,596,365	3,679,722
Benefits settled	(2,872,232)	(1,462,535)
Actuarial (gain)/loss	(321,683)	(2,021,712)
Obligations at end of the year	**103,770,005**	**69,954,568**
Change in plan assets		
Plans assets at beginning of the year , at fair value	65,908,422	45,996,519
Expected return on plan assets	5,928,278	3,679,722
Actuarial gain/(loss)	2,623,518	(180,030)
Contributions	19,000,000	17,874,746
Benefits settled (estimated)	(2,872,232)	(1,462,535)
Plans assets at end of the year , at fair value	**90,587,986**	**65,908,422**

Reconciliation of present value of the obligation and the fair value of the plan assets		
Fair value of plan assets at the end of the year	90,587,986	65,908,422
Present value of the defined benefit obligations at the end of the year	103,770,005	69,954,568
Asset/(liability)recognized in the balance sheet	**(13,182,019)**	**(4,046,146)**
Gratuity cost for the year		
Service cost	31,412,987	23,762,574
Interest cost	5,596,365	3,679,722
Expected return on plan assets	(5,321,237)	(3,679,722)
Actuarial (gain)/loss	(2,945,201)	(1,841,682)
Net gratuity cost	**28,742,914**	**21,920,892**
Assumptions		
Interest rate	8.00%	8.00%
Expected rate of return on plan assets	8.00%	8.00%
Expected rate of salary increase	8.00%	8.00%
Salary increase	8.50%	8.00%
Attrition rate	12.50%	10.00%
Retirement age	60	60

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

23. Derivatives

Forward contracts

As at March 31, 2008, the Company had outstanding forward contracts amounting to USD 44.4 million (previous year USD 14 million) and CHF 22 million (previous year NIL). Of the above amount, forward contracts to the extent of USD 10 million (previous year USD 8 million) have underlying foreign currency debtors and to the extent of USD 0.4 million (previous year NIL) have underlying foreign currency creditors. Forward contracts of USD 34.0 million (previous year USD 6 million) are in respect of highly probable forecasted transactions. The unamortized premium on these contracts as at March 31, 2008 is Rs 18.25 million (previous year- Rs 2.67 million).

Options

As at March 31, 2008, the Company had outstanding options amounting to USD 160.50 million (previous year USD 9.5 million) and GBP 0.30 million (previous year NIL). Of the above amount, options to the extent of USD 13.2 million (previous year USD 5 million) have underlying foreign currency debtors and the remaining options are in respect of highly probable forecasted transactions.

Currency and interest rate swaps

As at March 31, 2008 the Company had entered into currency and interest rate swap arrangements to the extent of Rs. 736.55 million (previous year- Rs 57.44 million).

24. Prior period comparatives

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

For MindTree Limited
(formerly MindTree Consulting Limited)

Ashok Soota Chairman & Managing Director	Subroto Bagchi Director
Rostow Ravanan Chief Financial Officer	Usha T N Company Secretary