



MindTree Consulting Ltd.
Annual Report 2006-07



MindTree Consulting Limited

Board of Directors

Ashok Soota - *Chairman & Managing Director*
Dr. Albert Hieronimus - *Independent Director*
George M Scalise - *Independent Director*
Lip-Bu Tan - *Non-Executive Director*
Mark A Runacres - *Independent Director*
Siddhartha V G - *Non-Executive Director*
Srinivasan R - *Independent Director*
Subroto Bagchi - *Director & Chief Operating Officer*
Vivek Kalra - *Non-Executive Director*
Vittal N - *Independent Director*

Audit Committee

Vittal N - *Chairman*
Dr. Albert Hieronimus - *Member*
Siddhartha V G - *Member*
Srinivasan R - *Member*

Investor Grievances Committee

Dr. Albert Hieronimus - *Chairman*
Subroto Bagchi - *Member*

Compensation Committee

Mark A Runacres - *Chairman*
Lip-Bu Tan - *Member*
Srinivasan R - *Member*

Technology Committee

Lip-Bu Tan - *Chairman*
George M Scalise - *Member*
Vivek Kalra - *Member*

Business Heads

Krishnakumar N - *President & CEO - IT Services*
Janakiraman S - *President & CEO - R&D Services*

Company Secretary

Rostow Ravanan - *Chief Financial Officer & Company Secretary*

Auditors

BSR & Associates

Bankers

Hongkong & Shanghai Banking Corporation Limited
ICICI Bank Limited
Oriental Bank of Commerce
Standard Chartered Bank

Solicitors

Udwadia & Udeshi





Annual Report 2006-07

Illustrations by Children with Cerebral Palsy
from the Spastics Society of Karnataka



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The Mind is an Amazing Thing

What, you may ask, is the story of cerebral palsy doing in the Annual Report of an IT and R&D services company?

Our association with the cause of cerebral palsy, through our friendship with the Spastics Society of Karnataka, is as old as your company and we owe you the story of that association. It goes far beyond corporate social responsibility. As Chairman & Managing Director Ashok Soota says later in this report to you, the Spastics Society of Karnataka is a "partner" to us. Through this report, we bring you into our joyous relationship with them for another special reason. The reason is simple: 70 million Indians live with some form of serious disability. Disabled individuals do not need our sympathy or charity: they need understanding, engagement and respect. MindTree's relationship with the children of cerebral palsy is based on that premise.

Cerebral palsy is not a disease; it is a condition caused by malfunctioning of the brain and muscular disorder that together create a life-long disability which is among the most difficult, most resource-intensive to manage. Cerebral palsy was first classified in 1860 by an English Surgeon, Dr. William Little who ascribed it to a birth defect caused by inadequate supply of oxygen to the brain. Subsequently, it was Sigmund Freud, himself a neurologist, who questioned that theory and suggested that it had to do with the brain. Cerebral palsy since has been better understood. Simply put, in many, it is a case of an intelligent mind trapped in a disobedient body. Despite great progress



in medical research, we do not yet know what causes it and what could be done to prevent it. The only option parents have to manage children with cerebral palsy is through therapy, special care and education.

In every single case, it is a long walk, often without supporting legs for the child and sometimes, spirit for the parents. In a country like India where institutional resources and individual knowledge is scarce, that walk is often an uphill climb.

Many people who come to know MindTree ask us how we got associated with the cause. Did any of the founder's family members have cerebral palsy? In reality: No. Many years ago, one of the co-founders happened to visit the Spastics Society of Karnataka's school in Bangalore and that proved to be a turning point. There he saw, a visiting art teacher from Ireland, Ms. Sheena Watson painstakingly trying to teach tiny children with cerebral palsy to hold a paint brush. To Ms. Sheena Watson it was not just an effort to make the children creative; it was therapy for a more fundamental problem - muscular control: teaching the hand, the eyes, and the face, to obey the brain. For each of these children, holding the brush is where it all begins. The MindTree co-founder stood there transfixed as each child held on to the brush, with difficult motions dipped it in paint and labored to produce spectacularly brilliant pieces of work. Probably because many of these children cannot speak and otherwise express themselves without severe effort, their paintings have extraordinary vibrance in them. The colors are spectacular and spontaneous - as if compensating for the gaps of an unseen God. It was also a moment of great self-realisation. These children were, as they were painting, not focused on their disability but on their dreams. Every one of us has some disabilities and a few dreams. The disabilities are real, the dreams are abstract. The former is here and now,



the latter is in to the future. The former is what we are born with or we pick up along our way; the latter is what we leave behind. In life, we have to make a choice, which one of the two we want to define who we are, our disabilities or our dreams?

August 1998. MindTree was about to be born. The founders had decided that the DNA of the company would be Imagination, Action and Joy. The name was chosen carefully from a shortlist of six hundred, but we did not have a visual identity. So the group decided to opt for the unusual. They walked into the Spastics Society of Karnataka's school and met Director Mrs. Rukmini Krishnaswamy, Principal Mrs. Indira Dave and Special Educator Mrs. Lathika Ratnam with a question. Would they let their children work with us for a week on the concept of a software company, understanding its business plan, its DNA and create its visual identity? Working with people with disabilities gives you an openness and sense of inclusion that is rare. The School readily agreed. After a few days of running a workshop of what is a company, why a company has a logo, what was MindTree intended to become, the children got down to designing. The output was disheartening. They had taken the word "MindTree" literally and some had created pictures such as leaves emerging from the brain. For a moment, it seemed like a non-starter. Then, another round of workshops was conducted to give the children an appreciation of many famous logos and they were encouraged to discover subliminal meaning in them during the process, they were encouraged to interpret values in the visual identity of a brand. Then the magic happened. They got back to work. The ten children gave their best and the result was the astounding work of Chetan, at that time 17, who said in support of his work that the blue upward stroke stood for limitless imagination, the red background denoted action and the yellows were "bubbles of joy".



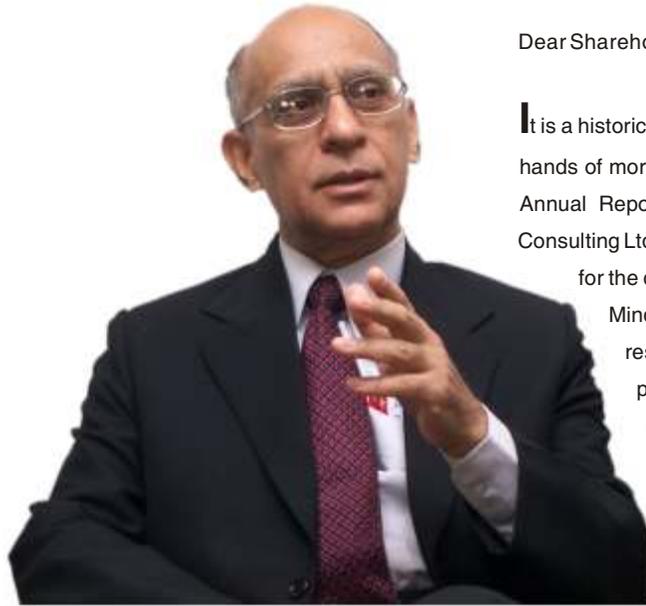
As part of our appreciation, the Spastics Society of Karnataka was gifted 5000 MindTree stocks. Latha, who was one of the students there, who had captivated us with her smile, became our first receptionist. When Bill Clinton visited India as the President of the United States of America and met with CEOs of IT companies, we took along Chetan, creator of our logo to shake hands with him. Every MindTree facility we subsequently designed became a museum of art by the children of the Spastics Society of Karnataka. Every year, they invade us in hordes, they run amok in their tiny wobbly legs, in wheel chairs and calipers and look at the larger-than-life, digital enlargements of their work of art in joyous wonder. Back in their School, some of them, grown up ones, are taught baking in their school as one of the means of rehabilitation to prepare them to be economically self-reliant. We have a deal with them. MindTree buys as many cookies as they produce and we serve them with pride to our guests, our customers and prospects who visit us from every part of the world.

Every day that we come to work, we want to focus on our dreams, our special abilities, and not on our disabilities. We learned that from the children with cerebral palsy: they taught us that the mind is indeed an amazing thing!

The first Annual Report of MindTree Consulting after becoming publicly listed is a salute to the indomitable spirit that says ordinary people can do extraordinary things. At the end of this report, we are proud to list cerebral palsy-related resources available in the spirit of Imagination, Action and Joy.



Chairman's Letter to the Shareholders



Dear Shareholders,

It is a historic occasion for me to be placing in the hands of more than 85,000 new owners, the first Annual Report of the publicly listed MindTree Consulting Ltd. First of all, let me thank each of you for the confidence that you have reposed in MindTree through the overwhelming response to our IPO. The response places on us, the responsibility of ensuring the continued success of the company which we plan to achieve through adopting the highest standards of Corporate Governance and differentiating strategies.

Since this is my first communication to you, it is appropriate for me to share with you the history of how MindTree was born in August 1999 and the story of our journey so far. MindTree's 10 co-founders came from 3 different streams (Cambridge Technology Partners, Lucent and Wipro). The early leadership comprised players from many nationalities and from many global services companies. Today, eight years later, the entire founding team is intact and the attrition in the senior leadership team has been just around 1% per annum!

We were born at the height of the dotcom boom and logically chose to position ourselves as an Internet Consulting company. We created a hybrid model with high consulting capability at the front end combined with the low cost and scalability of India. We were gratified to see the Industry, including leading MNC's and the Indian players, gravitate to this model.

A few months after commencing our IT Services business, we also launched our R&D Services business in the Communication Vertical which was another hot segment at that time. What we didn't know then was that within 18 months, business in both these spaces would crash to a grinding halt with the dotcom bust and the telecom bust which followed. To make matters worse, these were followed by September 11 and a global recession. It was like pulling the rug from under the feet of a toddler learning to walk! Looking back, we believe this was the best thing that could have happened to us. While companies in our space were collapsing around us, we began the challenge of building the company which you see today. The first task was to ensure keeping the team together while trying to eke out growth, even though it meant that we would absorb significant losses for 2 years.

There are no shortcuts to building an IT Services company-it has to be done customer by customer, person by person, brick by brick. The journey over the next few years was to progressively build our capabilities and competencies. We took the approach of verticalizing our R&D Services business (adding Consumer, Industrial, Storage verticals amongst others to our original Communication capability). We also invested in our own Intellectual Property and went on to achieve a global leadership position in Bluetooth. In IT Services, we added a new practice every year (Business intelligence, ERP, Mainframes, Testing, Infrastructure and Tech Support) to enhance our addressable



market. We also made two small acquisitions to bring in IBM iSeries capability and enhance our SAP Practice. The foundation building efforts gave us the confidence that when markets reopened we would be in a position to capitalize on these. We were able to demonstrate the success of this approach through the compounded growth rate of 52.24 % we were able to achieve between FY 2002 to 2006.

At the end of 6 full financial years, we became the first Indian IT Services company to achieve 100 million dollars revenue in such a short time span. But more than just that, we were building a sustainable, value-centric organization that would create great value for whoever came in contact with it.

Let me also now share with you some highlights of the 7th financial year, the year just gone by for which we are presenting our results.

One significant move for us was to take our first major steps in expanding our India delivery presence outside Bangalore, even while we continued to invest in new capacity here. We started a facility in Chennai, settled contracts for a second larger one within an SEZ in the same city and also, for the first time, procured our own land in Bhubaneswar where we expect to start functioning from 2008-09. Our two businesses continued to execute leading edge, exciting work for our customers. We continued to expand our geographic presence to reach a total of 18 sales offices manned by a strong team of 46 Business Development executives. This was the year in which we also began a structured approach to verticalizing our IT Services business. Building on the success already achieved, we created vertical industry groups in Manufacturing, Travel & Leisure and Insurance. The charter of these groups is to build deep domain knowledge. A few others such as Banking and Financial Services where we already have demonstrated capability will be added in future years, though we have no intention of trying to be all things to all people. Finally, it was a year in which we took a look at our business portfolio and decided to exit from low margin accounts / businesses including a staff augmentation business we inherited through an acquisition. This impacted revenue growth, but helped boost our profitability to a 66% year over year growth with an ROCE of 28%.

I have mentioned earlier about adopting the highest standards of Corporate Governance. Many of our top companies today have set high standards of disclosure and transparency and we will emulate them. We believe that two of the most important leading indicators of the health of the IT Services business are Customer Satisfaction and People Satisfaction. We believe it is important to disclose the position on these. You will find in this Annual Report the results of our Surveys in this area, giving not just the latest Survey results, but also the historical movements in Customer and People Satisfaction through the years. MindTree's people satisfaction surveys (done for us by Professor Sumita Raghuram in Penn State University) are reinforced by the consistently high position that MindTree gets in the ranking of Best Employers in India: for example, we were ranked No. 2 across all industries in the most recent Mercer - Business Today study and No. 6 in the Great Places to Work - Businessworld study.

We believe the high people satisfaction levels are a result of people friendly policies, empowerment, inclusiveness, career development, exciting work, depth of communication with our teams and the joyous work environment we have created. It is also worth mentioning that when we went Public, all 4200 MindTree Minds (as we call our team members) were already part owners, having received MindTree stock options. We are the first Indian IT Services Company to have provided 100% coverage and have done more wealth generation than any other Indian IT Services company at a comparable stage of its life.

As regards Customer Satisfaction, we are acutely aware that we owe our existence to our customers and are truly grateful to them for their support and trust over the years. We are proud of our teams who will always go the extra mile to achieve the highest level of customer satisfaction. We recently

participated in a bench marking exercise conducted by a global consulting company which indicates that MindTree's customer satisfaction is at a best in class level.

Looking ahead, the outlook for growth in the Indian IT Services space remains robust and MindTree is well positioned to grow ahead of the industry. We will continue to be consulting-led in our IT Services business and IP-led in our R&D Services business. Our intent is to build a successful company that is globally admired.

If I were to pick out one challenge on the horizon as a concern area, it is the sharp appreciation in the Rupee (w.r.t. the US\$) which is placing a significant pressure on margins and profitability. MindTree does have a few levers to offset this impact, but at the same time, as a young company, we also need to keep investing in building our domain capabilities etc. One area which I would like to bring to the attention of the Government and urge the Finance Minister to consider is the need for extension of the STPI scheme beyond its current expiry in 2009. The larger companies have the financial ability to create their own SEZ to get extended tax protection. Extension of the STPI scheme will provide a level playing field for the small and medium players.

Before I conclude, I would once again go back to the beginning and highlight two important aspects of MindTree. First, MindTree is a venture funded entity (we believe we are also the first VC funded, Indian IT Services Company to go public). I would like to express our gratitude to our initial investors, Walden and Global Technology Ventures and Capital International who joined on the second round for the support and strength they gave us, particularly through the early difficult years.

Let me also touch upon something deeply integral to MindTree and reflected in the theme of this Annual Report. When we began MindTree, we defined our DNA as Imagination, Action and Joy. We took the idea to the children of the Spastics Society of Karnataka and requested them to design our logo. In the process, we not only got our lovely visual identity, but this also marked the beginning of a long relationship with the Spastics Society of Karnataka. Today, each of our buildings is an art gallery of work done by these children. Their joy, innocence and exuberance bring joy and energy into our work environment and lives. We invite you to visit our offices and experience it for yourself. Incidentally, MindTree's IPO year is also the completion of 25 years for the Spastics Society of Karnataka. We are proud to present their cause through our report as more than 85,000 investor-owners of MindTree will be great spokespersons for the cause of disability. In celebrating their cause, we are saluting a partner.

As we continue our journey, we will count on your support and I feel confident that all 4500-plus MindTree Minds are committed to building a bigger and better MindTree.



Ashok Soota
Chairman & Managing Director



Auditors' Certificate on Corporate Governance

To the Members,

MindTree Consulting Limited (formerly MindTree Consulting Private Limited)

We have examined the compliance of conditions of corporate governance by MindTree Consulting Limited (formerly MindTree Consulting Private Limited) ('the Company'), for the period from March 7, 2007 (date of initial listing) to March 31, 2007, as stipulated in Clause 49 of the listing agreement of the Company with the stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of corporate governance as stipulated in the above mentioned listing agreement.

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

for BSR & Associates
Chartered Accountants

Zubin Shekary
Partner
Membership No. 48814

Bangalore
June 12, 2007

Chief Executive Officer (CEO) and Chief Financial Officer (CFO) Certification

We, Ashok Soota, Chairman & Managing Director and Rostow Ramanan, Chief Financial Officer and Company Secretary, to the best of our knowledge and belief, certify that:

- 1) We have reviewed financial statements and the cash flow statement for the year and that to the best of our knowledge and belief:
 - a) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - b) These statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- 2) There are, to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or which violate the company's code of conduct.
- 3) We are responsible for establishing and maintaining internal controls for financial reporting and we have
 - a) Evaluated the effectiveness of the internal control systems of the company pertaining to financial reporting;
 - b) Disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware; and
 - c) The steps we have taken or propose to take to rectify these deficiencies.
- 4) We have indicated to the company's auditors and the Audit committee of the Board of Directors
 - a) Significant changes that have occurred in the internal control over financial reporting during the year;
 - b) All significant changes in accounting policies during the year, if any, and that the same have been disclosed in the notes to the financial statements;
 - c) Instances of significant fraud of which we are aware and the involvement therein of the management or an employee having a significant role in the company's internal control system over financial reporting; and
 - d) All deficiencies in the design or operation of internal controls, which could adversely affect the company's ability to record, process, summarize and report financial data, and have identified for the company's auditors, any material weaknesses in internal controls over financial reporting including any corrective actions with regard to deficiencies
- 5) We declare that all board members and senior managerial personnel have affirmed compliance with the code of conduct for the current year.

Bangalore
June 12, 2007

Ashok Soota
Chairman & Managing Director

Rostow Ramanan
*Chief Financial Officer &
Company Secretary*

Directors' Report

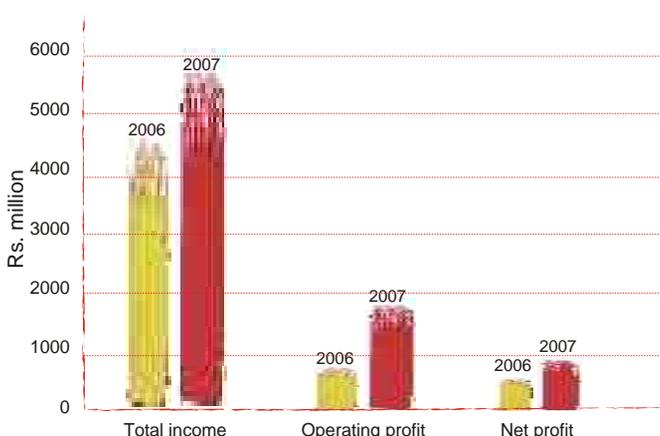
Dear Shareholders,

Your Directors are pleased to present their eighth Annual Report on the business and operations of your Company and its working results for the year ended March 31, 2007.

Financial Results

Rs. Million

Description	Year ended March 31,	
	2007	2006
Total income	5,977.17	4,553.72
Total expenditure	4,807.17	3,734.15
Operating profit	1,170.00	819.57
Interest	29.99	52.64
Depreciation	244.36	209.38
Profit before tax and extraordinary items	895.65	557.55
Provision for tax - Current	41.49	15.13
Deferred Tax Expense / (Benefit)	(46.36)	0.33
Net Profit for the year	900.52	542.09



Business Performance

Total revenues of the Company grew to Rs.5,903.52 million from Rs.4,487.98 million in the prior year, a growth of 31.50%. This growth was achieved in an increasingly competitive market environment. However, it is noteworthy that our growth is much higher than the average of the Indian IT industry, thereby validating our positioning as Consulting-led on our IT Services and IP-led on our R&D Services business.

