

MINDTREE CONSULTING LIMITED

Schedule 15 – Significant accounting policies and notes to the accounts

For the quarter ended June 30, 2007

1. Background

MindTree Consulting Limited ('MindTree Consulting' or 'the Company') [formerly 'MindTree Consulting Private Limited'] is an international Information Technology ("IT") consulting and implementation company that delivers business solutions through global software development. MindTree Consulting 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 ebusiness, 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 and UAE.

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 issued by 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 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. Where fixed assets have been acquired from a country outside India, the cost of fixed assets also includes the exchange differences (favourable and unfavourable) arising in respect of foreign currency loans or other liabilities incurred specifically for the purpose of their acquisition or construction.

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 1 April 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

MINDTREE CONSULTING LIMITED

Schedule 15 – Significant accounting policies and notes to the accounts (Continued)

For the quarter ended June 30, 2007

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 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 the Life Insurance Corporation of India ('LIC') and ICICI Prudential Life Insurance Company. Actuarial gains and losses are charged to the profit and loss account.

MINDTREE CONSULTING LIMITED

Schedule 15 – Significant accounting policies and notes to the accounts (Continued)

For the quarter ended June 30, 2007

- 2.5.2 Leave encashment is an other 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 person hours of work performed to date to the estimated total person hours 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, except for exchange differences arising on restatement of foreign currency loans or liability for acquiring fixed assets from a country outside India, which are adjusted in the carrying amount of such fixed assets.
- 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 except those related to acquisition of fixed assets from a country outside India, which are adjusted in the carrying amount of the related fixed assets. Non-

MINDTREE CONSULTING LIMITED

Schedule 15 – Significant accounting policies and notes to the accounts (Continued)

For the quarter ended June 30, 2007

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 In respect of forward contracts and other derivatives that are designated as hedges of highly probable forecasted transactions, the ICAI has clarified that AS 11, the Effect of changes on foreign exchange rates, amended with effect from April 1, 2004, is not currently applicable to exchange differences arising from such instruments. Accordingly, such exchange differences are recorded in the period of settlement. The premium or discount on such contracts is amortized over the life of the contract in accordance with AS 11 (revised).
- 2.7.5 In respect of forward contracts and other derivatives that relate to foreign currency assets at the balance sheet date, the proportionate premium/ discount is recognized in the profit and loss account. The exchange difference measured by the change in exchange rate between the inception dates of the contract and the balance sheet date is recognized in the profit and loss account.
- 2.7.6 Net cash flows under interest rate derivative contracts are accounted for on an accrual basis.

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

MINDTREE CONSULTING LIMITED

Schedule 15 – Significant accounting policies and notes to the accounts (Continued)

For the quarter ended June 30, 2007

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 1 April 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.

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

2.13 Goodwill

Goodwill has been recorded to the extent the cost of acquisition of the business, comprising purchase consideration and transaction costs, exceeds the value of net assets acquired. Goodwill is amortized over its useful life, as assessed at each period end.

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 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.

2.15 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.

MINDTREE CONSULTING LIMITED

Schedule 15 – Significant accounting policies and notes to the accounts (Continued)

For the quarter ended June 30, 2007

3. Warrants

In December 2003, the Company entered into an agreement with an overseas customer whereby warrants have been issued to the customer. The warrants can 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 a settlement 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. 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

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	-
Lapsed during the year	-
Forfeited during the year	-
Outstanding options as at June 30, 2007	96,639

MINDTREE CONSULTING LIMITED**Schedule 15 – Significant accounting policies and notes to the accounts (Continued)***For the quarter ended June 30, 2007****Program 2***

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	-
Lapsed during the year	-
Forfeited during the year	6,050
Outstanding options as at June 30, 2007	480,850

Program 3

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	-
Lapsed during the year	-
Forfeited during the year	13,125
Outstanding options as at June 30, 2007	353,375

Program 4

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	-
Exercised during the year	-
Lapsed during the year	-
Forfeited during the year	30,550
Outstanding options as at June 30, 2007	1,308,800

MINDTREE CONSULTING LIMITED**Schedule 15 – Significant accounting policies and notes to the accounts (Continued)***For the quarter ended June 30, 2007***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 Rs.10 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	-
Lapsed during the year	-
Forfeited during the year	-
Outstanding options as at June 30, 2007	70,000

The weighted average exercise price is Rs 10 under program 1, Rs 50 under program 2, Rs 250 under program 3, Rs 315.59 under program 4 and Rs.300 under DSOP 2006.

