

Mindtree Limited
Balance sheet

	Note	As at June 30, 2014	Rs in million As at March 31, 2014
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3.1.1	836	417
Reserves and surplus	3.1.2	16,928	15,992
		17,764	16,409
Non-current liabilities			
Long-term borrowings	3.2.1	23	27
Other long-term liabilities	3.2.2	191	129
Long-term provisions	3.2.3	48	39
		262	195
Current liabilities			
Trade payables		184	82
Other current liabilities	3.3.1	2,265	2,737
Short-term provisions	3.3.2	1,586	1,574
		4,035	4,393
		22,061	20,997
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	3.4.1	3,180	3,266
Intangible assets	3.4.1	143	170
Capital work-in-progress		772	496
Non-current investments	3.4.2	21	189
Deferred tax assets (net)	3.4.3	419	402
Long-term loans and advances	3.4.4	750	758
Other non-current assets	3.4.5	1,040	1,039
		6,325	6,320
Current assets			
Current investments	3.5.1	5,380	5,160
Trade receivables	3.5.2	6,905	6,004
Cash and bank balances	3.5.3	1,208	1,175
Short-term loans and advances	3.5.4	628	612
Other current assets	3.5.5	1,615	1,726
		15,736	14,677
		22,061	20,997

Significant accounting policies and notes to the accounts 2&3

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

As per our report of even date attached

For **B S R & Co. LLP**

Chartered Accountants

Firm Registration Number: 101248W/W-100022

For **Mindtree Limited**

Supreet Sachdev

Partner

Membership Number: 205385

Subroto Bagchi

Chairman

N. Krishnakumar

CEO & Managing Director

Rostow Ravanan

Chief Financial Officer &

Executive Director

Rajesh Srichand Narang

Company Secretary

Place: Bangalore

Date : July 17, 2014

Place: Bangalore

Date : July 17, 2014

Mindtree Limited
Statement of profit and loss

Particulars	Note	Rs in million	
		For the quarter ended June 30, 2014	June 30, 2013
Revenue from operations		8,435	6,477
Other income	3.6	210	734
Total revenues		8,645	7,211
Expenses:			
Employee benefits expense	3.7	4,874	3,824
Finance costs	3.7	-	1
Depreciation and amortisation expense	3.4.1	228	181
Other expenses	3.7	1,876	1,462
Total expenses		6,978	5,468
Profit before tax		1,667	1,743
Tax expense:	3.4.3		
Current tax		390	401
Deferred tax		(17)	(11)
Profit for the period		1,294	1,353
Earnings per equity share			
Equity shares of par value Rs 10/- each	3.17		
Basic		15.51	16.29
Diluted		15.43	16.17
Weighted average number of equity shares used in computing earnings per share			
Basic		83,484,436	83,089,978
Diluted		83,896,530	83,686,158

Significant accounting policies and notes to the accounts 2&3

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

As per our report of even date attached

For **B S R & Co. LLP**

Chartered Accountants

Firm Registration Number: 101248W/W-100022

For **Mindtree Limited**

Supreet Sachdev

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Company Secretary

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Mindtree Limited
Cash flow statement