Coming to the primary business lines, the IT Services Business has shown a YoY growth of 30% and the R&D Services Business has shown a YoY growth of 37%. Growth in the IT Services business has come primarily due to our performance in the largest markets USA, which grew 29.2%, and Europe, which grew 26.2% over the previous year.

The diversified focus in the R&D Services Business into various verticals such as Communication, Industrial Automation, Automotive and Avionics, Storage and Systems, Semi Conductor, Wireless and Consumer Electronics had shown results in 2006-07 as well.

Constant attention to customer needs, quality of delivery, knowledge re-use, competency development and developing relevant industry expertise have been traditionally the area of focus for the Company.

We expect 2007-08 to be a year where the continued investments in competence building, vertical focus, building the MindTree brand, training, recruitment and augmentation of the global sales force to pay larger dividends.

Exports of software contributed to approximately 94% of our revenues, i.e. Rs.5,534 million (previous year 88% of revenues i.e. Rs.3,970 million) of the total revenues. Domestic software development and other income contributed the balance of revenues. Other income primarily constitutes interest and dividend from surplus funds invested in mutual funds, fixed deposits with banks etc. Other income contributed Rs. 73.65 million (previous period Rs. 65.73 million) to total income.

For the year, Earnings Before Interest, Depreciation and Taxes shows a year over year growth of 43%. This year your Company has achieved a Profit Before Tax at Rs. 895.65 million a growth of 61% over the previous year. The depreciation charges on the basis of useful life estimates are on accelerated basis compared to peers in the industry. Your Company has provided for the taxes payable in the geographies overseas it operates and the fringe benefit tax. Your Company has recognized deferred tax asset of Rs.46.36 million. As a result the Profit After Tax has become Rs. 900.52 million, a growth of 66% over the previous year. As in the past, your company has not deferred any revenue expenditure, including investments relating to the Research and Development since we follow a conservative approach to expense recognition.

Dividend

In November 2006, we paid an interim dividend of Re.1 per share (10% on par value of Rs.10 (50% on par value of Rs.2 at the time of declaration)). We recommend a final dividend of Re.1 per share (10% on par value of Rs.10) aggregating to Rs.2 per share (20% on par value of Rs.10). The total dividend amount is Rs.68.21 million. The dividend including dividend tax as a percentage of profit after tax is 8.76%. This is the first year in which the dividend has been paid to the shareholders.

The register of members and share transfer books will remain closed from July 11, 2007 to July 25, 2007, both days inclusive. The Annual General Meeting of the Company has been scheduled for July 25, 2007.

Transfer to Reserves

We propose to transfer Rs.90.05 million to the General Reserve and retain Rs.1,123.61 million in Profit & Loss account.

Changes to Share Capital

In November 2006, a customer converted 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.

Subsequent to the approval of the shareholders on November 16, 2006, 31,695,237 equity shares outstanding of Rs.2 each were consolidated into 6,339,047 equity shares of Rs.10 each and subsequently 25,356,190 bonus shares of Rs.10 each were issued in the ratio of 4 bonus shares for every one share held.

Your Company also issued 1,550,225 shares to MindTree Minds on exercise of stock options granted to them as part of the Company's Employee Stock Option Programs.

Initial Public Offer (IPO)

Your Company became a public limited company on November 6, 2006 and subsequently made an Initial Public Offer of 5,593,300 shares of Rs.10 each for cash at a price of Rs. 425 per equity share in February 2007. The IPO was subscribed by 103 times. The Equity shares were listed on the National Stock Exchange of India Limited and Bombay Stock Exchange Limited, Mumbai on March 7, 2007.

Infrastructure

As of March 31, 2007, the office space at Bangalore totals to 600,000 square feet and in Chennai it is about 35,000 square feet. Your Company has also signed an MOU for buying 285,000 square feet from Ascendas in Mahindra World City, an approved SEZ at Chennai.

Directors

The change in Directors during the year have been detailed in the Corporate Governance Report given elsewhere in this Annual Report.

The following Directors retire by rotation and being eligible, offer themselves for re-appointment.

1. Vittal N
2. Mark A Runacres

Brief resumes of these directors are included in the notice for the Annual General Meeting.

Recruitment and retention

Your Company continues to attract the best of talent globally in terms of technical and managerial resources both from college campuses and through lateral induction. As on March 31 2007, every MindTree Mind is covered under Employee Stock Option Plan thus creating ownership at all levels.

The number of MindTree Minds at year-end was 4,162 as against 3,128 in the previous year-end (a net addition of 1,034 people). Our attrition levels have been below the industry average throughout the year and in Q4 our attrition rate was 15.7%.

Liquidity

Your Company maintains sufficient cash to meet its strategic objectives. As on March 31, 2007 your Company had liquid assets including investments in money market mutual funds, of Rs.2,908.51 million as against Rs.799.76 million at the previous year-end. These funds have been invested in deposits with banks and in money market mutual funds

Honors

During the year, your Company received the following awards:

1. MindTree was recognized among the world's top 100 outsourcing service providers in 2007 by the International Association of Outsourcing Professionals
2. MindTree was a recipient of the Most Admired Knowledge Enterprises (MAKE), India award in the area of Knowledge Management in 2006 for developing knowledge workers, creating an enterprise knowledge-driven culture and an environment for collaborative knowledge sharing
3. MindTree was ranked 2nd in the Best Companies to Work for Survey conducted by *Business Today-TNS-Mercer*. The survey ranked companies across all industries
4. MindTree was placed 6th in the Great Places to Work Survey conducted by *Businessworld* and Grow Talent across all industries

Litigation

Your Company does not have any pending litigation in any of the geographies that it operates in, other than an Arbitration notice received from ASAP Solutions Private Limited, towards certain claims sought by them in connection with the acquisition of their business by your Company.

Deposits

In terms of the provision of Section 58A of the Companies Act, 1956 read with the Companies (Acceptance of Deposits Rules) 1975, the Company has not accepted any fixed deposits during the year under review.

Employee Stock Option Plan

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.

ESOP 1999

Description	Details
Total number of options under the plan (each option represents one share)	2,892,000
The pricing formula	Rs.10
Variation in terms	Nil
Options granted during the year	Nil
Weighted average price per option granted during the year	Nil
Options vested (as of March 31, 2007)	953,248
Options exercised during the year	856,609
Money raised on exercise of options	Rs. 2.49 million
Options forfeited during the year	88
Options lapsed during the year	18,849
Total number of options in force at the end of the year	96,639
Grant to senior management and independent directors	Nil
Employees receiving 5% or more of the total number of options granted during the year	Nil
Diluted EPS pursuant to issue of shares on exercise of options calculated in accordance with AS 20	Rs.27.70

ESOP 2001

Description	Details
Total number of Options under the plan (each option represents one share)	1,966,360
The pricing formula	Rs.50
Variation in terms	Nil
Options granted during the year	Nil
Weighted average price per option granted during the year	Nil
Options vested (as of March 31, 2007)	868,201
Options exercised during the year	693,616
Money raised on exercise of options	Rs.34.68 million
Options forfeited during the year	63,701
Options lapsed during the year	59,771
Total number of options in force at the end of the year	486,900
Grant to senior management and independent directors	Nil
Employees receiving 5% or more of the total number of options granted during the year	Nil
Diluted EPS pursuant to issue of shares on exercise of options calculated in accordance with AS 20	Rs.27.70

ESOP 2006 (a)

Description	Details
Total number of Options under the plan (each option represents one share)	406,650
The pricing formula	Rs.250
Variation in terms	Nil
Options granted during the year	406,650
Weighted average price per option granted during the year	Rs. 250
Options vested (as of March 31, 2007)	Nil
Options exercised during the year	Nil
Money raised on exercise of options	Nil
Options forfeited during the year	40,150
Options lapsed during the year	Nil
Total number of options in force at the end of the year	366,500
Grant to senior management and independent directors	Nil
Employees receiving 5% or more of the total number of options granted during the year *	70,000
Diluted EPS pursuant to issue of shares on exercise of options calculated in accordance with AS 20	Rs.27.70

* Employees receiving 5% or more of the total number of options granted during the year under ESOP 2006(a) plan:

Ram Mohan C	30,000
Ashwani K Kathuria	20,000
Vikram Amarnath	20,000

ESOP 2006(b)

Description	Details
Total number of Options under the plan (each option represents one share)	1,386,250
The pricing formula	Different rates at -Rs.300, 315, 350 and 419
Variation in terms	Nil
Options granted during the year	1,386,250
Weighted average price per option granted during the year	Rs.315.63
Options vested (as of March 31, 2007)	Nil
Options exercised during the year	Nil
Money raised on exercise of options	Nil
Options forfeited during the year	46,900
Options lapsed during the year	Nil
Total number of options in force at the end of the year	1,339,350
Grant to senior management and independent directors*	35,500
Employees receiving 5% or more of the total number of options granted during the year	Nil
Diluted EPS pursuant to issue of shares on exercise of options calculated in accordance with AS 20	Rs.27.70

* Options granted to senior management and independent directors

Vishweshwar Hegde	10,000
Puneet Jetli	10,000
Raja Shanmugam	7,500
Anup Mehta	8,000

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

Description	Details
Total number of Options under the plan (each option represents one share)	70,000
The pricing formula	Rs.300
Variation in terms	Nil
Options granted during the year	70,000
Weighted average price per option granted during the year	Rs.300
Options vested (as of March 31, 2007)	Nil
Options exercised during the year	Nil
Money raised on exercise of options	Nil
Options forfeited during the year	Nil
Options lapsed during the year	Nil
Total number of options in force at the end of the year	70,000
Grant to senior management and independent directors*	70,000
Employees receiving 5% or more of the total number of options granted during the year	Nil
Diluted EPS pursuant to issue of shares on exercise of options calculated in accordance with AS 20	Rs.27.70

* Options granted to Independent Directors

George M Scalise	30,000
Dr. Albert Hieronimus	10,000
Mark A Runacres	10,000
Vittal N	10,000
Srinivasan R	10,000

No employee has been granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant.

In line with the guidance note on "Accounting for employee share based payments" issued by the Institute of Chartered Accountants of India and "Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines, 1999" issued by the Securities and Exchange Board of India, your Company has calculated the employee compensation cost using the intrinsic value of stock options. 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:

Rs.

	Year ended March 31, 07	Year ended March 31, 06
Net income as reported	900,522,971	542,087,261
Add: Stock-based employee compensation expense (Intrinsic value method)	12,211,803	880,606
Less: Stock-based employee compensation expense (Fair value method)	38,090,174	974,544
Proforma net income	874,644,600	541,993,323
Basic earnings per share as reported	28.98	20.13
Proforma basic earnings per share	28.15	20.12
Diluted earnings per share as reported	27.70	17.35
Proforma diluted earnings per share	26.94	17.34

The weighted average fair value of each option granted during the year ended March 31, 2007, estimated on the date of grant was Rs.114.20 using the Black-Scholes model with the following assumptions:

Grant date share price	Rs.250-425
Exercise price	Rs.250-419
Dividend yield%	0-0.33%
Expected life	3-5 years
Risk free interest rate	6.88-7.96%
Volatility (since unlisted when the grants were made)	0%

Corporate Governance

Your company has been practicing the principles of good corporate governance. A detailed report on Corporate Governance is given elsewhere in this Annual Report.

Certificate of the auditors regarding compliance with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement is also given in this Annual Report.

Auditors

The auditors, M/s. BSR & Associates, Chartered Accountants, hold office as Auditors until the conclusion of the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office, if re-appointed.

Particulars of Employees

As required under the provisions of section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of employees) Rules, 1975, as amended, the names and other particulars of employees are set out in the annexure to this report. The Department of Company Affairs, has amended the Companies (Particulars of employees) Rules, 1975 to the effect that particulars of employees of companies engaged in Information Technology sector posted and working outside India not being directors or their relatives, drawing more than Rs.2.40 million per financial year or Rs.200,000 per month, as the case may be, need not be included in the statement but, such particulars shall be furnished to the Registrar of Companies. Accordingly, the statement included in this report does not contain the particulars of employees who are posted and working outside India.

Conservation of energy, technology absorption, foreign exchange earnings and outflow

Your Company is not involved in the activity relating to conservation of energy or technology absorption. Hence the additional requirements under this clause are not applicable to the Company.

Foreign exchange earnings and spending

Rs. Million

Description	Year ended	
	March 31, 2007	March 31, 2006
Foreign exchange earnings	5,535.21	3,969.93
Foreign exchange outflow	1,907.56	1,488.84

Directors' responsibility statement

Directors' responsibility statement pursuant to Section 217 (2AA) Of The Companies (Amendment) Act, 2000 is annexed to this report.

Management Discussion and Analysis

Management Discussion and Analysis as required under Clause 49(IV)(F) is disclosed separately in this Report.

Acknowledgements

The Board of Directors takes this opportunity to express their appreciation to the customers, shareholders, investors, vendors, and bankers who have supported the Company during the year. Your directors place on record their appreciation to the MindTree Minds at all levels for their contribution to the Company.

Your Directors would like to make a special mention of the support extended by the various departments of the Government of India, particularly the Software Technology Parks, the Department of Electronics, the Customs and Excise departments, the Ministry of Commerce, the Department of Telecommunications, the Reserve Bank of India, Ministry of Company Affairs, Securities and Exchange Board of India and look forward to their support in all future endeavors.

For and on behalf of the Board of Directors,

Ashok Soota
Chairman & Managing Director

Subroto Bagchi
Director

Bangalore
June 12, 2007

Directors' Responsibility Statement Pursuant to Section 217 (2AA) of The Companies (Amendment) Act, 2000

- I. The financial statements have been prepared in conformity with the applicable accounting standards issued by the Institute of Chartered Accountants of India and requirements of the Companies Act, 1956, to the extent applicable to us; on the historical cost convention; as a going concern and on the accrual basis had been followed. There are no material departures from prescribed accounting standards in the adoption of the accounting standards.
- II. The Board of Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the company for that period.
- III. The Board of Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- IV. The Board of Directors have prepared the annual accounts on a going concern basis.
- V. The financial statements have been audited by M/s. BSR & Associates, Chartered Accountants, the statutory auditors.
- VI. The audit committee meets periodically with the internal auditors and the statutory auditors to review the manner in which the auditors are discharging their responsibilities, and to discuss auditing, internal control and financial reporting issues. To ensure complete independence, the statutory auditors and the internal auditors have full and free access to the members of the audit committee to discuss any matter of substance.

For and on behalf of the Board of Directors,

Bangalore
June 12, 2007

Ashok Soota
Chairman & Managing Director

Subroto Bagchi
Director

Annexure to the Directors' Report

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of employees) Rules, 1975, and forming part of the Directors Report for the year ended March 31, 2007

Sl. No.	Name	Designation	Qualification	Age	Date of Joining	Exp (yrs.)	Gross Remuneration	Previous Employment	Designation at Previous Employment
1	Ambal Ramachandran*	Program Director	MS	37	21-Jun-00	14.8	4,937,353	Xpedior	Technical Manager
2	Ameet Savanur*	Senior Consultant - IT Services	BE	32	12-Jun-00	9.3	3,590,340	Intercope (India) Pvt. Ltd.	Systems Engineer
3	Anand K C*	Project Manager - R&D Services	BE	30	16-Dec-02	8.2	2,633,717	Adanya Computing Technologies Pvt. Ltd.	Technical Lead
4	Ashok Soota	Chairman & Managing Director	MBA	64	9-Aug-99	32.8	5,505,580	Wipro Limited	Vice Chairman
5	Babuji Philip Abraham	Vice President - IT Services	B.Tech	42	3-Nov-99	20.8	2,937,942	VeriFone India Pvt. Ltd.	Manager - ICD
6	Balu C	Vice President - R&D Services	MCA	43	17-Apr-00	20	2,538,892	Novell Software India Development (I) Pvt. Ltd.	Senior Manager
7	George Behanan*	Senior Consultant - IT Services	BE	32	19-Jan-04	10.3	2,462,737	Kanbay Software (India) Pvt. Ltd.	Senior Consultant
8	Hari Preeth*	Consultant - IT Services	PGDCA	35	21-Jun-04	11.8	2,486,445	SL Global Services	System Analyst
9	Janakiraman S	President & CEO - R&D Services	M.Tech	50	20-Oct-99	26.5	2,823,042	Wipro Limited	President
10	Jimcy George*	Senior Test Lead	MCA	34	18-Aug-03	8.1	2,561,121	HCL Technologies Ltd.	Member Technical Staff
11	Jinto Varghese*	Senior Consultant - IT Services	BE	30	8-Jan-01	7.3	3,145,290	Citicorp	Programmer Analyst
12	Krishnakumar Natarajan	President & CEO - IT Services	PGDM	49	5-Aug-99	25.8	2,840,450	Wipro Limited	CEO - ECommerce
13	Mahesh Kalagouda Patil*	Module Lead - R&D Services	BE	28	27-Apr-04	4.7	2,580,556	Global Edge Software	Software Engineer
14	Manoranjan Das*	Senior Consultant - IT Services	BE	30	2-May-00	9.3	2,763,216	Satyam Computers Services Ltd.	Team Leader
15	Mohan Kumar Chintala*	Consultant - IT Services	B.Tech	30	14-May-02	8.4	2,968,868	Linc Software Pvt. Ltd.	System Analyst
16	Murali Krishna Policharla*	Technical Manager - R&D Services	M.Tech	36	17-Apr-00	12.6	2,508,762	Department of Telecommunications	Divisional Engineer
17	Nagabhushana Balajalpal Reddy*	Senior Consultant - IT Services	B.Sc.	36	26-Apr-04	9.7	2,593,288	HP	Consultant
18	Parthasarathy N S	Executive Vice President	M.Tech	46	14-Aug-99	22.7	3,041,041	Wipro Limited	General Manager
19	Pramodh A G*	Project Lead - R&D Services	BE	27	2-Sep-02	6.2	2,861,378	Adanya Computing Technologies Pvt. Ltd.	Software Engineer
20	Pranshu Jain*	Principal Consultant - IT Services	MCA	32	21-Aug-00	10.3	3,122,075	Indya.com Pvt. Ltd.	System Analyst
21	Radha R	Vice President - Datawarehousing	PGDM	40	19-Jan-01	16.3	2,513,281	IBM Global Services	Country Manager - Alliances
22	Raja V Shanmugam	Vice President - APAC	MBA	43	6-Mar-00	19.2	2,570,254	Wipro Limited	Business Manager
23	Rajendra Prasad M N*	Module Lead - R&D Services	BE	29	17-Dec-03	4.9	2,678,728	Hughes Software	Software Engineer
24	Ram C Mohan	Vice President - IMS & Tech Support	BE	44	19-Jan-06	22.3	2,718,464	Vinciti AQ	Executive Vice President - Operations
25	Ramachandran Narayanaswamy	Vice President - R&D Services	BE	38	3-Dec-99	17.8	2,523,923	Wipro Limited	Software Specialist
26	Sagar Paul*	Program Director	PGDM	37	29-May-00	15	4,843,918	PricewaterhouseCoopers Pvt. Ltd.	Business Analyst
27	Senthil Kumar B*	Associate Consultant - IT Services	BE	26	5-Jan-03	4.3	2,648,215	First employment	NA
28	Shripad Nunjunda*	Module Lead - R&D Services	BE	26	16-Aug-04	4.9	2,480,949	Thoughtworks Ltd.	Application Developer
29	Siva Vajjala	General Manager - IT Services	MS	36	3-Jul-00	15.8	2,945,831	Cambridge Technology Partners	Director
30	Sivnantham R*	Associate Consultant - IT Services	B.Sc.	28	16-Oct-02	7.8	2,908,134	Karna Technologies	Developer
31	Sobhanadri S Vezzu*	Technical Manager - R&D Services	BE	34	10-Apr-00	11	2,518,044	Wipro Limited	St. Software Engineer
32	Subramanyam Putrevu*	Technical Director	MS	36	3-Jan-00	12.3	2,893,514	Wipro Limited	Developer
33	Subroto Bagchi	Chief Operating Officer	BA	49	1-Sep-99	31.7	3,169,060	Lucent Technologies India Ltd.	Vice President
34	Veeraraghavan R K	Vice President - IT Services	M.Sc	40	3-Nov-99	18.8	2,848,861	Wipro Limited	Technical Manager
35	Vinod Deshmukh	Executive Vice President	M.Tech	49	5-Apr-00	22.1	3,440,242	Wipro Limited	Vice President
36	Vishweshwar Hegde	Vice President - Quality	BE	44	16-Oct-00	21.2	2,728,546	Motorola India Pvt. Ltd.	Quality Manager

* Employees in India as on March 31, 2007, however the remuneration paid overseas for the period they were working outside India also included above.