The weighted average share price for stock options exercised during the quarter was Rs. NIL, since no stock options were exercised during the quarter ended June 30, 2007. The options outstanding at June 30, 2007 had a weighted average exercise price of Rs 237 and a weighted average remaining contractual life of 5 years.

The guidance note on "Accounting for employee share based payments" issued by ICAI establishes financial accounting and reporting principles for employee share based payment plans. The guidance note applies to employee share based payment plans, the grant date in respect of which falls on or after April 1, 2005. Accordingly, the Company has recorded compensation cost for all grants made during the quarter ended June 30, 2007 by the intrinsic value-based method of accounting.

Had compensation been determined under the fair value approach described in the guidance note, the Company's net income and basic and diluted earnings per share would have reduced to the proforma amounts as indicated:

	Quarter ended June 30, 2007	Quarter ended June 30, 2006	Year ended March 31, 2007
Net income as reported	206,002,726	242,452,294	900,522,971
Add: Stock-based employee compensation expense (intrinsic value method)	6,391,034	392,410	12,211,803
Less: Stock-based employee compensation expense (fair value method)	19,725,207	1,472,044	38,090,174
Proforma net income	192,668,553	241,372,660	874,644,600
Basic earnings per share as reported	5.48	8.20	28.98
Proforma basic earnings per share	5.13	8.17	28.15
Diluted earnings per share as reported	5.26	7.72	27.70
Proforma diluted earnings per share	4.92	7.69	26.90

MINDTREE CONSULTING LIMITED**Schedule 15 – Significant accounting policies and notes to the accounts (Continued)***For the quarter ended June 30, 2007*

The weighted average fair value of each option granted during the quarter ended June 30, 2007, estimated on the date of grant was Rs NIL using the Black-Scholes model with the following assumptions:

Grant date share price	Rs.250-425
Exercise price	Rs.250-419
Dividend yield%	0.24-0.33%
Expected life	3-5 years
Risk free interest rate	6.49 -7.96%
Volatility (since unlisted when the grants were made)	0%

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.

Outstanding shares as at April 1, 2007	180,265
Sale during the year	-
Repurchased during the year	-
Outstanding shares as at June 30, 2007	180,265

6. 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 assets recognized are on account of timing differences in respect of fixed assets, which reverse after the tax holiday period amounting to Rs 47,215,597 (previous year-Rs.46,355,361).

7. Contingent liabilities and commitments

- a) Guarantees given by Company's bankers as at June 30, 2007 is Rs 24,102,493 (previous year- Rs 24,267,492).
- b) Estimated amount of contracts remaining to be executed on capital account and not provided for as at June 30, 2007 is Rs 728,864,558 (previous year -Rs 695,007,234).

8. 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.

MINDTREE CONSULTING LIMITED**Schedule 15 – Significant accounting policies and notes to the accounts (Continued)***For the quarter ended June 30, 2007***9. Dues to small scale industries**

There were no amounts due from the Company to Small Scale Industries as at June 30, 2007. (previous year – Rs Nil)

10. 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 is 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

Profit and Loss statement for the year ended June 30, 2007	R&D Services	IT Services	Total
Revenues	361,456,897	1,253,558,769	1,615,015,666
Operating expenses, net	345,395,103	1,012,223,831	1,357,618,934
Segmental operating income	16,061,794	241,334,938	257,396,732
Unallocable expenses			80,521,990
Profit for the period before interest			176,874,742
Interest expense			9,423,414
Other income			62,434,598
Net profit before taxes			229,885,926
Income taxes			23,883,200
Net profit after taxes			206,002,726

MINDTREE CONSULTING LIMITED**Schedule 15 – Significant accounting policies and notes to the accounts (Continued)***For the quarter ended June 30, 2007*

Profit and Loss statement for the year ended June 30, 2006	R&D Services	IT Services	Total
Revenues	328,353,637	1,004,455,209	1,332,808,847
Operating expenses, net	250,020,299	784,609,123	1,034,629,422
Segmental operating income	78,333,338	219,846,086	298,179,424
Unallocable expenses			59,435,186
Profit for the period before interest			238,744,238
Interest expense			8,603,536
Other income			23,414,068
Net profit before taxes			253,554,771
Income taxes			11,102,476
Net profit after taxes			242,452,294

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

Revenues	Quarter ended June 30, 2007	Quarter ended June 30, 2006	Year ended March 31, 2007
	Rs	Rs	Rs
America	1,129,014,643	835,097,039	3,734,733,310
Europe	267,391,706	313,654,765	1,306,393,578
India	69,367,449	77,877,633	304,729,375
Rest of World	149,241,868	106,179,410	557,667,605
Total	1,615,015,666	1,332,808,847	5,903,523,868

11. Related party transactions

Name of Related Party	Relationship
MindTree Benefit Trust	The Trust is effectively controlled by the Company
Linc Software Inc., USA (Dissolved as of September 30, 2005)	100% subsidiary of MindTree Software Services Private Limited.