	Rs in million	
	For the quarter ended June 30,	
	2014	2013
Cash flow from operating activities		
Profit before tax	1,667	1,743
Adjustments for :		
Depreciation and amortisation	228	181
Amortization of stock compensation cost	97	2
Interest expense	-	1
Interest/ dividend income	(44)	(63)
Profit on sale of investments	(27)	(53)
Provision for diminution in the value of investments	-	3
Exchange difference on derivatives	(10)	-
Effect of exchange differences on translation of foreign currency borrowings	-	37
Effect of exchange differences on translation of foreign currency cash and cash equivalents	(7)	(25)
Operating profit before working capital changes	<u>1,904</u>	<u>1,826</u>
Changes in trade receivables	(901)	(1,478)
Changes in loans and advances and other assets	117	(132)
Changes in liabilities and provisions	<u>(195)</u>	<u>(326)</u>
Net cash provided by operating activities before taxes	925	(110)
Income taxes paid	<u>(254)</u>	<u>(182)</u>
Net cash provided by/ (used in) operating activities	<u>671</u>	<u>(292)</u>
Cash flow from investing activities		
Purchase of fixed assets	(441)	(437)
Interest/ dividend received from investments	33	49
Purchase of investments	(2,477)	(2,570)
Sale/ maturities of investments	<u>2,453</u>	<u>2,773</u>
Net cash used in investing activities	<u>(432)</u>	<u>(185)</u>
Cash flow from financing activities		
Issue of share capital (net of issue expenses paid)	36	11
Interest paid on loans	(1)	(3)
Repayment of borrowings	(4)	(229)
Proceeds from loans	-	564
Dividends paid (including distribution tax)	<u>(244)</u>	<u>(194)</u>
Net cash (used in)/ provided by financing activities	<u>(213)</u>	<u>149</u>
Effect of exchange differences on translation of foreign currency cash and cash equivalents	7	25
Net increase/ (decrease) in cash and cash equivalents	33	(303)
Cash and cash equivalents at the beginning of the period	<u>1,175</u>	<u>1,238</u>
Cash and cash equivalents at the end of the period (Refer note 3.5.3)	<u>1,208</u>	<u>935</u>

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

As per our report of even date attached

For **B S R & Co. LLP**

Chartered Accountants

Firm Registration Number: 101248W/W-100022

For **Mindtree Limited**

Supreet Sachdev

Membership Number: 205385

Subroto Bagchi

Chairman

N. Krishnakumar

CEO & Managing Director

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Company Secretary

Place: Bangalore
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Date : July 17, 2014

Mindtree Limited

Significant accounting policies and notes to the accounts

For the quarter ended June 30, 2014

(Rupees in millions, except share and per share data, unless otherwise stated).

1. Background

Mindtree Limited ('Mindtree' or 'the Company') is an international Information Technology consulting and implementation company that delivers business solutions through global software development. The Company is structured into five verticals – Retail, CPG and Manufacturing (RCM), Banking, Financial Services and Insurance (BFSI), Hitech and Media Services (HTMS), Travel and Hospitality (TH) and Others. The Company offers services in the areas of agile, analytics and information management, application development and maintenance, business process management, business technology consulting, cloud, digital business's, independent testing, infrastructure management services, mobility, product engineering and SAP services.

The Company is head quartered in Bangalore and has offices in India, United States of America, United Kingdom, Japan, Singapore, Malaysia, Australia, Germany, Switzerland, Sweden, UAE, Netherlands, Canada, Belgium, France, Ireland and Republic of China.

2. Significant accounting policies

2.1 Basis of preparation of financial statements

These financial statements are prepared and presented in accordance with Indian Generally Accepted Principles (GAAP) under the historical cost convention on the accrual basis except for certain financial instruments which are measured at fair values. GAAP comprises mandatory accounting standards as prescribed by the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 2013 (to the extent notified) and guidelines issued by the Securities and exchange Board of India (SEBI).

2.2 Use of estimates

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

Mindtree Limited

Significant accounting policies and notes to the accounts (continued)

For the quarter ended June 30, 2014

(Rupees in millions, except share and per share data, unless otherwise stated)

2.3 Fixed assets and depreciation

- 2.3.1 Fixed assets are carried at cost of acquisition (including directly attributable costs such as freight, installation, etc.) or construction less accumulated depreciation. Borrowing costs directly attributable to acquisition or construction of those fixed assets, which necessarily take a substantial period of time to get ready for their intended use, are capitalised.
- 2.3.2 Acquired intangible assets are capitalised at the acquisition price. Internally generated intangible assets are recorded at cost that can be measured reliably during the development phase and when it is probable that future economic benefits that are attributable to the assets will flow to the Company.
- 2.3.3 Leases under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets are capitalised at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower. Lease payments under operating leases are recognised as an expense in the statement of profit and loss on a straight-line basis over the lease term.
- 2.3.4 Advances paid towards the acquisition of fixed assets, outstanding at each balance sheet date are shown under capital advances. The cost of the fixed asset not ready for its intended use on such date, is disclosed under capital work-in-progress.
- 2.3.5 Depreciation on tangible assets is provided on the straight-line method over the useful lives of assets estimated by the Management. Depreciation for assets purchased/ sold during a period is proportionately charged. Intangible assets are amortised over their respective individual estimated useful lives on a straight-line basis, commencing from the date the asset is available to the Company for its use. The Management estimates the useful lives for fixed assets as follows:

Asset classification	Useful life
Buildings	25-30 years
Computer systems	1-3 years
Computer software	2 years
Test equipment	3 years
Furniture and fixtures	5 years
Electrical installations	3-5 years
Office equipment	4-5 years
Motor vehicles	4-5 years
Plant and machinery	4 years
Intellectual property	5 years

The Management believes that the useful lives as given above best represent the period over which management expects to use these assets based on internal assessment. Hence, the useful lives for these assets is different from the useful lives as prescribed under Part C of Schedule II of the Companies Act 2013.

Mindtree Limited

Significant accounting policies and notes to the accounts (continued)

For the quarter ended June 30, 2014

(Rupees in millions, except share and per share data, unless otherwise stated)

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

2.4 Investments

- 2.4.1 Non-current investments are carried at cost less any other-than-temporary diminution in value, determined on the specific identification basis.
- 2.4.2 Current investments are carried at the lower of cost and fair value. The comparison of cost and fair value is carried out separately in respect of each investment.
- 2.4.3 Profit or loss on sale of investments is determined as the difference between the sale price and carrying value of investment, determined individually for each investment.

2.5 Cash and cash equivalents

Cash and cash equivalents comprise of cash-in-hand and balance in bank in current accounts and deposit accounts.

2.6 Cash flow statement

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

2.7 Employee benefits

- 2.7.1 Gratuity is a defined benefit scheme and is accrued based on actuarial valuations at the balance sheet date, carried out by an independent actuary. The Company has an employees' gratuity fund managed by ICICI Prudential Life Insurance Company, SBI Life Insurance Company and Life Insurance Corporation of India. Actuarial gains and losses are charged to the statement of profit and loss.
- 2.7.2 Compensated absences are a long-term employee benefit and is accrued based on actuarial valuations at the balance sheet date, carried out by an independent actuary. The Company accrues for the expected cost of short-term compensated absences in the period in which the employee renders services.
- 2.7.3 Contributions payable to the recognised provident fund, which is a defined contribution scheme, are charged to the statement of profit and loss.

Mindtree Limited

Significant accounting policies and notes to the accounts (continued)

For the quarter ended June 30, 2014

(Rupees in millions, except share and per share data, unless otherwise stated)

2.8 Revenue recognition

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

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

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

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

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

2.9 Foreign exchange transactions

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

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

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

Mindtree Limited

Significant accounting policies and notes to the accounts (continued)

For the quarter ended June 30, 2014

(Rupees in millions, except share and per share data, unless otherwise stated)

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

2.10 Warranties

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

2.11 Provision and contingent liabilities

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

Mindtree Limited

Significant accounting policies and notes to the accounts (continued)

For the quarter ended June 30, 2014

(Rupees in millions, except share and per share data, unless otherwise stated)

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

2.12 Taxation

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

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

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

2.13 Earnings per share

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

Mindtree Limited
Significant accounting policies and notes to the accounts (continued)
For the quarter ended June 30, 2014
(Rupees in millions, except share and per share data, unless otherwise stated)

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 recognised in the statement of profit and loss. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of asset does not exceed the net book value that would have been determined, if no impairment loss had been recognised. In respect of goodwill, impairment loss will be reversed only when it is caused by specific external events and their effects have been reversed by subsequent external events.

2.15 Employee stock based compensation

The Company measures the compensation cost relating to employee stock options, restricted shares and phantom stock options using the intrinsic value method. The compensation cost is amortised over the vesting/ service period.