For and on behalf of the Board of Directors

Corporate Governance Report

"Corporate Governance is an internal system encompassing policies, processes and people, which serve the needs of shareholders and other stakeholders, by directing and controlling management activities with good business savvy, objectivity and integrity. Sound corporate governance is reliant on external marketplace commitment and legislation, plus a healthy board culture which safeguards policies and processes." - Gabrielle O'Donovan in Corporate Governance International Journal, 'A Board Culture of Corporate Governance'

Ethical business conduct, integrity and commitment to the values in an organization comprise good Corporate Governance. This would include the corporate structure, policies, processes and the manner in which the Company deals with its various stakeholders. In essence, the basic objective of Corporate Governance is the enhancement of long-term shareholder value while at the same time protecting the interests of other stakeholders. It also increases the entity's value, subject to meeting the corporation's financial and other legal or contractual obligations.

Corporate Governance in India started with 'The Confederation of Indian Industry (CII)' publishing a Desirable Code of Corporate Governance in April 1998, which some companies voluntarily adopted. The issue came into prominence when the Securities and Exchange Board of India ('SEBI') appointed Shri. Kumar Mangalam Birla Committee to formulate the code of Corporate Governance. Based on the report of this committee and developments thereafter, SEBI detailed the provisions of Corporate Governance. Subsequently, SEBI constituted a committee under the Chairmanship of Shri. N R Narayana Murthy. Based on the recommendations of the committee and public comments on the report, SEBI revised the Clause 49 of the Listing Agreement which was made effective from January 1, 2006.

The Company got listed on the stock exchanges on March 7, 2007. The Company has fully complied with the conditions of Corporate Governance as prescribed in Clause 49 of the Listing Agreement from the date of listing. However, disclosures on the conditions of Corporate Governance are presented for the full year ended March 31, 2007.

Company Philosophy

We, at MindTree Consulting Limited ('MindTree' or 'the Company'), believe in ethical business conduct, integrity and commitment to values which in turn enhance and retain stakeholders' trust and are the hallmarks of corporate governance.

MindTree Minds are guided by MindTree's CLASS values. CLASS stands for Caring, Learning, Achieving, Sharing and Socially responsible. These values are core to MindTree and have been integrated into every aspect of our work. We believe that integrity is a core attribute of being socially responsible. A MindTree Mind is expected to adhere to the highest standard of integrity. We have a clearly articulated, Integrity Policy, which is available to all MindTree Minds. All MindTree Minds, irrespective of level, role and location are bound by it. The policy is explained to leaders who are expected to steer compliance throughout the organization.

In the conduct of MindTree's business and in our personal dealings that affect MindTree's business, we abide by the principles of honesty, openness and doing what is right and fair. These are the principles that must guide our behavior at all times.

Following are the salient features of our Corporate Governance philosophy:

1. Act in the spirit of law and not just the letter of law
2. Do what is right and not what is convenient
3. Provide complete transparency on our operations
4. Follow openness in our communication to all our stakeholders

Board Of Directors

The composition of the Board of Directors ('BOD') is prescribed in Clause 49 of the Listing Agreement with the stock exchanges, which reads, "Where the Chairman of the BOD is a Non-Executive Director, at least one-third of the BOD should comprise of Independent Directors and in case, the Chairman is an Executive Director, at least half of the BOD should comprise of Independent Directors."

In line with the requirements of Clause 49 of the Listing Agreement and in order to have a healthy mix of Executive and Non-Executive Directors, the BOD has ten Directors as at March 31, 2007. The Chairman of the BOD is an Executive Director. The BOD comprises of two Executive Directors and eight Non-Executive Directors, of which five are Independent Directors.



Composition of the BOD and directorship other than MindTree held as of March 31, 2007 is as follows:

Name of Directors	Position	Directorship in other Indian Public Companies	Position on Committees	
			As chairman	As member
Ashok Soota	Chairman of the Board and Managing Director, Executive and Founder Director	-	-	-
Subroto Bagchi	Chief Operating Officer, Executive and Founder Director	-	-	-
Siddhartha VG	Non-Executive Director, Nominee Director for Global Technology Ventures Limited, an equity investor in the Company	4	-	1
Lip-Bu Tan	Non-Executive Director, Nominee Director for Walden Software Investments Limited, an equity investor in the Company	-	-	-
Vivek Kalra	Non-Executive Director, Nominee Director for Capital International Global Emerging Markets Equity Fund LP, an equity investor in the Company	1	-	1
Krishnakumar N	President - IT Services, Executive and Founder Director, Alternate director for Subroto Bagchi with effect from February 28, 2007	-	-	-
Dr. Albert Hieronimus*	Independent Director	4	-	2
George M Scalise*	Independent Director	-	-	-
Mark A Runacres*	Independent Director	-	-	-
Vittal N*	Independent Director	-	-	-
Srinivasan R*	Independent Director	11	3	6

* Appointed on October 24, 2006

Composition and category of directors:

Category	No. of Directors	Percentage of Board
Executive Directors	2	20%
Non-Executive Directors ((Non-independent)	3	30%
Independent Directors	5	50%

Board Meeting And Attendance Of Directors At The Meeting

Details of Board meetings held during the year are as follows:

Sl. No.	Date of Board Meeting
1	April 28, 2006
2	July 29, 2006
3	September 27, 2006
4	October 24, 2006
5	January 24, 2007
6	February 28, 2007

The attendance of Directors at the Board meetings and last AGM held during the year on September 27, 2006 is given below:

Name of Directors	Attendance at board meetings / Total meetings after appointment as director	Whether attended last AGM (Yes/No/NA)
Ashok Soota	6/6	Yes
Subroto Bagchi	6/6	Yes
Krishnakumar N	5/5	Yes
Siddhartha V G	6/6	Yes
Lip-Bu Tan	6/6	Yes
Vivek Kalra	5/6	Yes
Dr. Albert Hieronimus*	3/3	NA
George M Scalise*	3/3	NA
Mark A Runacres*	2/3	NA
Vittal N*	1/3	NA
Srinivasan R*	2/3	NA

* Appointed on October 24, 2006

Information provided to the board members

- Annual operating plans and budgets including capital budgets and any updates thereof
- Quarterly results for the Company and its business segments
- Minutes of meetings of the Audit Committee and other committees of the Board
- The information on recruitment and remuneration of senior officers just below the Board level, including appointment or removal of Chief Financial Officer and the Company Secretary
- Show cause, demand, prosecution notices and penalty notices which are materially important
- Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems
- Any material default in financial obligations to and by the Company, or substantial non-payment for services rendered by the Company
- Any issue, which involves possible public or product liability claims of substantial nature, including any judgement or order which, may have passed strictures on the conduct of the Company or taken an adverse view regarding another enterprise that can have negative implications on the Company
- Details of any joint venture or collaboration agreement and any acquisitions
- Transactions that involve substantial payment towards goodwill, brand equity, or intellectual property
- Significant developments on the Human Resources front
- Sale of material nature, of investments, subsidiaries, assets, which is not in normal course of business
- Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material
- Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc.

Remuneration / Compensation to Directors

The following table shows the amounts paid to Directors as remuneration during the year:

Name	Fixed salary (including perquisites)	Bonus	Sitting Fees	Commission	Total compensation
Ashok Soota	4,834,748	670,832	-	-	5,505,580
Subroto Bagchi	2,715,258	453,802	-	-	3,169,060
Krishnakumar N#@	2,948,441	478,056	-	-	3,426,497
Janakiraman S#	2,948,441	433,680	-	-	3,382,121
Dinesh Vaswani#	-	-	-	-	-
Mark Popolano^	-	-	-	-	-
Siddhartha VG	-	-	-	-	-
Lip-Bu Tan	-	-	-	-	-
Vivek Kalra	-	-	-	-	-
Dr. Albert Hieronimus*	-	-	30,000	500,000	530,000
George M Scalise*	-	-	30,000	1,102,000	1,132,000
Mark A Runacres*	-	-	20,000	500,000	520,000
Vittal N*	-	-	135,000	500,000	635,000
Srinivasan R*	-	-	20,000	500,000	520,000

* Appointed on October 24, 2006

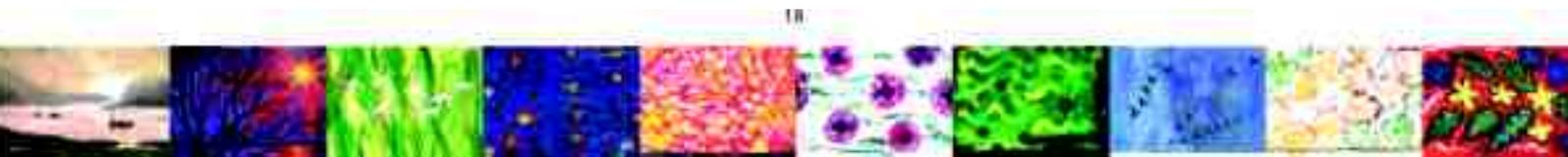
Ceased to be a Director with effect from October 24, 2006

@ Alternate Director to Subroto Bagchi with effect from February 28, 2007

^ Ceased to be a Director with effect from April 28, 2006

Note: 1) The above amounts exclude benefits accrued by the Company in respect of leave encashment and gratuity, as they are provided for the Company as a whole based on actuarial valuation.

2) The above amounts also exclude stock compensation cost of Rs.641,667 arising out of grant of stock options to Independent Directors.



Remuneration Policy

The Company's remuneration policy is driven by the success and performance of the individual employee and the Company. Through its compensation program, the Company endeavors to attract, retain, develop and motivate a high performance workforce. The Company follows a compensation mix of fixed pay, benefits and performance based variable pay. Individual performance pay is determined by business performance of the Company. The Company pays remuneration by way of salary, benefits, perquisites and allowances (fixed component) and performance incentives (variable component) to its Managing Director and other Executive Directors. Annual increments are decided by the Compensation Committee within the salary scale approved by the Members.

Section 309 of the Companies Act, 1956 provides that a Director who is neither in the whole-time employment of the Company nor a Managing Director may be paid remuneration by way of commission, if the Company by special resolution authorizes such payment. Members of the Company at the Extra-ordinary General Meeting of the Company held on November 16, 2006, approved payment of remuneration by way of commission to Independent Directors, at a sum not exceeding 1% per annum of net profits. The Company has paid Rs.3.1million as commission and Rs.2,35,000 as sitting fee to the Independent Directors. Neither remuneration / commission nor the sitting fee was paid to any of the Non-Executive, Non-Independent Directors.

The commission and the sitting fee have been arrived at as below:

1. Fixed pay / commission for four of the Independent Directors - Rs.5,00,000
2. Fixed pay / commission for one of the Independent Director - Rs.1.1 million (US\$ 25,000)
3. Sitting fee based on the attendance at the Board meetings - Rs.10,000 per meeting
4. Chairman of Audit Committee - Rs.1,25,000
5. Chairman of other committees - Rs.1,25,000

Period of Contract, Notice Period and Severance Pay of Directors

Chairman & Managing Director and the Executive Director

There is no specific period of contract of service for the Chairman & Managing Director and for the Executive Director. The notice period is 6 months.

Non-Executive Directors

The Non-Executive Directors are the nominees of the investors and their nomination and service is determined by the Shareholders' agreement with those investors.

Independent Directors

Period of contract and notice pay is not applicable to the Independent Directors. They will retire by rotation.

There is no severance pay for any of the directors.

Stock Options to Independent Directors

The following table shows the details of stock options to Independent Directors during the year. The contractual life of each option is 4 years after the date of the grant.

Name	Stock options (No.)	Grant price
Dr. Albert Hieronimus*	10,000	Rs 300
George M Scalise*	30,000	Rs 300
Mark A Runacres*	10,000	Rs 300
Vittal N*	10,000	Rs 300
Srinivasan R*	10,000	Rs 300

* Appointed on October 24, 2006

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 at the time of vesting.

None of the Non-Executive Directors hold any shares in the Company. The investors, represented by nominee Directors as mentioned above hold shares in the Company:

Shareholding Pattern

Name of the shareholder	No. of shares held
Walden Software Investments Limited	6,728,535
Capital International Global Emerging Markets Equity Fund LP	4,290,909
Global Technology Ventures Limited	2,648,561

Board Committees

Currently the Board has 5 committees:

1. Audit Committee
2. Investor Grievances Committee
3. Compensation Committee
4. Administrative Committee
5. Technology Committee

The Board has constituted these committees and has assigned their terms of reference. The Chairman of each Committee, along with other members of the Committee, and if required other members of the Board, decide the agenda, frequency and the duration of each meeting of that committee.

Audit Committee

The Audit Committee consists of three Independent Directors and one Non-executive Director. The members of the Audit Committee are:

Vittal N - Chairman, Independent Director

Siddhartha V G - Non-Executive Director

Dr. Albert Hieronimus - Independent Director

Srinivasan R - Independent Director

The Audit Committee meets at least once in each quarter.

The Audit Committee is one of the mandatory committees as per Clause 49 of the Listing Agreement with the stock exchanges.

The Board of Directors in its meeting held on October 24, 2006 has assigned the terms of reference for the Audit Committee as below:

1. Appointment and changes to the statutory auditors and internal auditors
2. Assess the independence and objectivity of the auditors and to ensure that the nature and amount of non-audit work does not impair the auditor's independence and objectivity

3. Fix the remuneration of the statutory and internal auditors
4. Review of the reports of the statutory auditors and internal auditors
5. Review critical accounting policies and any changes to such policies
6. Review of the quarterly and annual financial statements of the Company before they are presented to the Board
7. Review and approve any transactions with related parties
8. Review and assess the effectiveness of systems for internal financial control, financial reporting and risk management and compliance controls with management and auditors
9. Review any material breaches of compliance against regulations applicable to the Company
10. Review any concerns raised by MindTree Minds or others about possible improprieties in financial reporting, including management override of internal controls and financial irregularities involving management team members and
11. Any other matter referred to the Audit Committee by the Board of Directors of the Company.

Audit Committee Meeting and the Attendance

The details of Audit Committee meetings held during the year are as below:

Sl. No.	Date
1	April 28, 2006
2	July 28, 2006
3	October 18, 2006
4	January 15, 2007

Details of the attendance of directors are given below:

Director	No. of Meeting	
	Held since appointment as member	Attended
Vittal N*	1	1
Siddhartha VG	4	4
Dinesh Vaswani#	3	3
Vivek Kalra#	3	2
Dr. Albert Hieronimus* @	1	1
Srinivasan R*	1	1

* Appointed as Director on October 24, 2006

@ Appointed as Audit Committee member on January 15, 2007

Resigned as Audit Committee members with effect from October 24, 2006

Investor Grievances Committee

The Investor Grievances Committee consists of the following Directors:

Dr. Albert Hieronimus Chairman - Independent Director

Subroto Bagchi - Executive Director

Rostow Ravanan - CFO and Company Secretary acts as the Chief Compliance Officer

The Investor Grievances Committee meets twice each year.

The Board of Directors in its meeting held on October 24, 2006, assigned the terms of reference for the Investor Grievances Committee as below:

- Investor relations and redressal of shareholders' grievances in

general and relating to non-receipt of dividends, interest, non-receipt of balance sheet etc and

- Such other matters as may from time to time be required by any statutory, contractual or other regulatory requirements to be attended to by such committee

The Investor Grievances Committee did not meet during the year ended March 31, 2007, since our listing was only on March 7, 2007.

Details of complaints received and resolved during the period since the listing date are as below:

Nature of complaints.	Received	Resolved	Outstanding as March 31, 2007
Non receipt of refund orders and/or non credit of shares in demat account	3,755	3,461	294*

*Since resolved - 294

Compensation Committee

The Compensation Committee comprises of the following Directors:

Mark A Runacres - Chairman, Independent Director

Lip-Bu Tan - Non-Executive Director

Srinivasan R - Independent Director

This committee meets twice every year and the terms of reference as assigned by the Board of Directors at its meeting on October 24, 2006 are as follows:

- Assist the Board of Directors in ensuring that affordable, fair and effective compensation philosophy and policies are implemented
- Approve and make recommendations to the Board in respect of Director's fees, salary structure and actual compensation (inclusive of performance-based incentives and benefits) of the Executive Directors, including the Chief Executive Officer
- Review and approve the compensation and Employee Stock Option Plan ('ESOP') grant to senior executives, needing approval from the Board
- Review and approve the overall budgetary increment proposals for annual increase of compensation and benefits for the employees;
- Review and approve the change in terms and conditions of the ESOP
- Criteria for selection and appointment of Non-Executive directors and
- Review and approve any disclosures in the Annual Report or elsewhere in respect of compensation policies or Director's compensation.

Administrative Committee

The Board has also constituted an Administrative Committee. The purpose of the Administrative Committee is to authorize and manage the day-to-day business transactions, which would then be ratified by the Board. The Administrative Committee consists of Ashok Soota (Chairman), Subroto Bagchi (Executive Director) and Siddhartha VG (Non-Executive Director). This committee meets as and when there is a need to carry out any urgent business transaction, which would need the approval of the Board of Directors.



Technology Committee

Besides the above mentioned committees, the Board has also constituted a Technology Committee to handle any technology and business related issues. This committee was constituted by a circular resolution by the Board of Directors on January 15, 2007. This committee meets as and when need arises for the same.

The Technology Committee comprises of the following Directors:

Lip-Bu Tan - Chairman, Non-Executive Director

George M Scalise - Independent Director

Vivek Kalra - Non-Executive director

Disclosures

There are no materially significant related party transactions of the Company which have potential conflict with the interests of the Company at large.

Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchanges, SEBI or any statutory authority, on any matter related to capital markets, during the period from March 7, 2007 to March 31, 2007- NIL.