MINDTREE CONSULTING LIMITED**Schedule 15 – Significant accounting policies and notes to the accounts (Continued)***For the quarter ended June 30, 2007**Transactions with the above related parties during the period were:*

Name of Related Party	Nature of Transaction	of	Quarter ended June 30, 2007	June 2006	30, March 2007	31,
MindTree Benefit Trust	Loans (Repaid)	Given/	Nil	3,100,000	(5,356,600)	
Linc Software Inc	Advances received (net)		Nil	Nil	Nil	
Linc Software Inc	Software services billed		Nil	Nil	Nil	

Balances receivable from related parties are as follows:

Name of Related Party	June 30, 2007	June 30, 2006	March 31, 2007
MindTree Benefit Trust	Nil	8,456,600	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

Managerial remuneration paid to key managerial personnel amounts to Rs 8,165,989 (Rs.5,714,497 for quarter ended June 30, 2006*) (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 June 30, 2007 amounted to Rs 1,251,711 (Rs.317,331 for quarter ended June 30, 2006) (Rs.1,410,650 for previous year ended March 31, 2007).

* Key Managerial Personnel as at June 30, 2006.

MINDTREE CONSULTING LIMITED**Schedule 15 – Significant accounting policies and notes to the accounts (Continued)***For the quarter ended June 30, 2007***12. Earnings per share****The computation of earnings per share is set out below:**

Particulars	For the quarter ended June 30, 2007		For the year ended March 31, 2007	
	Basic EPS	Diluted EPS	Basic EPS	Diluted EPS
Profit after tax	206,002,726		900,522,971	
Shares				
Weighted average number of equity shares outstanding during the period	37,572,312	37,572,312	31,069,696	31,069,696
Weighted average number of equity shares resulting from assumed exercise of employee stock options	-	1,581,549	-	1,442,510
Weighted average number of equity shares resulting from conversion of convertible preference shares	-	-	-	-
Weighted average number of equity shares for calculation of earnings per share	37,572,312	39,153,861	31,069,696	32,512,206

Particulars	For the quarter ended June 30, 2006	
	Basic EPS	Diluted EPS
Profit after tax	242,452,294	
Shares		
Weighted average number of equity shares outstanding during the period	29,553,508	29,553,508
Weighted average number of equity shares resulting from assumed exercise of employee stock options	-	1,843,873
Weighted average number of equity shares resulting from conversion of convertible preference shares	-	-
Weighted average number of equity shares for calculation of earnings per share	29,553,508	31,397,381

As per the Guidance note (issued in January 2005) on Accounting for Employee Share Based Payments by the ICAI, 180,265 (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 June 30, 2007. 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.

MINDTREE CONSULTING LIMITED**Schedule 15 – Significant accounting policies and notes to the accounts (Continued)***For the quarter ended June 30, 2007*

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.

13. Statement of utilisation of IPO funds as of June 30, 2007

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
Investment in fixed deposits with banks	401,255,738
Short term investments in mutual funds pending utilization	1,646,841,553
Balance in bank account (unutilized)	26,587,805

14. Derivatives**Forward contracts**

As at June, 30, 2007, the Company had outstanding forward contracts amounting to USD 9 million. Of the above amount, forward contracts to the extent of USD 4 million have underlying foreign currency debtors and remaining forward contracts of USD 5 million are in respect of highly probable forecasted transactions (previous year USD 6 million). The unamortized premium on these contracts as at June 30, 2007 is Rs 3.58 million (previous year- Rs 2.67 million).

Options

As at June 30, 2007, the Company had outstanding options amounting to USD 60 million. Of the above amount, options to the extent of USD 2.5 million have underlying foreign currency debtors, USD Nil million have underlying foreign currency creditors and remaining options of USD 57.5 million are in respect of highly probable forecasted transactions.

Currency and interest rate swaps

As at June 30, 2007, the Company had entered into currency and interest rate swap arrangements to the extent of Rs.752.22 million (previous year- Rs 57.44 million). Exchange gain of Rs.8,909,062 (previous year- exchange gain Rs.1,634,795) has been recognized in the profit and loss account in accordance with the accounting policy of the Company.

15. Prior period comparatives

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