2.16 Government grants

Grants from the government are recognised when there is reasonable assurance that:

- (i) the Company will comply with the conditions attached to them; and
- (ii) the grant will be received.

Government grants related to revenue are recognised on a systematic basis in the statement of profit and loss over the periods necessary to match them with the related costs which they are intended to compensate. Such grants are deducted in reporting the related expense. Where the Company receives non-monetary grants, the asset is accounted for on the basis of its acquisition cost. In case a non-monetary asset is given free of cost it is recognised at a nominal value.

Mindtree Limited
Significant accounting policies and notes to the accounts (continued)
For the quarter ended June 30, 2014
(Rupees in millions, except share and per share data, unless otherwise stated)

3. Notes to the accounts

3.1 Shareholders' funds

3.1.1 Share capital

a)

Particulars	As at	
	June 30, 2014	March 31, 2014
Authorised		
800,000,000 (March 31, 2014: 79,620,000) equity shares of Rs 10/- each	8,000	796
Issued, subscribed and paid-up capital		
83,555,690 (March 31, 2014: 41,689,731) equity shares of Rs 10/- each fully paid	836	417
Total	836	417

b) Reconciliation of the number of equity shares outstanding at the beginning and at the end of the reporting period is as given below:

Particulars	As at		As at	
	June 30, 2014		March 31, 2014	
	No of shares	Rs	No of shares	Rs
Number of shares outstanding at the beginning of the period	41,689,731	417	41,535,055	415
Add: Shares issued on exercise of employee stock options and restricted shares	100,298	1	154,676	2
Add: Bonus shares issued *	41,765,661	418	-	-
Number of shares outstanding at the end of the period	83,555,690	836	41,689,731	417

*Refer note 3.1.1 (e).

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

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

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

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

Mindtree Limited**Significant accounting policies and notes to the accounts (continued)****For the quarter ended June 30, 2014****(Rupees in millions, except share and per share data, unless otherwise stated)**

- d) Equity shareholder holding more than 5 percent of equity shares along with the number of equity shares held at the beginning and at the end of the period is as given below:

Sr. No.	Name of the shareholder	As at June 30, 2014		As at March 31, 2014	
		Number of shares	%	Number of shares	%
1	Coffee Day Resorts Private Limited	8,730,884	10.4%	4,365,442	10.5%
2	Nalanda India Fund Limited	7,898,178	9.5%	3,949,089	9.5%
3	Global Technology Ventures Limited	5,297,122	6.3%	2,648,561	6.4%

- e) In the period of five years immediately preceding June 30, 2014:
- The Company has allotted 41,765,661 fully paid up equity shares pursuant to 1:1 bonus share issue approved by shareholders. Consequently, options/ units granted under the various employee share based plans are adjusted for bonus share issue.
 - The Company has not bought back any class of equity shares.
 - The Company has allotted a total of 1,300,965 equity shares as fully paid up without payment being received in cash. These shares were allotted to the shareholders of erstwhile Aztecsoft Limited pursuant to the scheme of amalgamation for the financial year ended March 31, 2010.

f) **Employee stock based compensation**

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

Program 1 [ESOP 1999]

Options under this program are exercisable at an exercise price of Rs 10 per option. All stock options have a four-year vesting term and vest at the rate of 15%, 20%, 30% and 35% at the end of 1, 2, 3 and 4 years respectively from the date of grant and become fully exercisable. Each option is entitled to 1 equity share of Rs 10 each. This program extends to employees who have joined on or before September 30, 2001 or have been issued employment offer letters on or before August 7, 2001. This plan was terminated on September 30, 2001. The contractual life of each option is 11 years after the date of grant. There are no options outstanding as at the reporting date.