The Company has adopted a Whistle Blower Policy and has established the necessary mechanism in line with Clause 7 of Annexure I D to Clause 49 of the Listing Agreement with the Stock Exchanges, for employees to report concerns about unethical behavior. No person has been denied access to the Audit Committee.

The Company has disclosed all the mandatory requirements under Clause 49 of the Listing Agreement.

Among the non-mandatory requirements of the Clause 49 of the Listing Agreement, the Company has set up Compensation Committee and has a Whistle Blower Policy in place.

Board Disclosures - Risk Management

The Company laid down systems to inform Board members about the risk assessment and minimization procedures. The risks and Company's mitigation strategies are more fully described in the risk management section and these procedures are periodically reviewed to ensure effective controls.

Details of Public Issue and Utilization Thereof

During the year, MindTree raised funds through an Initial Public Offering (IPO) of 5,593,300 equity shares of Rs.10 each at a premium of Rs.415 per share. Out of the total issue, 372,900 shares were reserved for the eligible employees of the company and 279,660 shares were reserved for the business associates of the company. The "net issue" of 4,940,740 shares were for the subscription of the Public which included, Qualified Institutional Borrowers, Non-resident Institutional Borrowers and the retail investors. The issue was open for subscription for the period from February 9, 2007 to February 14, 2007. An amount of Rs. 2,377 million was raised through this IPO.

The utilization of IPO proceeds is as below: (Rs. Million)

Particulars	Projection in Prospectus	Actual funds utilized till March 31, 2007
Fund a new development centre in Chennai	1,207	Nil
Prepay certain loans	188	114
General corporate purposes	753	Nil
Share issue expenses	229	56
Total	2,377	170

Out of the total share issue expenses of Rs.189.3 million incurred up to March 31, 2007, and offset against balance available in securities premium account in the balance sheet, Rs.56.8 million has been paid till March 31, 2007. The remaining unutilized amount was invested in mutual funds and in bank deposits pending utilization.

Management Discussion And Analysis

As required by Clause 49 of the Listing Agreement, the Management Discussion and Analysis is provided elsewhere in the Annual Report.

CEO / CFO Certification

As required by Clause 49 of the listing agreement, the CEO / CFO certification is provided elsewhere in the Annual Report.

Auditors' Certificate on Corporate Governance

As required by Clause 49 of the Listing Agreement, the auditor's certificate is obtained and provided in the Annual Report.

Annual General Meetings

Details of the last three annual general meetings of the Company are given below:

Financial Year	Date	Time	Venue
2005-06	September 27, 2006	2.00 PM	No.42, 27th Cross, II Stage, Banashankari, Bangalore 560 070
2004-05	September 16, 2005	11.00 AM	No.42, 27th Cross, II Stage, Banashankari, Bangalore 560 070
2003-04	August 27, 2004	11.00 AM	No.42, 27th Cross, II Stage, Banashankari, Bangalore 560 070

The following special resolutions were passed by the members:

Annual General Meeting held on September 27, 2006

Your Company passed a special resolution to convert the Company into a Public Limited Company by altering the Articles of Association.

Details of last two extra ordinary general meetings of the Company are given below:

Financial Year	Date	Time	Venue
2004-05	June 14, 2004	11.00 AM	No.42, 27th Cross, II Stage, Banashankari, Bangalore 560 070
2006-07	November 16, 2006	10.30 AM	No.42, 27th Cross, II Stage, Banashankari, Bangalore 560 070

The following special resolutions were passed by the members:

Extra Ordinary General Meeting held on June 14, 2004

Your Company passed special resolution to alter the Articles of Association and to issue and allot equity shares of Rs.2 each upon conversion of fully convertible preference shares.

Extra Ordinary General Meeting held on November 16, 2006

Your Company passed special resolution for the following:

To borrow monies and to make loans or investments

To alter Memorandum and Articles of Association for consolidation of 5 shares of Rs.2 each into one share of Rs.10 each

To issue bonus shares in the ratio of 4 equity shares of Rs.10 each for every one equity share of Rs.10 each and

To approve the Directors Stock Option Plan ('DSOP') and ESOP plans and issue and allot equity shares under DSOP 2006 and ESOP 2006 plans.

No postal ballot was conducted during the year.

Means of Communication

At MindTree we would like to constantly communicate to our investors about our operations and financial results. Besides publishing the abridged financial results in Business Standard and Prajavani (the regional newspaper as per the Clause 41 of the Listing Agreement) the complete financial statement has been published on our website (www.mindtree.com). The transcript of the calls with the analysts has also been published on our website.

General Shareholder Information

Registered Office

No.42, 27th Cross, Banashankari II Stage

Bangalore 560 070, Karnataka, India

Tel.:+91 80 2671 1777 Fax: +91 80 2671 4000

Website: www.mindtree.com

Forthcoming AGM

The next Annual General Meeting of the Company will be held on July 25, 2007 at St. Johns Auditorium, Bangalore at 09:30 AM

Final Dividend for 2006-07

The final dividend, if declared, shall be paid / credited on or after July 25, 2007 within the period specified under the Companies Act, 1956.

Financial Calendar (Tentative and Subject to Change)

Year Ending: March 31, 2008

Event	Likely Board Meeting Schedule
Financial Reporting for the quarter ending June 30, 2007	July 24, 2007
Financial Reporting for the quarter ending September 30, 2007	October 23, 2007
Financial Reporting for the quarter ending December 31, 2007	Second fortnight of January 2008
Financial Reporting for the year ending March 31, 2008	Second fortnight of April 2008

Interim dividend, if any, for the year 2007-08: As approved by the Board of Directors

Annual General Meeting for the year 2007-08: As approved by the Board of Directors

Listing On Stock Exchanges

Your Company's equity shares are listed on the following stock exchanges as at March 31, 2007:

Bombay Stock Exchange Limited (BSE)

National Stock Exchange of India Ltd (NSE)

Codes	NSE	BSE
Exchange	MINDTREE	532819
Reuters	MINT.NS	MINT.BO



Listing fees for 2007-08 has been paid both for NSE and BSE.

ISIN Number for equity shares INE018I01017

Distribution of Shareholding

Range of equity shares held	No. of shareholders	%	No. of shares	%
Upto 500	79,749	98.48%	2,169,758	5.75%
501-1,000	517	0.64%	386,255	1.02%
1,001-2,000	285	0.35%	413,168	1.09%
2,001-3,000	115	0.14%	284,037	0.75%
3,001-4,000	65	0.08%	224,530	0.59%
4,001-5,000	47	0.06%	215,019	0.57%
5,001-10,000	97	0.12%	705,037	1.87%
10,001 and above	105	0.13%	33,354,773	88.36%
Total	80,980	100.00%	37,752,577	100.00%

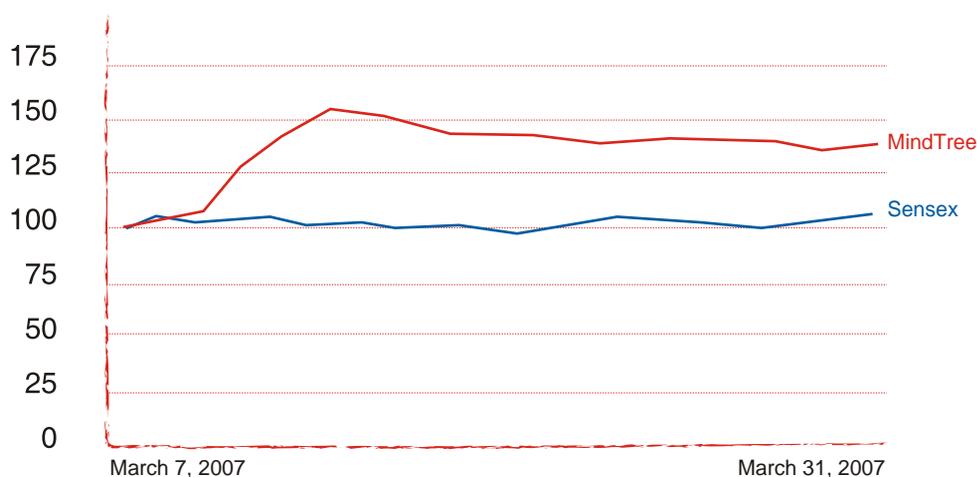
Shareholding Pattern

Categories of shareholders	No. of shareholders	No. of shares	% Holding
Promoter Holding			
Indian Promoters			
Individuals/Hindu Undivided Family	10	11,454,656	30.34
Foreign Promoters			
Bodies Corporate	1	1,932,663	5.13
Total Promoter Holding	11	13,387,319	35.47
Non Promoter Holding			
Institutional Investors			
Mutual Funds / UTI	7	6,485	0.02
Financial Institutions / Banks	11	51,614	0.14
Insurance Companies	2	20,787	0.06
Foreign Institutional Investors Others	43	1,811,944	4.80
Bodies Corporate	1,016	3,512,506	9.30
Individuals	78,938	5,112,255	13.54
Clearing Members	345	145,870	0.39
Trusts	14	210,185	0.56
NRI/OCBs	582	294,873	0.78
Foreign Nationals	7	176,300	0.47
Foreign Company	4	13,022,439	34.47
Total Non Promoter Holding	80,969	24,365,258	64.53
GRAND TOTAL	80,980	37,752,577	100.00

Market Price Data

The equity shares of the Company were listed in the stock exchanges on March 7, 2007. Accordingly the highest traded price and the lowest traded price for the month of March 2007 on a daily basis are as below:

Date	Date BSE			NSE		
	High (Rs)	Low (Rs)	Volume (No.)	High (Rs)	Low (Rs)	Volume (No.)
07-Mar-07	678.80	575.20	87,67,427	673.75	576.00	1,25,94,176
08-Mar-07	642.30	601.00	22,91,039	641.90	601.00	33,51,482
09-Mar-07	667.70	614.00	21,72,782	668.80	613.10	25,30,004
12-Mar-07	782.15	645.00	59,74,834	783.10	645.30	81,08,044
13-Mar-07	914.00	799.00	77,88,137	914.00	799.00	96,15,361
14-Mar-07	1,005.00	825.00	90,33,795	1,003.50	802.00	1,25,85,144
15-Mar-07	1,021.80	918.05	58,67,221	1,023.20	917.25	74,93,267
16-Mar-07	979.90	881.50	50,88,136	980.00	878.10	59,57,200
19-Mar-07	945.00	894.00	27,23,418	940.00	892.10	33,80,524
20-Mar-07	931.00	888.05	17,40,020	932.00	885.55	20,95,486
21-Mar-07	906.00	854.20	23,56,506	906.00	854.00	29,26,140
22-Mar-07	900.00	868.00	18,37,136	900.00	867.15	20,62,713
23-Mar-07	886.40	850.00	14,16,809	886.00	850.30	16,45,212
26-Mar-07	879.95	843.00	11,00,192	880.00	847.00	11,92,264
28-Mar-07	858.00	822.10	7,65,277	857.40	820.00	9,63,205
29-Mar-07	845.00	818.10	6,56,944	843.00	820.00	8,39,458
30-Mar-07	849.70	825.00	7,29,550	848.00	825.60	9,84,385
March 07	1,021.80	575.20	6,03,09,223	1,023.20	576.00	7,83,24,065



Investor Grievances and Share Transfer

We have an Investor Grievances committee represented by the Board of Directors to examine and redress shareholders' and investor complaints. The status on share transfers is reported to the Board. Details of complaints received and their nature is provided above.

The process and approval of share transfer has been delegated to the CFO & Company Secretary. For shares transferred in physical form, the Company gives adequate notice to the seller before registering the transfer of shares. The Company Secretary approves the share transfers and reports the same to the Board of Directors at their meeting. For matters regarding shares transferred in physical form, share certificates, dividends, change of address, etc., Shareholders should communicate

with Intime Spectrum Registry Limited, our registrar and share transfer agent. The address is given in the section on Shareholder information.

For shares transferred in electronic form, after confirmation of sale / purchase transaction from the broker, shareholders should approach the depository participant with a request to debit or credit the account for the transaction. The depository participant will immediately arrange to complete the transaction by updating the account. There is no need for separate communication to register the share transfer.

Dematerialization Of Shares

The Company's shares are admitted into both the depositories viz., National Securities Depository Ltd (NSDL) and Central Depository Services (India) Limited. As of March 31, 2007, 23.45% of the Company's shares are held in electronic form.

Investor Contacts

For queries relating to financial statements:

Rostow Ravanan
Chief Financial Officer & Company Secretary
Tel: +91 80 2671 1777, Fax: +91 80 2671 4000
E-mail: rostow_ravanan@mindtree.com

Investor correspondence in India:

Bhaskar V
Associate Director (Investor Relations)
Tel: +91 80 267101777, Fax: +91 80 2671 4000
E-mail: bhaskar_v@mindtree.com

Registrar and Share Transfer Agents

Intime Spectrum Registry Limited
C-13, Pannalal Silk Mills Compound
LBS Marg, Bandhup (W)
Mumbai 400 078, India
Tel: +91 22 2596 3838, Fax: +91 80 2594 6969





Financial Statements

Auditors' Report to the Members of MindTree Consulting Limited (Formerly MindTree Consulting Private Limited)

We have audited the attached balance sheet of MindTree Consulting Limited (formerly MindTree Consulting Private Limited) ("the Company") as at March 31, 2007 and the profit and loss account and cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) Order, 2004, ("the Order") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

- (i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- (iii) the balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;

(iv) in our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;

(v) on the basis of written representations received from the directors as on March 31, 2007, and taken on record by the Board of Directors, we report that none of the directors are disqualified as at March 31, 2007 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956; and

(vi) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2007;

(b) in the case of the profit and loss account, of the profit of the Company for the year ended on that date; and

(c) in the case of the cash flow statement, of the cash flows of the Company for the year ended on that date.

for BSR & Associates
Chartered Accountants

Sd/-
Zubin Shekary
Partner
Membership No. 48814

Bangalore
28 April 2007



Annexure to the Auditors' Report

The Annexure referred to in the Auditors' Report to the members of MindTree Consulting Limited (formerly MindTree Consulting Private Limited) ("the Company") for the year ended 31 March 2007.

We report as follows:

1. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets. The Company has a regular programme of physical verification of its fixed assets by which fixed assets are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

Fixed assets disposed off during the year were not substantial and therefore do not affect the going concern status of the Company.

2. The Company is a service company, primarily rendering software development services. Accordingly it does not hold any physical inventories. Thus, paragraph 4(ii) of the Order is not applicable.
3. The Company has neither granted nor taken any loans, secured or unsecured to or from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for purchase of fixed assets and with regard to the rendering of services. The activities of the Company do not involve purchase of inventory and the sale of goods. We have not observed any major weakness in the internal control system during the course of the audit.
5. a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.
b) In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements referred to in (a) above have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. The Company has not accepted any deposits from the public.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. The Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 for any of the services rendered by the Company.
9. According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Income-tax, Sales-tax, Service tax, Customs duty, Cess and other material statutory dues have been generally regularly deposited during the year by the Company with the appropriate authorities though there has been a slight delay in a few cases. As explained to us, the Company did not have any dues on account of Investor Education and Protection Fund, Employees State Insurance, Wealth tax and Excise duty. According to the information and explanations given to us, no material undisputed amounts payable in respect of Provident Fund, Income tax, Sales tax, Service tax, Customs duty, Cess and other material statutory dues were in arrears as at March 31, 2007 for a period of more than six months from the date they became payable.

There were no dues on account of cess under Section 441A of the Companies Act, 1956 since the date from which the aforesaid section comes into force has not yet been notified by the Central Government.

10. According to the information and explanations given to us, there are no material dues of Income tax, Sales tax, Service tax, Customs duty and Cess which have not been deposited with the appropriate authorities on account of any dispute.
11. The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.
12. According to the information and explanations given to us and on the basis of examination of books of accounts, the Company has not defaulted in repayment of its dues to banks. The Company did not have any dues to a financial institution or debenture holders during the year.
13. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
14. In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi / mutual benefit fund / society.
15. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
16. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
17. In our opinion and according to the information and explanations given to us, the term loans taken by the Company have been applied for the purpose for which they were raised.
18. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investment.
19. The Company has not made any preferential allotment of shares to parties and companies covered in the register mentioned under Section 301 of the Companies Act, 1956.
20. The Company did not have any outstanding debentures during the year.
21. We have verified the end-use of money raised by public issue as disclosed in the notes to the financial statements.
22. According to the information and explanations given to us, no material fraud on or by the Company has been noticed or reported during the course of our audit.

for BSR & Associates
Chartered Accountants

Sd/-
Zubin Shekary
Partner
Membership No. 48814

Bangalore
28 April 2007

Balance Sheet

	Schedule	As at March 31, 2007	(Rs) As at March 31, 2006
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	377,525,770	58,725,070
Share application money		171,838	527,763
Reserves and surplus	2	3,977,052,738	1,228,668,624
		4,354,750,346	1,287,921,457
Loan funds			
Secured loans	3	263,776,266	742,019,607
		4,618,526,612	2,029,941,064
APPLICATION OF FUNDS			
Fixed assets			
Gross block	4	1,367,892,485	936,785,938
Accumulated depreciation		(800,319,333)	(576,175,239)
Net block		567,573,152	360,610,699
Capital work-in-progress		131,767,157	27,912,763
		699,340,309	388,523,462
Investments			
	5	2,140,562,985	537,648,612
Deferred tax assets			
	15(8)	46,355,361	-
Current assets, loans and advances			
Sundry debtors	6	1,171,608,761	1,097,684,915
Cash and bank balances	7	767,951,702	262,110,368
Loans and advances	8	830,317,688	558,336,045
		2,769,878,151	1,918,131,328
Current liabilities and provisions			
Current liabilities	9	861,631,845	741,109,847
Provisions	10	175,978,349	73,252,491
Net current assets			
		1,732,267,957	1,103,768,990
		4,618,526,612	2,029,941,064

Significant accounting policies and Notes to the accounts 15

The schedules referred to above form an integral part of the balance sheet

As per our report attached

For BSR & Associates
Chartered Accountants

For MindTree Consulting Limited

Zubin Shekary
Partner
Membership No. 48814

Ashok Soota
Chairman & Managing Director

Subroto Bagchi
Director

Bangalore
Date: 28 April 2007

Rostow Ravanan
Chief Financial Officer & Company Secretary

Profit and Loss Account

	Schedule	For the year ended March 31, 2007	(Rs) For the year ended March 31, 2006
Income			
Income from software development			
Overseas		5,534,426,308	3,969,644,361
Domestic		369,097,560	518,338,797
Other income	11	73,647,603	65,735,586
		<u>5,977,171,471</u>	<u>4,553,718,744</u>
Expenditure			
Software development expenses	12	3,508,839,367	2,734,655,384
Administrative and other expenses	13	1,298,327,483	977,129,037
Amortization / impairment of goodwill	15(5)	-	22,369,004
		<u>4,807,166,850</u>	<u>3,734,153,425</u>
Profit before interest, depreciation and tax		1,170,004,621	819,565,319
Interest	14	29,987,696	52,636,859
Depreciation	4	<u>244,356,074</u>	<u>209,380,028</u>
Profit before tax		895,660,851	557,548,432
Provision for taxation including FBT		41,493,241	15,128,328
Deferred tax (benefit) / charge	15(8)	<u>(46,355,361)</u>	<u>332,843</u>
Profit for the year		<u>900,522,971</u>	<u>542,087,261</u>
Balance in profit and loss account brought forward		<u>392,043,256</u>	<u>(150,044,005)</u>
Amount available for appropriation		<u>1,292,566,227</u>	<u>392,043,256</u>
Dividend			
Interim		30,455,220	-
Proposed		<u>37,752,577</u>	-
Total dividend		68,207,797	-
Dividend tax		10,687,395	-
Amount transferred to General Reserve		<u>90,052,297</u>	-
Balance in Profit & Loss Account carried forward		<u>1,123,618,738</u>	<u>392,043,256</u>
Earnings per share	15(21)		
(Equity shares, par value Rs 10 each)			
Basic		28.98	20.13
Diluted		27.70	17.35
Weighted average number of shares used in computing earnings per share			
Basic		31,069,696	26,933,716
Diluted		32,512,206	31,250,642