Mindtree Limited
Significant accounting policies and notes to the accounts (continued)
For the quarter ended June 30, 2014
(Rupees in millions, except share and per share data, unless otherwise stated)

Program 2 [ESOP 2001]

Options under this program have been granted to employees at an exercise price of Rs 50 per option (Rs 25 per option post bonus issue). All stock options have a four-year vesting term and vest at the rate of 15%, 20%, 30% and 35% at the end of 1, 2, 3 and 4 years respectively from the date of grant and become fully exercisable. Each option is entitled to 1 equity share of Rs 10 each. This program extends to employees who have joined on or after October 1, 2001 or have been issued employment offer letters on or after August 8, 2001 or options granted to existing employees with grant date on or after October 1, 2001. This plan was terminated on April 30, 2006. The contractual life of each option is 11 years after the date of grant.

Particulars	Quarter ended June 30,	
	2014	2013
Outstanding options, beginning of the period	54,777	47,918
Granted during the period	-	-
Exercised during the period	6,177	2,003
Lapsed during the period	1,504	2,795
Forfeited during the period	-	-
Outstanding options, end of the period	47,096	43,120
Options vested and exercisable, end of the period	47,096	43,120
Adjusted for bonus issue. Refer note 3.1.1 (e)		

Program 3 [ESOP 2006 (a)]

Options under this program have been granted to employees at an exercise price of Rs 250 per option. All stock options have a four-year vesting term and vest at the rate of 15%, 20%, 30% and 35% at the end of 1, 2, 3 and 4 years respectively from the date of grant and become fully exercisable. Each option is entitled to 1 equity share of Rs 10 each. This program extends to employees to whom the options are granted on or after May 1, 2006. This plan was terminated on October 25, 2006. The contractual life of each option is 5 years after the date of grant. There are no options outstanding as at the reporting dates.

Mindtree Limited**Significant accounting policies and notes to the accounts (continued)****For the quarter ended June 30, 2014****(Rupees in millions, except share and per share data, unless otherwise stated)*****Program 4 [ESOP 2006 (b)]***

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

Particulars	Quarter ended June 30,	
	2014	2013
Outstanding options, beginning of the period	213,750	304,650
Granted during the period	-	-
Exercised during the period	33,000	9,750
Lapsed during the period	-	13,500
Forfeited during the period	47,750	15,000
Outstanding options, end of the period	133,000	266,400
Options vested and exercisable, end of the period	112,350	91,975

Adjusted for bonus issue. Refer note 3.1.1 (e)

Program 5 [ESOP 2008A]

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

Particulars	Quarter ended June 30,	
	2014	2013
Outstanding options, beginning of the period	168,295	108,248
Granted during the period	-	-
Exercised during the period	1,753	1,405
Lapsed during the period	-	2,065
Forfeited during the period	-	-
Outstanding options, end of the period	166,542	104,778
Options vested and exercisable, end of the period	166,542	104,778

Adjusted for bonus issue. Refer note 3.1.1 (e)

Mindtree Limited**Significant accounting policies and notes to the accounts (continued)****For the quarter ended June 30, 2014****(Rupees in millions, except share and per share data, unless otherwise stated)*****Directors' Stock Option Plan, 2006 ('DSOP 2006')***

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

Particulars	Quarter ended June 30,	
	2014	2013
Outstanding options, beginning of the period	75,000	135,000
Granted during the period	-	-
Exercised during the period	35,000	10,000
Lapsed during the period	-	-
Forfeited during the period	-	-
Outstanding options, end of the period	40,000	125,000
Options vested and exercisable, end of the period	26,667	73,333

Adjusted for bonus issue. Refer note 3.1.1 (e)

Program 7 [ESOP 2010A]

In-principle approvals for administering the seventh stock option program i.e. ESOP 2010 (A) has been received by the Company from the BSE and NSE for 1,135,000 equity shares of Rs 10 each. No options have been granted under the program as at June 30, 2014.

Employee Restricted Stock Purchase Plan 2012 ('ERSP 2012')

ERSP 2012 was instituted with effect from July 16, 2012 to issue equity shares of nominal value of Rs 10 each. Shares under this program are granted to employees at an exercise price of not less than Rs 10 per equity share or such higher price as determined by the Compensation Committee. Shares shall vest over such term as determined by the Compensation Committee not exceeding ten years from the date of the grant. All shares will have a minimum lock in period of one year from the date of allotment.

Particulars	Quarter ended June 30,	
	2014	2013
Outstanding shares, beginning of the period	-	-
Granted during the period	33,830	8,391
Exercised during the period	24,368	5,874
Lapsed during the period	-	-
Forfeited during the period	-	-
Outstanding shares, end of the period	9,462	2,517
Shares vested and exercisable, end of the period	9,462	2,517

Mindtree Limited**Significant accounting policies and notes to the accounts (continued)****For the quarter ended June 30, 2014****(Rupees in millions, except share and per share data, unless otherwise stated)**

During the quarter ended June 30, 2014, 33,830 shares were granted by the Company under Employee Restricted Stock Purchase Plan 2012 ('ERSP 2012')

The weighted average fair value of each unit under the above mentioned ERSP 2012 plan, granted during the quarter was Rs 802 using the Black-Scholes model with the following assumptions:

Weighted average grant date share price	Rs 814
Weighted average exercise price	Rs 10
Dividend yield %	0.31%
Expected life	1-2 years
Risk free interest rate	8.59%
Volatility	108.89%

The Company has also granted phantom stock options and letter of intent to issue shares under ERSP 2012 plan to certain employees which is subject to certain vesting conditions. Details of the grant/issue are given below:

Particulars	Phantom stock options plan*	ERSP 2012 plan*
No of units/ shares	765,000	230,000
Contractual life	4 years	5 years
Date of grant	18-Jul-13	18-Jul-13**
Price per share/ unit	Grant price of Rs 455	Exercise price of Rs 10**

*Adjusted for bonus issue. Refer note 3.1.1 (e).

**Based on Letter of Intent

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

Particulars	Amount in Rs	
	Quarter ended June 30, 2014*	2013
Program 1	-	-
Program 2	50.00	50.00
Program 3	-	-
Program 4	481.64	525.00
Program 5	179.58	297.45
DSOP 2006	560.00	560.00
ERSP 2012	10.00	10.00

*The options were exercised before the issue of bonus shares and accordingly the exercise price is not adjusted for bonus issue.

Mindtree Limited
Significant accounting policies and notes to the accounts (continued)
For the quarter ended June 30, 2014
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The following tables summarize information about the options/ shares outstanding under various programs as at June 30, 2014 and March 31, 2014 respectively:

Particulars	As at June 30, 2014		
	Number of options/ shares*	Weighted average remaining contractual life (in years)	Weighted average exercise price* (in Rs)
Program 1	-	-	-
Program 2	47,096	1.12	25.00
Program 3	-	-	-
Program 4	133,000	0.73	266.47
Program 5	166,542	2.07	199.20
DSOP 2006	40,000	1.85	278.00
ERSP 2012	9,462	0.16	10.00

*Adjusted for bonus issue. Refer note 3.1.1 (e).

Particulars	As at March 31, 2014		
	Number of options/ shares	Weighted average remaining contractual life (in years)	Weighted average exercise price (in Rs)
Program 1	-	-	-
Program 2	31,229	1.13	50.00
Program 3	-	-	-
Program 4	147,250	1.78	496.58
Program 5	85,024	2.28	393.90
DSOP 2006	55,000	1.24	558.55
ERSP 2012	-	-	-

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

Mindtree Limited**Significant accounting policies and notes to the accounts (continued)****For the quarter ended June 30, 2014****(Rupees in millions, except share and per share data, unless otherwise stated)**

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

Particulars	Quarter ended June 30,	
	2014	2013
Net profit as reported	1,294	1,353
Add: Stock-based employee compensation expense (intrinsic value method)	97	-
Less: Stock-based employee compensation expense (fair value method)	(84)	84
Pro forma net profit	1,307	1,437
Basic earnings per share as reported	15.51	16.29
Pro forma basic earnings per share	15.66	17.30
Diluted earnings per share as reported	15.43	16.17
Pro forma diluted earnings per share	15.59	17.18