Significant accounting policies and Notes to the accounts 15

The schedules referred to above form an integral part of the profit and loss account

As per our report attached

For BSR & Associates
Chartered Accountants

Zubin Shekary
Partner
Membership No. 48814

Bangalore
Date: 28 April 2007

For MindTree Consulting Limited

Ashok Soota
Chairman & Managing Director

Subroto Bagchi
Director

Rostow Ramanan
Chief Financial Officer & Company Secretary

Cash flow statement

	For the year ended March 31, 2007	(Rs) For the year ended March 31, 2006
Cash flow from operating activities		
Profit before tax	895,660,851	557,548,432
Adjustments for :		
Depreciation	244,356,074	209,380,028
Amortization / impairment of goodwill	-	22,369,004
Amortization of stock compensation	12,211,803	2,619,406
Interest expense	29,987,696	52,636,859
Interest / dividend income	(34,970,023)	(15,196,808)
Loss on sale of fixed assets	503,799	(412,097)
Profit on sales of investments	(12,262,281)	(18,848,261)
Effect of exchange differences on translation of foreign currency cash and cash equivalents	(939,913)	(961,603)
Operating profit before working capital changes	1,134,548,006	809,134,960
Increase in sundry debtors	(73,923,846)	(443,243,670)
Increase in loans and advances	(248,781,526)	(121,066,554)
Increase in current liabilities and provisions	56,412,984	220,943,852
Income taxes and FBT paid	(48,130,748)	(31,691,594)
Net cash provided by / (used in) operating activities	820,124,870	434,076,994
Cash flow from investing activities		
Purchase of fixed assets	(558,016,248)	(211,687,214)
Proceeds on sale of fixed assets	8,846,510	7,976,756
Purchase of business/acquisition	(16,844,194)	(236,239,312)
Interest / dividend received from investments	19,576,418	10,369,580
Purchase of investments	(2,506,100,000)	(495,552,869)
Sale / maturities of investments	930,315,332	320,284,786
Net cash used in investing activities	(2,122,222,182)	(604,848,273)
Cash flow from financing activities		
Issue of share capital (net of issue expenses paid)	2,365,338,926	64,115,549
Receipt of share application money	171,838	527,763
Interest paid on loans	(30,426,401)	(52,185,640)
Proceeds from term loans	-	294,000,000
Repayment of term loans	(185,583,539)	(209,221,152)
Repayment of finance lease obligation	(21,278,810)	(24,002,573)
Proceeds / (repayment) of short term loans, net	(286,511,528)	148,567,723
Dividends paid (including distribution tax)	(34,711,753)	(58,885,999)
Net cash provided by financing activities	1,806,998,733	162,915,671
Effect of exchange differences on translation of foreign currency cash and cash equivalents	939,913	961,603
Net increase / (decrease) in cash and cash equivalents	505,841,334	(6,894,005)
Cash and cash equivalents at the beginning of the year	262,110,368	269,004,373
Cash and cash equivalents at the end of the year	767,951,702	262,110,368

As per our report attached

for BSR & Associates
Chartered Accountants

Zubin Shekary
Partner
Membership No. 48814

Bangalore
Date: 28 April 2007

For MindTree Consulting Limited

Ashok Soota
Chairman & Managing Director

Subroto Bagchi
Director

Rostow Ravanan
Chief Financial Officer & Company Secretary

Schedules to the balance sheet

	As at March 31, 2007	(Rs) As at March 31, 2006
1. Share capital		
Authorized capital		
79,620,000 Equity shares of Rs 10 each	796,200,000	100,000,000
(previous year 50,000,000 equity shares of Rs 2 each)	-	696,200,000
Nil (previous year 2,950,000) preference shares of Rs 236 each	-	-
	<u>796,200,000</u>	<u>796,200,000</u>
Issued, subscribed and paid-up capital		
37,752,577 equity shares of Rs 10 each fully paid	377,525,770	58,725,070
(previous year 29,362,535 equity shares of Rs 2 each)	377,525,770	58,725,070
	<u>377,525,770</u>	<u>58,725,070</u>
- For details of conversion of the convertible preference shares, refer to Note 3 of Schedule 15		
- For details of bonus shares issued and consolidation of equity shares, refer to Note 4 of Schedule 15		
- For details of options, in respect of the above equity shares, refer to Note 6 of Schedule 15		
- For details of shares issued through IPO, refer to Note 1 of Schedule 15		
2. Reserves and surplus		
Securities premium account		
At the commencement of the year	835,744,762	368,778,078
Additions during the year		
Conversion of preference shares	-	652,075,152
Issue of shares (Refer Note 1 of Schedule 15)	2,321,219,500	64,162,494
On exercise of employee stock options / customer warrants	36,204,337	2,457,312
	<u>3,193,168,599</u>	<u>1,087,473,036</u>
Deductions during the year		
Adjustment of goodwill arising on amalgamation of MindTree Software Services Private Limited, in accordance with scheme of amalgamation. (Note 7 of Schedule 15)	-	(251,728,274)
"Issue of bonus shares in the ratio of 4 : 1 (previous year- Nil) (Note 4 of Schedule 15)"	(253,561,900)	-
Share issue expenses (Rs 56,795,947 paid out of IPO issue proceeds)	(189,317,405)	-
	<u>2,750,289,294</u>	<u>835,744,762</u>
General Reserve	90,052,297	-
Stock option outstanding account	62,374,950	3,587,750
Less: Deferred employee compensation expense	(49,282,541)	(2,707,144)
	<u>13,092,409</u>	<u>880,606</u>
Balance in profit & loss account	1,123,618,738	392,043,256
	<u>3,977,052,738</u>	<u>1,228,668,624</u>
3. Secured loans		
From banks		
- Term loans	57,444,448	243,027,987
Loan from HSBC is secured by a first, pari passu charge on fixed assets. (Rs 113,750,000 repaid during the year out of IPO issue proceeds)		
- Other loans	164,700,499	451,212,027
Loan from HSBC Bank and Oriental Bank of Commerce is secured by a pari passu charge on book debts and other current assets.		
Finance lease obligation (Secured by hypothecation of assets taken on lease)	41,631,319	47,779,593
	<u>263,776,266</u>	<u>742,019,607</u>

MindTree Consulting Limited
(formerly MindTree Consulting Private Limited)

Schedules to the balance sheet

4. Fixed assets

(Rs)

Assets	Gross block			Accumulated depreciation			Net block	
	As at April 1, 2006	Additions	Deletions	As at March 31, 2007	For the Year	Deductions	As at March 31, 2007	As at March 31, 2006
Leasehold land	-	51,265,000	-	51,265,000	332,273	-	332,273	50,932,727
Leasehold improvements	299,965,880	126,185,587	2,493,761	423,657,706	56,863,897	925,426	195,642,869	228,014,837
Computer systems (including software)	429,910,337	158,196,506	63,128	588,043,715	123,526,882	51,362	445,553,920	142,489,795
Furniture and fixtures	31,409,398	15,918,886	3,922,424	43,405,860	13,646,421	1,404,288	38,202,512	5,203,348
Electrical installations	26,376,537	28,621,669	183,780	54,814,426	8,927,581	183,780	24,956,004	29,858,422
Office equipment	66,337,520	65,350,651	1,743,439	129,944,732	21,161,792	732,013	55,720,674	74,224,058
Motor vehicles - own	4,266,466	-	1,133,517	3,132,949	1,146,986	599,797	1,913,257	1,219,692
- leased	78,519,800	15,130,536	20,022,239	73,628,097	18,750,242	16,315,314	37,997,824	35,630,273
TOTAL	936,785,938	460,668,835	29,562,288	1,367,892,485	244,356,074	20,211,980	800,319,333	567,573,152
Previous year	616,420,934	336,613,710	16,248,706	936,785,938	209,380,028	8,684,047	576,175,239	360,610,699
Capital work-in-progress								131,767,157
								27,912,763

Leasehold land represents land acquired on a 90 year lease . The ownership of the land does not transfer to the Company at the end of the lease term and accordingly the cost is amortized over the period of the lease.

Schedules to the balance sheet

			(Rs)
	As at	As at	
	March 31, 2007	March 31, 2006	
5. Investments			
A. Long-term investments - unquoted (fully paid equity shares)			
- 2,400 equity shares in Career Community.com Ltd.	1,398,216	1,398,216	
- 12,640 equity shares in Worldcast Technologies Pvt. Ltd.	126,400	126,400	
	<u>1,524,616</u>	<u>1,524,616</u>	
Less: Provision for diminution in the value of investments	1,374,216	1,374,216	
	<u>150,400</u>	<u>150,400</u>	
B. Current investments			
Non-Trade Investments - quoted (valued at lower of cost or market value)			
	Number of Units as at		
	March 31, 2007	March 31, 2006	
Birla Sun Life Mutual Fund			
(1,807,805 units purchased /	2,750,000	2,750,000	27,500,000
1,807,805 units redeemed during the year)			27,500,000
Deutsche Mutual Fund	7,531,705	6,964,486	75,317,053
(18,772,078 units purchased /			69,644,858
18,204,859 units redeemed during the year)			
Franklin Templeton Mutual Fund	4,334,504	4,334,504	43,345,040
(Nil units purchased /			43,345,040
Nil units redeemed during the year)			
DSP Merrill Lynch Mutual Fund	26,841	25,102	26,841,470
(1,518,586 units purchased /			25,102,091
1,516,847 units redeemed during the year)			
HDFC Mutual Fund	2,600,000	2,600,000	26,000,000
(Nil units purchased /			26,000,000
Nil units redeemed during the year)			
HSBC Mutual Fund	2,575,492	2,495,740	25,754,919
(58,288,676 units purchased /			24,957,400
58,208,924 units redeemed during the year)			
ICICI Prudential Mutual Fund	4,359,971	5,342,169	53,795,123
(3,905,076 units purchased /			53,421,688
4,887,274 units redeemed during the year)			
ING Vysya Mutual Fund	5,298,919	4,679,412	52,989,192
(19,848,375 units purchased /			46,794,118
19,228,868 units redeemed during the year)			
Kotak Mahindra Mutual Fund	3,251,226	3,017,464	32,512,263
(4,166,891 units purchased /			30,174,643
3,933,129 units redeemed during the year)			
Standard Chartered Mutual Fund	2,827,583	19,055,837	28,275,834
(3,312,691 units purchased /			190,558,374
19,540,945 units redeemed during the year)			
UTI Mutual Fund	509,008	-	5,090,085
(509,008 units purchased)			-
			<u>397,420,979</u>
Less: Provision for diminution in the value of investments			537,498,212
			<u>-</u>
			<u>397,420,979</u>
			<u>537,498,212</u>

Schedules to the balance sheet

	(Rs)
	As at
B. Current investments - continued	March 31, 2007
Description	Market Value
Birla Sun Life Mutual Fund	29,890,850
Deutsche Mutual Fund	77,959,861
Franklin Templeton Mutual Fund	47,070,113
DSP Merrill Lynch Mutual Fund	26,848,552
HDFC Mutual Fund	28,198,300
HSBC Mutual Fund	26,526,794
ICICI Prudential Mutual Fund	57,590,220
ING Vysya Mutual Fund	53,197,440
Kotak Mahindra Mutual Fund	33,521,562
Standard Chartered Mutual Fund	28,569,054
UTI Mutual Fund	5,094,768
	414,467,514
	548,134,553



Schedules to the balance sheet

			(Rs)
		As at March 31, 2007	As at March 31, 2006
C. Current investments - (Out of IPO issue proceeds)			
Non-Trade Investments - quoted (valued at lower of cost or market value)			
	Number of Units as at		
	March 31, 2007	March 31, 2006	
Birla Sun Life Mutual Fund (9,239,661 units purchased / 4,217,310 units redeemed during the year)	5,022,352	-	50,223,517
DBS Chola Mutual Fund (4,198,151 units purchased during the year)	4,198,151	-	50,181,760
Deutsche Mutual Fund (5,000,000 units purchased during the year)	5,000,000	-	50,000,000
DSP Merrill Lynch Mutual Fund (100,288 units purchased / 50,113 units redeemed during the year)	50,176	-	50,175,889
Franklin Templeton Mutual Fund (57,734,133 units purchased / 50,212,444 units redeemed during the year)	7,521,690	-	75,216,896
HDFC Mutual Fund (14,592,763 units purchased / 7,071,371 units redeemed during the year)	7,521,393	-	75,213,926
HSBC Mutual Fund (23,687,556 units purchased / 12,262,704 units redeemed during the year)	11,424,853	-	114,297,691
ICICI Prudential Mutual Fund (40,023,310 units purchased / 10,011,655 units redeemed during the year)	30,011,655	-	300,116,551
ING Vysya Mutual Fund (10,034,471 units purchased / 5,014,202 units redeemed during the year)	5,020,269	-	50,202,693
Kotak Mahindra Mutual Fund (5,000,000 units purchased)	5,000,000	-	50,000,000
LIC Mutual Fund (19,155,771 units purchased / 9,143,356 units redeemed during the year)	10,012,414	-	100,124,142
Lotus India Mutual Fund (5,023,435 units purchased)	5,023,435	-	50,234,352
Principal PNB Mutual Fund (5,022,021 units purchased during the year)	5,022,021	-	50,231,258
Reliance Mutual Fund (20,000,000 units purchased during the year)	20,000,000	-	200,000,000
Standard Chartered Mutual Fund (12,595,671 units purchased / 75,197 units redeemed during the year)	12,520,474	-	125,204,742
Sundaram BNP Paribas Mutual Fund (9,850,851 units purchased / 4,826,574 units redeemed during the year)	5,024,276	-	50,242,822
Tata Mutual Fund (20,086,749 units purchased during the year)	20,086,749	-	200,868,000
UTI Mutual Fund (10,045,737 units purchased during the year)	10,045,737	-	100,457,367
			1,742,991,606
Less: Provision for diminution in the value of investments			-
			1,742,991,606
			2,140,562,985
			537,648,612

Schedules to the balance sheet

Description	As at	(Rs)
	March 31, 2007	As at March 31, 2006
C. Current investments - (Out of IPO issue proceeds) - continued		
	Market Value	
Birla Sun Life Mutual Fund	50,269,221	-
DBS Chola Mutual Fund	50,211,566	-
Deutsche Mutual Fund	50,128,000	-
DSP Merrill Lynch Mutual Fund	50,175,889	-
Franklin Templeton Mutual Fund	75,315,479	-
HDFC Mutual Fund	75,213,926	-
HSBC Mutual Fund	114,469,965	-
ICICI Prudential Mutual Fund	301,328,551	-
ING Vysya Mutual Fund	50,202,693	-
Kotak Mahindra Mutual Fund	50,000,000	-
LIC Mutual Fund	100,135,156	-
Lotus India Mutual Fund	50,234,352	-
Principal PNB Mutual Fund	50,231,258	-
Reliance Mutual Fund	200,084,000	-
Standard Chartered Mutual Fund	125,336,350	-
Sundaram BNP Paribas Mutual Fund	50,494,980	-
Tata Mutual Fund	201,102,503	-
UTI Mutual Fund	100,575,907	-
	1,745,509,796	-



Schedules to the balance sheet

	As at March 31, 2007	(Rs) As at March 31, 2006
6. Sundry debtors (Unsecured)		
Debts outstanding for a period exceeding six months		
- considered good	13,303,699	59,833,127
- considered doubtful	115,909,809	83,652,450
Other debts		
- considered good	1,158,305,063	1,037,851,790
- considered doubtful	715,460	23,463,883
Less: Provision for doubtful debts	116,625,270	107,116,335
	<u>1,171,608,761</u>	<u>1,097,684,915</u>
7. Cash and bank balances		
Cash on hand	14,726	744,291
Balances with scheduled banks		
Current accounts (includes Rs 63,614,947 out of IPO issue proceeds)	123,646,571	26,389,958
Deposit accounts (includes Rs 400,000,000 out of IPO issue proceeds)	580,410,141	169,084,271
Balances with non-scheduled banks - in current accounts		
Wachovia Bank, N.A., USA	11,050,282	10,728,546
HSBC, Swindon, UK	837,082	889,361
Deutsche Bank, Singapore	6,698,842	1,165,194
Bank of Tokyo, Mitsubishi	3,472,408	6,101,663
Silicon Valley Bank, USA	36,281,013	40,917,356
HSBC, Dubai	2,046,287	1,940,419
HSBC, Germany	1,041,387	591,260
May Bank, Malaysia	349,728	349,728
PNC Bank, USA	-	3,020,219
UBS, Basel	1,528,246	188,102
HSBC, Australia	574,989	-
	<u>767,951,702</u>	<u>262,110,368</u>
Maximum amount outstanding at any time during the year with non-scheduled banks is as under:		
Wachovia Bank, N.A., USA	144,684,967	68,500,403
HSBC, Swindon, UK	21,836,174	14,467,767
Deutsche Bank, Singapore	23,555,236	10,273,175
Bank of Tokyo, Mitsubishi	10,907,326	12,086,853
Silicon Valley Bank, USA	142,176,847	110,748,159
HSBC, Dubai	17,131,169	8,619,761
HSBC, Germany	4,010,049	1,374,434
May Bank, Malaysia	361,698	349,728
PNC Bank, USA	3,020,219	38,647,940
UBS, Basel	2,321,098	813,708
HSBC, Australia	881,303	-
	<u>767,951,702</u>	<u>262,110,368</u>
8. Loans and advances (Unsecured, considered good unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received *	563,536,313	423,941,648
Unbilled revenue	199,340,386	89,627,345
Advance tax and tax deducted at source, net of provision for taxes	67,440,989	44,767,052
	<u>830,317,688</u>	<u>558,336,045</u>
* includes amounts due from Directors	1,410,650	707,141
Maximum amount due from Directors at anytime during the year	1,732,276	1,055,294

Schedules to the balance sheet

	As at March 31, 2007	(Rs.) As at March 31, 2006
9. Current liabilities		
Advances from customers	6,490,405	16,029
Interest accrued but not due	408,864	847,569
Unearned revenue	27,354,970	61,959,319
Sundry creditors (refer Note 15 of Schedule 15)		
Expenses	236,612,846	123,877,960
Capital goods	7,174,296	15,797,851
Other liabilities	578,594,807	504,327,411
Book overdraft	4,995,657	34,283,708
	861,631,845	741,109,847
10. Provision		
Unclaimed dividend	14,812	-
Proposed dividend	37,752,577	-
Provision for gratuity	4,046,146	-
Leave encashment	31,755,343	17,333,899
Post contract support services	20,909,554	16,710,981
Provision for discount	53,992,168	34,033,902
Provision for		
tax on dividend	6,416,050	-
fringe benefit tax, net of taxes paid	-	118,440
foreign taxes	21,091,699	5,055,269
	175,978,349	73,252,491



Schedules to the profit and loss account

	For the year ended March 31, 2007	(Rs) For the year ended March 31, 2006
11. Other income		
Interest on deposits (tax deducted at source - Rs 3,496,804, previous year Rs 2,420,379)	16,968,081	11,869,141
Profit on sale of investments	12,262,281	18,848,261
Profit from sale of assets, net	-	412,097
Dividend from investments	18,001,942	3,327,667
Exchange gain, net	4,506,450	-
Miscellaneous income (refer Note 20 of Schedule 15)	21,908,849	31,278,420
	73,647,603	65,735,586
12. Software development expenses		
Salary and allowances	2,455,715,213	1,901,822,082
Contribution to provident and other funds	252,768,738	158,267,970
Staff welfare	37,801,492	21,872,906
Travel and conveyance	458,596,771	341,208,462
Communication expenses	45,261,124	46,532,744
Sub-contractor charges	102,015,812	142,469,465
Software purchases	18,866,731	9,332,182
Computer consumables	133,614,913	107,093,714
Post contract support services	4,198,573	6,055,859
	3,508,839,367	2,734,655,384
13. Administrative and other expenses		
Salary and allowances	486,016,280	338,820,709
Contribution to provident and other funds	30,835,785	23,358,726
Travel and conveyance	87,312,045	47,655,023
Power and fuel	83,548,919	54,904,250
Rent	217,289,081	185,056,976
Lease rentals / charges	7,249,388	4,710,855
Telephone charges	41,522,871	27,566,367
Printing and stationery	12,829,231	9,549,324
Office maintenance	18,554,309	15,456,992
Exchange loss, net	-	7,340,806
Staff training expenses	31,837,853	15,722,098
Advertisement	17,125,565	6,039,067
Bank charges	3,296,619	3,437,113
Insurance	8,198,031	7,322,868
Rates and taxes	10,307,464	4,800,417
Auditor's remuneration (refer Note 16 of Schedule 15)	4,137,158	2,137,459
Recruitment expenses	48,129,823	30,399,560
Repairs and maintenance		
- Plant and machinery	7,338,559	5,121,671
- Others	1,721,884	3,215,635
Marketing expenses	51,279,578	40,122,482
Donations	974,340	131,087
Legal and professional expenses	75,954,384	67,580,134
Loss from sale of assets, net	503,799	-
Provision for bad and doubtful debts and advances	9,558,327	47,882,087
Miscellaneous expenses	42,806,190	28,797,331
	1,298,327,483	977,129,037
14. Interest		
Interest on term loans	17,876,927	13,370,606
Interest on short term credit / finance charges	12,110,769	39,266,253
	29,987,696	52,636,859

Schedule 15 - Significant accounting policies and notes to the accounts for the year ended March 31, 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, 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.

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 shares of Rs 10 each at a price of Rs 425 per share.

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 recognized 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 capitalized. Where fixed assets have been acquired from a

country outside India, the cost of fixed assets also includes the exchange differences (favorable and unfavorable) 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 April 1, 2001 are capitalized 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

- 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 amortized 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.
- 2.5.2 Leave encashment is another 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 recognized 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 recognized as the related services are rendered. Revenue from fixed price contracts is recognized 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 recognized 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 recognized 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-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 recognized 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 recognized 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 recognized 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.

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 extraordinary 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.

3. Fully convertible preference shares and warrants

In July 2001, the Company issued 0.1% 2,820,000 non-cumulative fully convertible preference shares of Rs 236 each to its investors. These preference shares were converted to 6,722,424 equity shares of Rs 2 each through a resolution passed by the Board of Directors of the Company on July 28, 2005. No dividend was declared on these preference shares.

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. Purchase of business

On October 1, 2004, the Company purchased the business of ASAP Solutions Private Limited and its subsidiaries. The total consideration of Rs 31,997,000 and direct transaction costs of Rs 4,037,455 were allocated to net assets of Rs 3,305,650 and goodwill of Rs 32,728,805. The consideration was payable on a deferred basis. Amortization / impairment of goodwill for the year ended March 31, 2006, includes impairment loss of Rs 13,911,903 in respect of goodwill that had arisen on purchase of business from ASAP Solutions Private Limited.

6. Employee stock options

The Company instituted the Employee 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, 2006	972,185
Granted during the year	-
Exercised during the year	856,609
Lapsed during the year	18,849
Forfeited during the year	88
Outstanding options as at March 31, 2007	96,639

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, 2006	1,303,988
Granted during the year	-
Exercised during the year	693,616
Lapsed during the year	59,771
Forfeited during the year	63,701
Outstanding options as at March, 31 2007	486,900

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, 2006	-
Granted during the year	406,650
Exercised during the year	-
Lapsed during the year	-
Forfeited during the year	40,150
Outstanding options as at March, 31 2007	366,500

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, 2006	-
Granted during the year	1,386,250
Exercised during the year	-
Lapsed during the year	-
Forfeited during the year	46,900
Outstanding options as at March, 31 2007	1,339,350

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, 2006	-
Granted during the year	70,000
Exercised during the year	-
Lapsed during the year	-
Forfeited during the year	-
Outstanding options as at March 31, 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 315.63 under program 4 and Rs.300 under DSOP 2006.

The weighted average share price for stock options exercised during the year was Rs 23.98. The options outstanding at March 31, 2007 had a weighted average exercise price of Rs 237.66 and a weighted average remaining contractual life of 5.24 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 year ended March 31, 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:

	Year ended March 31, '07	Year ended March 31, '06
Net income as reported	900,522,971	542,087,261
Add: Stock-based employee compensation expense (Intrinsic value method)	12,211,803	880,606
Less: Stock-based employee compensation expense (Fair value method)	38,090,174	974,544
Proforma net income	874,644,600	541,993,323
Basic earnings per share as reported	28.98	20.13
Proforma basic earnings per share	28.15	20.12
Diluted earnings per share as reported	27.70	17.35
Proforma diluted earnings per share	26.94	17.34

The weighted average fair value of each option granted during the year ended March 31, 2007, estimated on the date of grant was Rs 114.20 using the Black-Scholes model with the following assumptions:

Grant date share price	Rs 250 - 425
Exercise price	Rs 250-419
Dividend yield%	0-0.33%
Expected life	3-5 years
Risk free interest rate	6.88-7.96%
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, 2006	481,759
Sale during the year	375,600
Repurchased during the year	74,106
Outstanding shares as at March 31, 2007	180,265

During the year ended March 31, 2007, the Trust issued / sold 375,600 shares to certain employees at a price of Rs 300, which management believes was the fair value of the shares on the date of the sale.

7. Acquisition and amalgamation of Linc Software Services Private Limited

On June 4, 2005, the Company acquired 100% equity in Linc Software Services Private Limited, which was subsequently renamed as MindTree Software Services Private Limited. The total consideration of Rs 306,372,000 and direct transaction costs of Rs 6,307,806 were allocated to net assets of Rs 60,951,532 resulting in goodwill of Rs 251,728,274. The consideration was payable on a deferred basis till March 15, 2007.

In terms of the scheme of amalgamation approved by the Hon'ble High Court of Karnataka on July 28, 2006, MindTree Software Services Private Limited was amalgamated with the Company with effect from April 1, 2005. The Company has accounted for the amalgamation as amalgamation in the nature of purchase under AS 14 - Accounting for amalgamations.

Following are the salient features of the scheme

- 207,671 equity shares of Rs 10 each held by the Company in MindTree Software Services Private Limited were cancelled and extinguished, from the effective date of the scheme.
- All the assets and liabilities of MindTree Software Services Private Limited are recorded in the books of the Company at their carrying amounts as on April 1, 2005.
- Pursuant to the scheme of amalgamation approved by the Hon'ble High Court of Karnataka, the goodwill of Rs 251,728,274 resulting from the amalgamation was set-off against the securities premium account of the Company. If the treatment specified by AS 14 had been followed, the goodwill balance of Rs 251,728,274 would have been amortized as per the Company's accounting policy.
- MindTree Software Services Private Limited had a fully owned subsidiary, LSI Inc, which was dissolved during the year and the

resultant profit on dissolution of Rs. 8,330,951 is included under profit on sale of investments.

- Subsequent to the amalgamation, MindTree Software Services Private Limited has aligned the estimates of useful lives in respect of fixed assets to those of the Company and incremental depreciation charge of Rs 16,930,258 has been recorded.

8. 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 46,355,361 (previous year-Rs Nil).

9. Contingent liabilities and commitments

- Guarantees given by Company's bankers as at March 31, 2007 is Rs 24,267,492 (previous year- Rs 500,000).
- Amount paid for income tax matters, under protest as at March 31, 2007 is Rs Nil (previous year - Rs 1,430,621).
- Estimated amount of contracts remaining to be executed on capital account and not provided for as at March 31, 2007 is Rs 695,007,234 (previous year -Rs 44,298,166).

10. 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.

11. Value of imports on CIF basis

	Rs	
	For the year ended March 31, 2007	For the year ended March 31, 2006
Capital goods	157,090,354	82,581,818
Others	8,406,183	435,633
Total	165,496,537	83,017,451

12. Expenditure in foreign currency (accrual basis)

	Rs	
	For the year ended March 31, 2007	For the year ended March 31, 2006
Travel expenses	213,707,629	161,059,841
Professional charges	19,553,901	8,185,473
Branch office expenses	1,623,155,864	1,299,701,067
Others	51,145,906	19,890,084
Total	1,907,563,300	1,488,836,465

13. Purchase of traded goods

	March 31, 2007		March 31, 2006	
	Quantity (Nos)	Value (Rs)	Quantity (Nos)	Value (Rs)
Software etc	-	-	1	1,043,520

14. Earnings in foreign currency (accrual basis)

Rs

Particulars	For the year ended March 31, 2007	For the year ended March 31, 2006
Income from software development	5,534,426,308	3,969,644,361
Interest income	304,325	283,943
Other income	479,787	1,641
Total	5,535,210,420	3,969,929,945

Issue of equity shares of the Company which has been offset against the balance available in the securities premium account.

17. 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 categorized 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.

15. Dues to small scale industries

There were no amounts due from the Company to Small Scale Industries as at March 31, 2007. (previous year Rs Nil)

16. Auditor's remuneration

Rs

Particulars	For the year ended March 31, 2007	For the year ended March 31, 2006
Audit fees*	8,421,960	1,346,880
Tax audit fee	168,540	168,360
Other services	224,720	561,200
Reimbursement of expenses *	121,687	61,019

* Audit fees and reimbursement of expenses include Rs 4,714,080 and Rs 85,669 towards share issue expenses for audit in connection with

Business segments

Rs

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

Profit and Loss statement for the year ended March 31, 2006	R&D Services	IT Services	Total
Revenues	1,054,484,803	3,433,498,355	4,487,983,158
Operating expenses, net	870,058,764	2,822,438,050	3,692,496,814
Amortization / impairment of goodwill	-	22,369,004	22,369,004
Segmental operating income	184,426,039	588,691,301	773,117,340
Unallocable expenses			228,667,635
Profit for the year before interest			544,449,705
Interest expense			52,636,859
Other income			65,735,586
Net profit before taxes			557,548,432
Income taxes			15,461,171
Net profit after taxes			542,087,261

Geographical segments

Revenues	Rs	
	For the year ended March 31, 2007	For the year ended March 31, 2006
America	3,734,733,310	2,828,488,887
Europe	1,306,393,578	1,012,653,612
India	304,729,375	270,524,138
Rest of World	557,667,605	376,316,521
Total	5,903,523,868	4,487,983,158

18. 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.

Transactions with the above related parties during the period were

Name of Related Party	Nature of Transaction	Rs	
		March 31, 2007	March 31, 2006
MindTree Benefit Trust	Loans Given / (Repaid)	(5,356,600)	1,450,000
Linc Software Inc	Advances received (net)	Nil	3,767,894
Linc Software Inc	Software services billed	Nil	2,209,460

Balances receivable from related parties are as follows

Name of Related Party	Rs	
	March 31, 2007	March 31, 2006
MindTree Benefit Trust	Nil	5,356,600

Key managerial personnel

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

Managerial remuneration paid to key managerial personnel amounts to Rs 18,820,257 (previous year - Rs 11,645,710). Advances due from directors in the nature of travel and business expense advances as at March 31, 2007 amounted to Rs 1,410,650 (previous year - Rs 707,141).

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

Particulars	Rs	
	For the year ended March 31, 2007	
Profit before taxation	895,660,851	
Add: Depreciation as per accounts	244,356,074	
Managerial remuneration	18,820,257	
Provision for doubtful debts/advances	9,558,327	
Less: Depreciation as per Section 350*	244,356,074	
Bad debts written off	-	
Profit on sale of investments	12,262,281	

Net profit for Section 198 of the Companies Act, 1956 **911,777,154**

Managerial remuneration** comprises of:	Rs	
	Salaries and allowances	13,033,154
Contribution to provident fund	510,647	
Perquisites	1,939,456	
Directors' sitting fees	235,000	
Commission to Non-Executive Directors	3,102,000	
Total	18,820,257	

* 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 641,667 has not been considered in the managerial remuneration computation.

20. 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 recognizing 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:

	Rs	
	As at March 31, 2007	As at March 31, 2006
(a) Total minimum lease payments	47,607,360	55,052,020
(b) Future interest included in (a) above	5,976,041	7,272,427
(c) Present value of minimum lease payments [(a)-(b)]	41,631,319	47,779,593

The maturity profile of finance lease obligations is as follows

Period	Rs	
	Minimum lease payments	Present value
Payable not later than one year	15,035,324	16,811,754
Payable later than one year and not later than five years	32,572,036	28,510,683

Finance charges during the year on such finance leases as mentioned above are Rs 3,367,292 (previous year Rs 5,299,618) 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 60,722,766 (previous year Rs 149,134,244). Future minimum lease payments under non-cancelable operating lease as at March 31, 2007 is as below:

Minimum lease payments	Amounts in Rs
Payable -- Not later than one year	78,411,550
Payable -- Later than one year and not later than five years	176,473,474

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 156,566,315 (previous year Rs 35,922,732).

Rental income from sub-lease of office facilities during the period was Rs 19,459,656 (previous year Rs 30,917,318) which is included in miscellaneous income.

21. Earnings per share

The computation of earnings per share is set out below:

Particulars	For the year ended March 31, 2007		For the year ended March 31, 2006	
	Basic EPS	Diluted EPS	Basic EPS	Diluted EPS
Profit after tax - Rs.	900,522,971		542,087,261	
Shares				
Weighted average number of equity shares outstanding during the period	31,069,696	31,069,696	26,933,716	26,933,716
Weighted average number of equity Shares resulting from assumed exercise of employee stock options	-	1,442,510	-	2,143,649
Weighted average number of equity shares resulting from conversion of convertible preference shares	-	-	-	2,173,277
Weighted average number of equity shares for calculation of earnings per share	31,069,696	32,512,206	26,933,716	31,250,642

As per the Guidance note (issued in January 2005) on Accounting for Employee Share Based Payments by the ICAI, 357,707 (previous year-473,136), 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, 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.

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.

22. Statement of utilization of IPO funds as of March 31, 2007

Particulars	Amount in Rs
Amount raised through IPO	2,377,152,500
Share issue expenses paid	56,795,947
Net proceeds	2,320,356,553
Deployment	
Repayment of debts	113,750,000
Investment in fixed deposits with banks	400,000,000
Short term investments in mutual funds pending utilization	1,742,991,606
Balance in bank account (unutilized)	63,614,947

23. 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).

Particulars	Rs As at March 31, 2007
Obligations at beginning of the year	45,996,519
Service cost	23,762,574
Interest cost	3,679,722
Benefits settled	(1,462,535)
Actuarial (gain)/loss	(2,021,712)
Obligations at end of the year	69,954,568
Change in plan assets	
Plan assets at beginning of the year, at fair value	45,996,519
Expected return on plan assets	3,679,722
Actuarial gain / (loss)	(180,030)
Contributions	17,874,746
Benefits settled (estimated)	(1,462,535)
Plans assets at end of the year, at fair value	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	65,908,422
Present value of the defined benefit obligations at the end of the year	69,954,568
Asset / (liability) recognized in the balance sheet	(4,046,146)
Gratuity cost for the year	
Service cost	23,762,574
Interest cost	3,679,722
Expected return on plan assets	(3,679,722)
Actuarial (gain) / loss	(1,841,682)
Net gratuity cost	21,920,892
Assumptions	
Interest rate	8.00%
Expected rate of return on plan assets	8.00%
Expected rate of salary increase	8.00%
Attrition rate	10.00%
Retirement age	60 years

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

24. Derivatives

Forward contracts

As at March, 31 2007, the Company had outstanding forward contracts amounting to USD 14 million. Of the above amount, forward contracts to the extent of USD 8 million have underlying foreign currency debtors and remaining forward contracts of USD 6 million are in respect of highly probable forecasted transactions (previous year - USD 6.85 million). The unamortized premium on these contracts as at March 31, 2007 is Rs 2.67 million (previous year - Rs 0.78 million).

Options

As at March 31, 2007, the Company had outstanding options amounting to USD 9.5 million. Of the above amount, options to the extent of USD 5 million have underlying foreign currency debtors, USD 0.5 million have

underlying foreign currency creditors and remaining options of USD 4 million are in respect of highly probable forecasted transactions.

Currency and interest rate swaps

As at March 31, 2007, the Company had entered into currency and interest rate swap arrangements to the extent of Rs 57.44 million (previous year - Rs 213.33 million). Exchange gain of Rs 1,634,795 (previous year - exchange loss Rs 1,735,137) has been recognized in the profit and loss account in accordance with the accounting policy of the Company.

25. Prior period comparatives

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

Balance Sheet Abstract and Company's General Business Profile

1 Registration details

Registration No:	25564
State Code	08
Balance Sheet Date:	March 31, 2007

2 Capital raised during the year

	Rs.
Public issue	55,933,000
Right issue	Nil
Bonus issue	253,561,896
Private Placement	2,493,034
Offer of shares under Employees Stock Option Plan	6,812,770

3 Position of mobilization and deployment of funds

	Rs.
Total Liabilities	4,618,526,612
Total Assets	4,618,526,612

Sources of Funds

Paid up Capital	377,525,770
Pending Allotment	171,838
Secured Loans	263,776,266
Reserves and Surplus	3,977,052,738
Unsecured Loans	Nil

Application of Funds

Net Fixed Assets	699,340,309
Investments	2,140,562,985
Net Current Assets	1,732,267,957
Deffered Tax Assets	46,355,361
Misc Expenditure	Nil
Accumulated losses	Nil

4 Performance of Company

	Rs.
Income from Software development	5,903,523,868
Other Income	73,647,603
Total Income	5,977,171,471
Total Expenditure	5,081,510,620
Profit Before Tax	895,660,851
Profit After Tax	900,522,971
Earning per share (basic)	28.98
Earning per share (diluted)	27.70
Dividend Rate (%)	20.00

5 Generic names of principal products / services of Company

Item Code:	85249009.10
Product Description	Computer Software

For MindTree Consulting Limited

Ashok Soota
Chairman & Managing Director

Subroto Bagchi
Director

Bangalore
April 28, 2007

Rostow Ravanan
Chief Financial Officer & Company Secretary

Management Discussion and Analysis

Introduction

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. The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of income and expenses of the period, assets and liabilities, as of the date of the financial statements. These estimates are made on a prudent and reasonable basis, to reflect the true and fair view of the financial statements.

Indian IT industry

India has a large pool of trained technical people with English language skills. According to NASSCOM, India produces approximately 2.7 million college graduates annually, which includes approximately 440,000 engineering graduates. This is projected to increase to approximately 536,000 by fiscal 2008. NASSCOM and the Indian IT industry have taken steps, in conjunction with the Government, to strengthen education and training for the IT industry, such as signing of MOUs with University Grants Commission and All India Council for Technical Education.

The NASSCOM Hewitt "Total Rewards Study" determined that salaries for professionals working in the IT sector in India, across levels, increased at a rate of approximately 16.0% in 2005. In absolute terms, the cost of employing IT professionals in India is still lower than in developed countries such as the United States. The use of high-quality, low-cost resources provides a significant opportunity for companies to realize cost savings by off-shoring IT and R&D Services to India.

Over the past 15 years, the Central Government has undertaken several initiatives to encourage foreign investment inflow in the IT sector including establishing Software Technology Parks and Special Economic Zones across India where companies benefit from simplified approval processes for setting up IT units. Further, companies will also enjoy various exemptions, such as sales tax and customs duty exemptions.

The broadening of the range of services offered by the Indian technology services providers have contributed to the growth in off-shoring of technology services. While application development and maintenance ("ADM") services have remained the key contributor to Indian IT exports, Indian technology services providers have broadened the portfolio of service offerings to include R&D services, independent testing, remote infrastructure management, IT consulting and package implementation.

For fiscal 2006, Engineering and R&D Services earned export revenues of approximately US\$ 3.9 billion, which comprised approximately 22.0% of the overall IT services and software exports, and earned domestic revenues of US\$ 0.9 billion. According to the NASSCOM Strategic Review 2006, the total value of outsourced product engineering services globally is currently estimated at over US\$27.0 billion and is projected to increase by 100.0% over the next four to five years. Customers for R&D Services come from various high-tech industries such as computing systems, telecommunications, networking, semiconductors, consumer electronics, industrial automation, automotive and avionics. The important markets for engineering and R&D services include the U.S., Japan, Korea, Taiwan, Singapore, China and Europe.

Financial Performance

Income

Income from software development:

(Rs million)

	Year ended March 31, 2007	%	Year ended March 31, 2006	%	Growth %
Overseas	5,534	93.7	3,970	88.5	39.40
Domestic	369	6.3	518	11.5	(28.8)
Total	5,903	100.0	4,488	100.0	31.5

Our revenues have grown by 31.5% as compared to the previous year in rupee terms. In dollar terms, it grew by 28.7%. We have about 155 active customers as at March 31, 2007 of which 36 are Fortune 500 accounts. Our million dollar client count is as follows:

No of million dollar clients	Based on LTM revenues
\$1 million clients	31
\$5 million clients	4
\$10 million clients	2

We provide our software development services on time-and-material basis or fixed-price basis. Revenue from software development on time-and-material basis is recognized as the related services are rendered. Revenue from fixed price contracts is recognized 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. Our revenues by project type are as follows:

Project Type	Year ended March 31, 2007
Fixed price	26.3%
Time and Material	73.7%
Total	100.0%

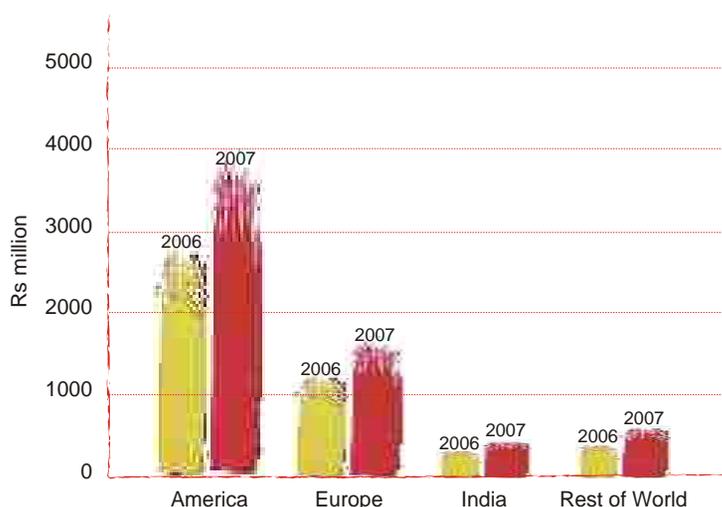
Our revenue breakdown by service offerings is given below:

Service offerings	Year ended March 31, 2007
Development	64.7%
Maintenance	22.3%
Consulting	4.5%
Package Implementation	2.8%
Independent Testing	2.7%
Infrastructure Management and Tech Support	1.2%
IP Licensing	1.2%
Other Services	0.6%
Total	100.0%

We derive revenues from services provided both offshore and onsite. Offshore revenues consist of revenues from software services work conducted in our offshore facilities in India. Onsite revenues consist of revenues from software services work conducted at clients' premises or from our premises outside India. Services performed at a client site or our premises located outside India typically generate higher revenues per-capita at a lower gross margin than the same services performed at our facilities in India. The mix in this category is as follows:

Effort mix	Year ended March 31, 2007	Revenue mix	Year ended March 31, 2007
Onsite	14.9%	Onsite	29.2%
Offshore	85.1%	Offshore	70.8%
Total	100.0%	Total	100.0%

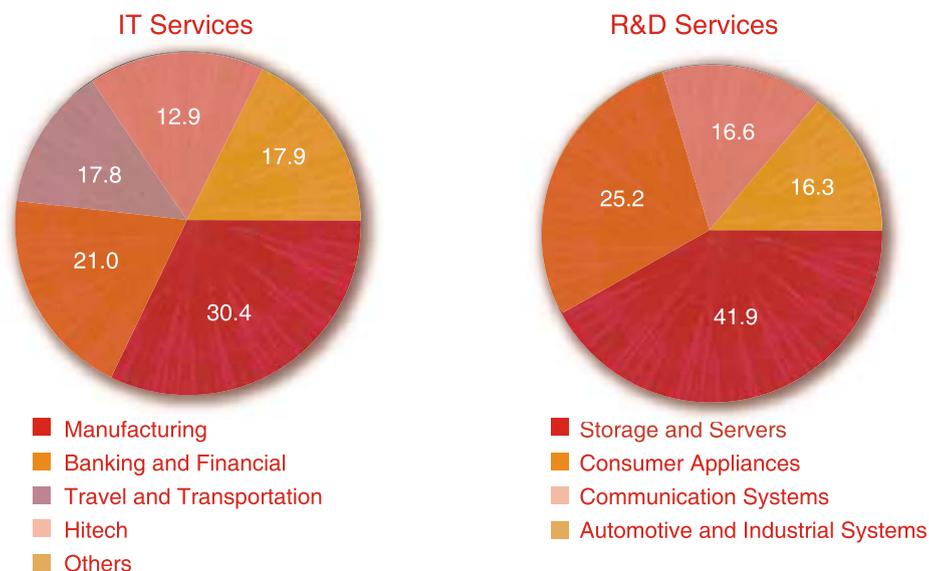
We have classified our revenues into four geographic segments comprising the Americas, Europe, India and Rest of the World. The geographic breakdown of revenues contained in the following table is based on the location of the specific client entity for which the project has been executed, irrespective of the location where the invoice is rendered or whether the work for a specific client entity is performed onsite or from our offshore delivery centres in India.



Our operations predominantly relate to providing IT services in two primary business segments viz. IT Services and R&D Services. Revenues in these segments are as follows:

Services	(Rs million)				
	Year ended March 31, 2007	%	Year ended March 31, 2006	%	Growth %
IT Services	4,459	75.5	3,434	76.5	30.0
R&D Services	1,444	24.5	1,054	23.5	37.0
Total	5,903	100.0	4,488	100.0	31.5

Under IT Services and R&D Services, we are organized by Industry Groups (Verticals). The revenue mix of these verticals in 2006-07 is as follows:



Other income

Other income amounted to Rs 73.6 million and increased by 12% over the previous year. Other income primarily comprises of the following:

- Interest income on account of deposits with banks Rs 16.9 million
- Profit on sale of investments Rs 12.3 million
- Dividend from investments Rs 18 million
- Net exchange gain Rs 4.5 million
- Miscellaneous income Rs 21.9 million, of which the main component is rental income of Rs 19.5 million from sub-lease of office facilities

Expenditure

Software development expenses

Particulars	Year ended March 31, 2007		Year ended March 31, 2006		Growth %
	Rs million	%	Rs million	%	
Revenues	5,903	100.0	4,488	100.0	31.5
Salary and allowances and contribution to provident and other funds	2,708	45.9	2,060	45.9	31.5
Staff welfare	38	0.6	22	0.5	72.7
Travel and conveyance	459	7.8	341	7.6	34.6
Communication expenses	45	0.7	47	1.0	(4.3)
Sub-contractor charges	102	1.7	142	3.2	(28.2)
Computer consumables and software purchases	153	2.6	116	2.6	31.9
Post Contract support services	4	0.1	6	0.1	(33.3)
Total	3,509	59.4	2,734	60.9	28.4

Software development expenses are 59.4% of revenues in 2006-07 as compared to 60.9% in the previous year. It has increased by 28.4% over the previous year. Software development expenses mainly comprises of salary costs paid to people in India and overseas. This constitutes 45.9% of our revenues and has increased by 31.5% as compared to the previous year. Our people strength increased to 4,162 at the end of March 2007, taking the net addition to 1034 in the year 2006-07. Travel and conveyance mainly comprises overseas travel for software development and has increased by 34.6% as compared to the previous year. Communication expenses mainly comprise connectivity charges to stay linked with clients. Subcontractor charges are services rendered by third party and used on our projects. Computer consumables and software purchases form an integral part of project requirements and includes packages and tools to enhance the quality of our services. This has increased by 31.9% over the previous year. Post contract support services are provisions made for post completion warranty support.

Administrative and other expenses

(Rs million)

Particulars	Year ended March 31, 2007	%	Year ended March 31, 2006	%	Growth %
Revenues	5,903	100.0	4,488	100.0	31.5
Salary and allowances and contribution to Provident and other funds	517	8.8	362	8.1	42.8
Travel and conveyance	87	1.5	48	1.1	81.3
Power and Fuel	84	1.4	55	1.2	52.7
Rent	217	3.7	185	4.1	17.3
Telephone	42	0.7	28	0.6	50.0
Staff training	32	0.5	16	0.4	100.0
Recruitment	48	0.8	30	0.7	60.0
Marketing	51	0.9	40	0.9	27.5
Legal and professional	76	1.3	68	1.5	11.8
Others	144	2.4	145	3.2	(0.7)
Total	1,298	22.0	977	21.8	32.9

Administrative and other expenses are 22% of revenues in 2006-07 as compared to 21.8% in the previous year. It has increased by 32.9% over the previous year due to increased business activities. We had 348 sales and support people at March 31, 2007. During the year, we commenced operations in Chennai and opened offices in Dallas, Munich, Stockholm and Sydney bringing the total worldwide offices to 18. We launched our Infrastructure Management and Tech Support practice (IMTS).

Operating Profits

Operating profits has increased by 43% to Rs 1,170 million, representing 19.8% of revenues as compared to 18.3% in the previous year.

Interest

Interest represents interest on term loans (Rs 17.9 million) and interest on short term credit / finance charges (Rs 12.1 million). Total interest decreased by Rs 22.7 million due to decrease in interest on short term credit / finance charges (Rs 27.2 million) on account of lower short term borrowing and this was offset by an increase in term loan interest of Rs 4.5 million.

Depreciation

Depreciation has increased by Rs 35 million primarily on account of leasehold improvements (Rs 10.4 million), computer systems and software (Rs 11.5 million), electrical installations (Rs 7.3 million) and others (Rs 5.8 million).

Provision for tax and Deferred Tax

We pay income tax in countries where we provide software services. Our profits from export of software and related activities are fully deductible from taxable income. Our unit at Bangalore is registered as a 100% Export Oriented Unit, which is entitled to a tax holiday period of 10 years from the date of commencement of commercial operations under Section 10B of the Income Tax Act, 1961. Deferred tax assets of Rs 46.4 million recognized are on account of timing differences in respect of fixed assets, which reverse after the tax holiday period. We have made a provision for Fringe Benefit Tax (FBT) under income taxes.

Net Profit

Net profit for the year has increased by 66% to Rs 901 million and represented 15.1% of total income as compared to 11.9% in the previous year.

Dividend

The Board of Directors has recommended a final dividend of Re 1 per share subject to approval by the shareholders at the Annual General Meeting scheduled on July 25, 2007. Earlier in the year, we had paid out an interim dividend of Re 1 per share.

Outlook for 2007-08

In 2007-08 we expect to achieve \$178-180 million in revenues indicating a growth of 36% at the higher end. Profit after Tax is expected to be in the range of \$25.1-\$25.2 million, indicating a growth of 26.4% at the higher end. EPS is expected to be in the range of Rs 28.9 - 29.5. The above guidance is on the basis of Rs 42.25/\$.

Share Capital

On November 16, 2006, we have consolidated 31,695,237 equity shares of Rs 2 each into 6,339,047 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 account. Prior to consolidation and issue of bonus shares, 1,092,685 equity shares of Rs 2 each was issued under Employee Stock Options.

In addition, 1,240,017 equity shares of Rs 2 each has been issued by conversion of warrants. This was due to an agreement entered into with an overseas customer in December 2003, whereby warrants were 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. 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.

Subsequent to consolidation, we have also made the Initial Public offer ('IPO') of equity shares comprising of 5,593,300 shares of Rs.10 each at a price of Rs.425 and allotted 464,040 equity shares of Rs.10 each under Employee Stock Option Plan. The total equity shares issued under ESOP during the year amounts to 1,550,225 equity shares of Rs.10 each.

The outstanding equity shares have increased to 37,752,577 as at March 31, 2007 from 29,362,535 as at March 31, 2006. Consequently the paid up share capital has increased to Rs 378 million as at March 31, 2007 from Rs 59 million as at March 31, 2006.

The movement of Equity Shares issued is as under:

Particulars	Number of equity shares
Balance at the beginning of the year	29,362,535
Shares issued under ESOP & other share issues before consolidation	1,092,685
Shares issued on conversion of warrant into equity shares before consolidation	1,240,017
Total	31,695,237
Consolidation of the above shares of Rs.2 to Rs.10 each	6,339,047
Issue of Bonus shares in 4:1 ratio	25,356,190
Total after Consolidation and Bonus Issue	31,695,237
Shares issued in IPO	5,593,300
Shares issued under ESOP	464,040

Reserves & Surplus

A. Securities Premium Account

Securities premium account has increased to Rs 2,750 million at March 31, 2007 from Rs 836 million at March 31, 2006. The additions to this account during the year are Rs. 2,321 million from premium on issue of equity shares through IPO at Rs.415 per share on 5,593,300 shares and Rs.36 million on premium received from exercise of Employee Stock Options / Customer warrants. The deductions from this account during the year are Rs.254 million for issue of 25,356,190 bonus shares at Rs.10 each and Rs.189 million incurred for share issue expenses.

B. Stock Option outstanding Account

The total stock option outstanding as at March 31, 2007 is Rs.13 million after deducting the deferred employees compensation expenses amounting to Rs.49 million.

Secured Loans

The balance in this account as at March 31, 2007 is Rs.264 million as compared to Rs.742 million at March 31, 2006. The composition and movements are explained below:

- Term loan with HSBC having pari passu charge on fixed assets has been reduced to Rs.57 million as at March 31, 2007 from Rs.243 million as at March 31, 2006. During the year Rs.114 million has been utilized from IPO issue proceeds towards repayment of this Term Loan.
- Other loans comprising of Loan from HSBC and Oriental Bank of Commerce is secured by a pari passu charge on the book debts and other current assets. The balance is Rs.165 million as compared to Rs.451 million at March 31, 2006.
- Outstanding financial lease obligation secured by hypothecation of assets taken on lease is Rs.42 million as at March 31, 2007 as compared to Rs.48 million at March 31, 2006.

Fixed Assets

The Gross Block of Fixed Assets as at March 31, 2007 has increased to Rs.1,368 million as compared to Rs.937 million as at March 31, 2006. The additions during the year to the Gross block are Rs.460 million & deletions during the year to the Gross Block are Rs.30 million.

Additions comprises of

- Lease hold land acquired at Bhubaneshwar, Orissa for Rs.51 million for a period of 90 year lease. The ownership of the land does not transfer to the company at the end of the lease term, hence the cost is amortized accordingly over the period of the lease.
- Leasehold improvement is Rs.126 million, towards expansion at our Global Village facility, Bangalore and Chennai Facility.
- Other additions are Computer systems and software (Rs 158 million), Furniture and Fixtures (Rs 16 million), Electrical installations (Rs 29 million) and office equipment (Rs 65 million). Addition of Motor vehicles (Rs 15 million) has been taken on a financial lease for our employees.

The deletions mainly represent foreclosure of Leased Motor Vehicles (Rs 20 million).

Capital work in progress has increased to Rs.132 million as at March 31, 2007 from Rs.28 million as at March 31, 2006. It includes Rs.75 million for our Chennai facility.

The estimated amount of contracts remaining to be executed on capital account and not provided for as at March 31, 2007 is Rs.695 million as compared to Rs.44 million as at March 31, 2006. The main component of this is Rs.675 million payable for our Chennai facility.

Investments

Our investments have increased to Rs.2,140 million as at March 31, 2007 from Rs.538 million as at March 31, 2006.

The investments comprises of

- Investments in mutual funds (Non trade - quoted), is Rs.397 million as at March 31, 2007. These are valued at lower of cost or market value
- Investments in mutual funds (Non trade - quoted), out of IPO issue proceeds, is Rs.1,743 million as at March 31, 2007. These are valued at lower of cost or market value
- Long Term investment in unquoted equity shares is Rs.1.6 million. However net of provision for diminution in the value of these shares of Rs.1.4 million, the current book value is Rs.0.2 million

Deferred Tax Asset

We recognize the Deferred Tax assets in compliance with the Accounting Standard 22 issued by the Institute of Chartered Accountants of India. Deferred Tax assets are on account of timing differences in respect of depreciation on fixed assets. The same has been recognized amounting to Rs.46 million as at March 31, 2007.

Sundry Debtors

Sundry Debtors is Rs.1,172 million (net of provisions) as at March 31, 2007 as compared to Rs.1,098 million (net of provisions) as at March 31, 2006 and are considered good and realizable. Debtors are at 19.9% of revenues at March 31, 2007 as compared to 24.5% as compared to March 31, 2006.

The Days Sales Outstanding (DSO) as at March 31, 2007 is 79 Days as compared to 94 days as at March 31, 2006. The improvement in DSO has been possible due to focused effort on reviewing collections and old



The age profile of gross debtors is as below:

Rs million

Period in Days	March 31, 2007	%
0-30 Days	625	48.5
31-60 Days	438	34.0
61-90 Days	45	3.5
more than 90 Days	180	14.0
Total	1,288	100.0

Cash and Bank Balances

Cash and Bank balances have increased to Rs.768 million at March 31, 2007 as compared to Rs.262 million at March 31, 2006. The composition and movements are explained below:

- Cash balance has decreased to Rs.0.02 million at March 31, 2007 as compared to Rs.0.7 million at March 31, 2006.
- Balance with scheduled banks in India is Rs.704 million (Rs 464 million is out of IPO proceeds) at March 31, 2007 as compared to Rs.195 million at March 31, 2006.
- Balance with non-scheduled banks has decreased to Rs.64 million at March 31, 2007 as compared to Rs.66 million at March 31, 2006. These balances represent balances held in overseas bank current accounts for meeting the operational expenses in these branches.

Loans & Advances

Loans and advances have increased to Rs.830 million at March 31, 2007 as compared to Rs.558 million at March 31, 2006. The composition and movements are explained below:

- Advances are mainly toward amounts paid for value and services to be received in future and amounted to Rs.564 million as at March 31, 2007 as compared to Rs.424 million as at March 31, 2006. This includes an amount of Rs.1.4 million as amounts due from Directors in the nature of travel and business expense advances as at March 31, 2007 (previous year Rs 0.7 million).
- Unbilled Revenue amounted to Rs.199 million as at March 31, 2007 as compared to Rs.89 million as at March 31, 2006. Unbilled revenue represents cost and earnings in excess of billings in fixed price projects.
- Advance tax and tax deducted at source, net of provision of taxes amounted to Rs. 67 million at March 31, 2007 as compared to Rs.45 million at March 31, 2006.

Current Liabilities

The Current liabilities as at March 31, 2007 is Rs.862 million as compared to Rs.741 million as at March 31, 2006. The composition and movements are explained below:

- Advance from Customers (representing amounts received from customers for services which are yet to be provided) has increased to Rs.6.5 million at March 31, 2007 as compared to Rs.0.02 million at March 31, 2006.
- Interest accrued but not due has decreased to Rs.0.4 million at March 31, 2007 as compared to Rs.0.9 million at March 31, 2006. This represents interest on Term Loans and packing credit.
- Unearned revenue represents customer billing done in excess of cost and earnings on fixed price projects. The amount of unearned

revenue as at March 31, 2007 is Rs.27 million as compared to Rs.62 million as at March 31, 2006.

- Sundry Creditors Expenses comprises of amounts payable to suppliers of Materials, Services, Employees (travel and other expenses), retention money and others. The amount outstanding as at March 31, 2007 is Rs.237 million as compared to Rs.124 million as at March 31, 2006.
- Sundry Creditors for Capital Goods representing amounts payable to Supplier of Capital Goods is Rs.7 million at March 31, 2007 as compared to Rs.16 million at March 31, 2006.
- Other liabilities mainly comprises of amounts payable towards Salary, bonus, sales incentive and other employee compensations, statutory payments and others. The amount outstanding at March 31, 2007 is Rs.579 million as compared to Rs.504 million as at March 31, 2006.
- Book overdraft amounted to Rs.5 million as at March 31, 2007, as compared to Rs.34 million at March 31, 2006.

Provisions

The Provisions at March 31, 2007 is Rs.176 million as compared to Rs.73 million as at March 31, 2006. The composition and movements amongst the important items are explained below:

- Dividend at Re.1 per share has been proposed on 37,752,577 equity shares amounting to Rs.38 million.
- Provision for Gratuity made in compliance with the Accounting Standard 15 (revised) issued by the Institute of Chartered Accountants of India amounted to Rs.4 million.
- Provision for leave encashment is Rs.32 million at March 31, 2007 as compared to Rs.17 million at March 31, 2006.
- Other Provisions at March 31, 2007 include tax on dividend (Rs.6 million) and foreign taxes (Rs.21 Million). Foreign taxes as at March 31, 2006 were Rs 5 million.

Opportunities and Threats

We believe that the following aspects of our business help differentiate us from some of our competitors:

Comprehensive range of IT Services: We have developed a comprehensive range of service offerings in order to address the varied and expanding requirements of our clients. With development centres in India and the U.S., we offer IT strategic consulting, application development, data warehousing and business intelligence, application maintenance, package implementation, product engineering, testing, and infrastructure management services to our customers. We believe that our comprehensive range of offerings help our clients achieve their business objectives and enable us to obtain additional business from existing clients as well as address a larger base of potential new clients.

Strong R&D capabilities: Our R&D capabilities help us to position ourselves as a comprehensive solution provider for our clients' technology needs. The R&D engineering services team provides product realization services to technology and product firms including product architecture and product design, product re-engineering, testing, validation and technical support. The R&D research team creates and develops intellectual property primarily in the short-range wireless communication segment and licences and customizes such IP for our clients. We believe that our R&D IP capabilities create opportunities for us to cross-sell our R&D engineering services to our clients and supplement our IT Services capabilities.



Long term client relationships: We have successfully demonstrated the ability to manage large client relationships. This is reflected in the long duration of our relationships and the depth of our service offerings for some of our largest clients. We conduct a half-yearly customer experience survey with our clients to help us understand our clients' needs and expectations and improve client performance. We believe that our ability to be accessible to our customers, the personal attention we give them, our flexible approach and agility to meet customer requirements and our positive attitude in servicing customers has helped increase customer satisfaction levels and is a competitive strength. In our client engagements, we leverage our industry experience with our high quality processes, project management capabilities and breadth of technical expertise. Our ability to rapidly service client requirements, both onsite in client geographies and offshore in India enables us to effectively respond to the demands of our large clients. Our senior executives and dedicated account managers continuously maintain and develop these relationships through multiple contacts at different levels in the clients' organizations. In addition, for strategic clients, an identified senior executive is responsible for the overall client relationship and conducts periodic reviews with the client.

Global delivery model: Our hybrid delivery model OneShore represents our method for global development that achieves a balance of quality, cost savings and localizations. OneShore reflects our company culture. We recognize that technology services firms cannot deliver quality and cost-and-time savings unless they are committed to integrating disparate people, cultures, business processes and skill sets into a single corporate vision. OneShore represents a fusion of global resources that is designed to enable us to pursue the same strategy and vision for our customers at a consistently high service level wherever they are located. The customer centric approach inherent in the OneShore model enables us to achieve high standards of quality in our delivery organization. This is demonstrated by our achieving CMMI Level 5 and P-CMM Level 5 quality standards within five years of our inception.

Preferred place to Work: We have consistently appeared in various surveys conducted to ascertain the best employers in India and have received various accolades in this regard. We recruit talent from some of the best universities, colleges and institutes in India and abroad, as well as some of the leading IT companies in India and overseas. We believe that it is our transparent evaluation criteria, inclusive approach to our people, focus on training, competitive compensation packages, being a value-based organization, open communications policies and our ability to prepare our people for leadership roles that has resulted in lower attrition rate. We were ranked first in Human Capital Development by Global Services (a CMP publication) in 2005 and ranked second in the survey conducted by Business Today, Mercer and TNS on the "Best Companies to work for in India" in 2006.

Experienced management team: The experience of the MindTree management team in building large professional service organizations extends back over 20 years. We were incorporated in 1999 by ten industry professionals who have an average of 20 years of industry experience. Our management team came from diverse backgrounds and geographies and with different areas of specialization within the IT industry. Our co-founders have previously worked with leading IT consulting companies including Cambridge Technology Partners, Lucent Technologies and Wipro Limited and bring a significant amount of experience in building and developing IT businesses. The founding team was led by Ashok Soota, who was, immediately prior to co-founding MindTree, Vice Chairman of Wipro Limited, one of India's largest software companies. We are strongly consulting led in our IT Services business and strongly IP led in our R&D Services business.

Threats

Competition

MindTree is organized into two divisions - Information Technology Services ("IT Services") and Research and Development Services ("R&D Services"). The market for both IT Services and R&D Services is highly competitive and rapidly evolving. We primarily face competition from Indian as well as international technology services companies, divisions of large multinational technology firms, and captive offshore centers of large corporations. Our mature global delivery model, range of services offered, our level of technical expertise and talented pool of people and our culture help differentiate us from some of our competitors. We believe that price alone is not a sustainable competitive advantage in an environment where IT and R&D Services are becoming increasingly critical to the client's core corporate strategy. We have therefore endeavored to develop competitive strength through our ability to provide personalized service to our clients.

Talent acquisition

Our success depends in large part upon our highly skilled software professionals and our ability to attract and retain these personnel. Due to the limited pool of available skilled personnel in both IT Services and R&D Services, we face strong competition to recruit and retain skilled and professionally qualified staff.

Our talent acquisition philosophy is to recruit for attitude, train for skill and develop for leadership roles. We follow a role-based selection process and place high emphasis on cultural fit of the prospective staff members with our organizational values. We have a robust process to evaluate needs and acquire talent in tune with our business needs. Our talent acquisition is driven by the annual business plan (covering number of people needed by location and their levels and roles in the organization), which is monitored and continually adjusted based on business visibility on a monthly basis. On a periodic basis, the operations team publishes Company-wide utilization and reviews the staffing needs based on business visibility.

Foreign currency rate fluctuations

Majority of our revenues are in foreign currencies and that a significant portion of our expenses are in Indian Rupees. The exchange rate between the Rupee and the U.S. Dollar has changed substantially in recent years and may continue to fluctuate significantly in the future. Our operating results are impacted by fluctuations in the exchange rate between the Indian Rupee and the U.S. Dollar and other foreign currencies. Judiciously hedging against adverse foreign exchange exposures help in minimizing the impact of exchange fluctuations.

Our Strategy

Leverage existing client relationships to enhance our business:

We intend to continue to grow our business by enhancing our existing relationships and increasing the scope of engagements with our clients by expanding the breadth of services we offer, pursuing excellence in delivery through innovative practices and leveraging our industry experience. We believe our capability to provide both IT and R&D Services enables us to deepen our relationships with existing clients through cross-selling opportunities.

Target large clients: We intend to diversify our existing client base with the addition of new clients, typically Fortune 1000 companies, which offer us the potential to scale our relationship with them. We aim to effectively leverage our sales and marketing teams and expand the scope of our engagements with these clients over time. We have offices in multiple locations in the U.S. as well as in the U.K., Germany, the U.A.E., Switzerland, India, Singapore, Australia and Japan. We opened



offices in Germany in Fiscal 2006 and offices in Sweden and Australia in the current year. We plan to further expand our geographical coverage by opening new offices in existing as well as new countries. This would enable us to service existing clients in these geographies as well as acquire new clients.

Continue our focus on innovation and introduce new technologies:

We intend to continue expanding our range of service offerings in order to increase business from our existing clients and to acquire new clients. Historically, we have expanded our service offerings to address new market opportunities in areas such as data warehousing and business intelligence, ERP, mainframe maintenance and re-engineering, hardware design, testing services, and infrastructure management and technical support. We will continue to evaluate our service portfolio in line with future business opportunities.

Strengthen the "MindTree" brand: We intend to enhance our brand recognition and continue investing in developing the "MindTree" brand in our client markets within selected industries in India and abroad. We seek to achieve this through various marketing initiatives including targeted analyst outreach programmes, trade shows, white papers, events, workshops, road shows, speaking engagements and global public relations management. We believe that a strong brand will contribute to attracting and retaining talented people and enhancing our lead generation process and client acquisition.

Internal control systems and their adequacy

The CEO / CFO certification provided in the report discusses the adequacy of our internal control systems and procedures.

Material developments in Human Resources/Industrial Relations front, including number of people employed

Consistent with our people focused philosophy; we refer to all our employees as "people" or "MindTree Minds" and not as "employees" or "resources". We believe that our ability to maintain growth depends to a large extent on our strength in attracting, training, motivating and retaining people. We placed in the top 100 of the "Best Places to Work for in the US" survey conducted by Computer World in 2002. We were recognised as the "Best Employer in India" by Hewitt Associates in 2003. We were awarded the "HR Excellence Award" for Innovative Practices in July 2004 by the Confederation of Indian Industries. We were ranked first on Human Capital Development by Global Services (a CMP publication) in 2005 and ranked second in the survey conducted by Business Today, Mercer and TNS on the "Best Companies to work for in India" in 2006. Also, in 2005, we were ranked among the top 10 companies by Great Place to Work Institute for our social sensitivity by supporting primary education for differently-abled children.

Recruitment (Talent Acquisition):

We recruit talent from some of the best universities, colleges and institutes in India and abroad, as well as some of the leading IT companies in India and overseas. Our rigorous selection process involves a series of activities including technical and psychometric tests, case and group interviews. All new hires are assimilated into MindTree through a structured program, which involves extensive training as well as mentoring. The number of MindTree Minds at year-end was 4,162 as against 3,128 in the previous period (a net addition of 1,034 people). The attrition levels during the year have been below industry throughout the year and in Q4 our attrition rate was 15.7%.



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Report on Customer and People Satisfaction

As Chairman & Managing Director Ashok Soota points out in his letter to shareholders, two of the most important leading edge indicators of future success in our business are: Customer and People Satisfaction. We periodically seek inputs from our Customers and MindTree Minds to know their perception of the organization, to determine management priorities and take corrective action.

Customer Satisfaction

MindTree's Customer Experience Survey is conducted by the Quality Function that reports directly into the Chairman & Managing Director. Besides finding out the overall satisfaction levels of our customers, the survey explores customer willingness to do repeat business with us and to recommend MindTree to others. The last survey was taken by 70% of our customers. More than 89% rated us 4 and above, on a scale of 5 on overall satisfaction. On their willingness to do repeat business with MindTree, 93% of our customers rated us 4 and above on a scale of 5. The chart below shows the overall feedback from our customers over the last four years.

Based on customer feedback we constituted the Project Management (PM) Council, which today has 12 experienced delivery managers at its core. The PM Council has developed a unique case study-based workshop called Leading Projects and its members have trained over 300 Project Managers in the MindTree way of running projects.

To address softer areas of improvement, we put together an initiative called Consulting 101. This 2-day, workshop-based program is intended to improve MindTree Minds' soft skills, especially in Customer interactions.

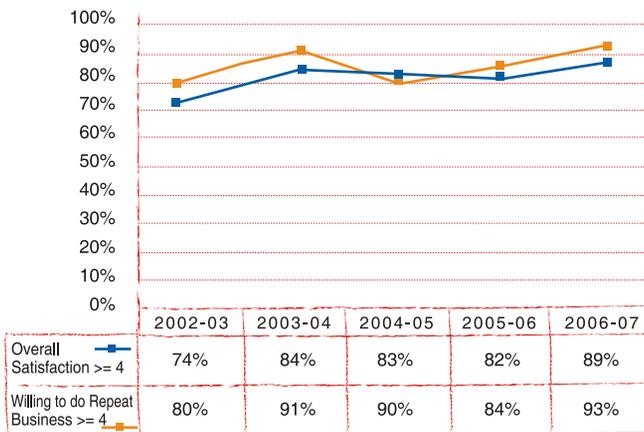
People Satisfaction

MindTree People Perception Survey (MPPS) captures valuable insights about the satisfaction level of MindTree Minds and their commitment towards the organization. MindTree Minds are asked to indicate their level of agreement on a 5-point scale. The 2006 survey of MPPS was responded to by 83% of MindTree Minds.

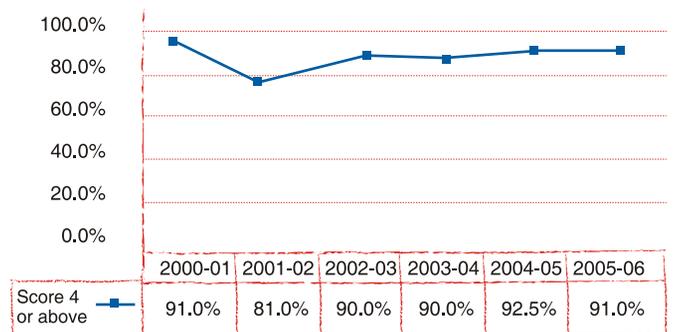
As is evident from the chart below, over 90% of MindTree Minds have consistently given us 4 or above during the last four years.

MindTree Minds have consistently commended the organization for its growth rate, people focus, brand, knowledge sharing and communities, values, quality of top management, work culture, social responsibility and finally, focus on customer satisfaction. Based on their feedback, a number of initiatives were taken up in areas of new products and services, creation of platforms for knowledge sharing, new training platforms and ways to attract newer talent through better branding, among many others.

Customer Satisfaction



People Satisfaction





Resources on Cerebral Palsy

Institutions Serving the Cause of Cerebral Palsy

Vidya Sagar

1, Ranjit Road,
Kotturpuram,
Chennai - 600085
enable@md.vsnl.net.in

Spastic Society of Eastern India,

P-35/1, Taratolla Road,
Kolkata - 700088
www.iicpindia.com

Spastic Society of India,

Sion-Trombay Road,
Chembur,
Mumbai - 400071
www.nrcissi.org

The Spastic Society of Northern India,

2, Balbir Saxena Marg,
Hauz Khas,
New Delhi - 110016
www.cerebralpalsy.co

Indian Family of Cerebral Palsy

Dept. of Neurosurgery,
NIMS, Panjagutta, Hyderabad - 500082
Tel: 091-40-23320332/23396552
Fax: 091-40-23310076

Spastics Society of Karnataka,

31, 5th Cross, Off 5th Main,
Indiranagar, Bangalore - 560038
www.spasticsocietyofkarnataka.org

Savali,

13, Survey 78,
Bhusai Colony,
Kothrud,
Pune - 411029

Rajkumari Amrit Kaur Child Study Centre,

Dept. of Child Development,
Lady Irwin College, Sikandra Road,
New Delhi - 110001
Tel: 091-11-23719859



Institute of Childhood Disability

T-5, Begam Pur
Malviya Nagar,
New Delhi - 110017
Tel: 091-11-55655148/091-9810154411
Email: dralam@icd-prerna.org
info@icd-prerna.org
drsumit@icd-prerna.org

Udaan for the Disabled,

A-59, Kailash Colony
New Delhi - 110048
Tel: 091-11-26446978
Email: shubhra@udaan.org / arun@udaan.org
Web site: www.udaan.org

Association For The Development of Multiple Handicapped Children

B-56, Defence Colony,
New Delhi - 110024
Tel: 091-11-24623548

The Enabling Centre,

Lady Irwin College,
Sikandra Road,
New Delhi - 110001
Tel: 091-11-23274411

Inspiration

AG1 123D, Vikaspuri,
New Delhi - 1100018
Tel: 091-11-25611861, 25412463

Saini Speech And Hearing Clinic

3097, Street Tara Chand,
Darya Ganj (Behind Golcha)
New Delhi - 110002

United Cerebral Palsy

1660 L Street, NW, Suite 700,
Washington, DC 20036, USA
Tel: (800) 872-5827/(202) 776-0406
Fax: (202) 776-0414
E-Mail: info@ucp.org
Website: www.ucp.org



Learn More on Cerebral Palsy

The World Wide Web

- <http://www.fpg.unc.edu>

This website gives access to a fully-searchable database of resources, especially designed for early childhood issues

- www.watkinsonline.com/billporter

Bill Porter's own website see note on Movies below

Movies

- A MOVING JOURNEY Plus UPDATE: Bob Brown of ABC News profiles the remarkable Bill Porter of Portland, Oregon. He is one of the last remaining door-to-door salesmen, who despite being affected with cerebral palsy, has walked his route for more than 35 years

Books

- From CP to CPA
One Man's Triumph Over the Disability of Cerebral Palsy by Robin Pritts
Published by Hefernan Publishing Group
- Just as I am
The Life of David Ring
Published by Moody Press



- Nathan's Wish
A Story about Cerebral Palsy by Laurie Lears
Published by Albert Whitman & Company
- You Will Dream New Dreams
Stanley D. Klein & Kim Schieve
Published by Kensington Publishing Corp



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