Mindtree Limited
Significant accounting policies and notes to the accounts (continued)
For the quarter ended June 30, 2014
(Rupees in millions, except share and per share data, unless otherwise stated)

3.1.2 Reserves and surplus

Particulars	As at June 30, 2014	As at March 31, 2014
<i>Capital reserve</i>		
Opening balance	87	87
	87	87
<i>Securities premium reserve</i>		
Opening balance	2,208	2,125
Additions during the period on exercise of employee stock options/ restricted shares	55	83
Less: Amount utilised for bonus shares	(418)	-
	1,845	2,208
<i>General reserve</i>		
Opening balance	1,542	1,091
Add: Transfer from statement of profit and loss	-	451
	1,542	1,542
<i>Share option outstanding account</i>		
Opening balance	68	48
Additions during the period	7	20
	75	68
<i>Hedge reserve</i>		
Opening balance	49	173
Movement during the period	(2)	(124)
	47	49
<i>Surplus (Balance in the statement of profit and loss)</i>		
Opening balance	12,038	9,198
Add: Amount transferred from statement of profit and loss	1,294	4,512
Amount available for appropriations	13,332	13,710
Appropriations:		
Interim dividend	-	(624)
Final dividend*	-	(417)
Dividend distribution tax	-	(180)
Amount transferred to general reserve	-	(451)
	13,332	12,038
Total	16,928	15,992

*Includes special dividend as at March 31, 2014.

Mindtree Limited**Significant accounting policies and notes to the accounts (continued)****For the quarter ended June 30, 2014****(Rupees in millions, except share and per share data, unless otherwise stated)****3.2 Non-current liabilities****3.2.1 Long-term borrowings**

Particulars	As at June 30, 2014	As at March 31, 2014
<i>(Unsecured)</i>		
Other loans and advances	23	27
Total	23	27

Long-term borrowings represent the amount received from Council for Scientific and Industrial Research (CSIR) to develop a project under “Development of Intelligent Video Surveillance Server (IVSS) system”.

The loan is an unsecured loan carrying a simple interest of 3% p.a on the outstanding amount of loan. Repayment of loan is in 10 equal annual installments from June 2011. Any delay in repayment entails a liability of 12% p.a. compounded monthly for the period of delay.

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

3.2.2 Other long-term liabilities

Particulars	As at June 30, 2014	As at March 31, 2014
Other long-term liabilities	103	97
Employee related liabilities	88	32
Total	191	129

3.2.3 Long-term provisions

Particulars	As at June 30, 2014	As at March 31, 2014
Provision for discount	48	39
Total	48	39

Refer note 3.3.2 for the disclosure of provisions movement as required under the provisions of Accounting Standard – 29 ‘Provisions, Contingent Liabilities and Contingent Assets’ (‘AS 29’).

Mindtree Limited
Significant accounting policies and notes to the accounts (continued)
For the quarter ended June 30, 2014
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3.3 Current liabilities

3.3.1 Other current liabilities

Particulars	As at June 30, 2014	As at March 31, 2014
Current maturities of long-term debt*	5	5
Interest accrued but not due on borrowings	-	1
Unearned income	131	100
Unpaid dividends	5	4
Creditors for capital goods	137	175
Advances from customers	97	103
Employee related liabilities	770	1,245
Book overdraft	112	85
Other liabilities**	1,008	1,019
Total	2,265	2,737

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

**Includes derivative liability of Nil (As at March 31, 2014: Rs 44).

As at June 30, 2014, the Company has outstanding forward contracts amounting to USD 28.25 million (As at March 31, 2014: USD 47.5 million), GBP 2.25 million (As at March 31, 2014: Nil) and Euro 4.25 million (As at March 31, 2014: Euro 5 million). These derivative instruments have been entered to hedge highly probable forecasted sales.

In accordance with the provisions of AS 30, those derivative instruments which qualify for cash flow hedge accounting have been fair valued at balance sheet date and the resultant exchange gain/ (loss) has been credited/ (debited) to hedge reserve (Refer Note 3.1.2). Other derivative instruments have been fair valued at the balance sheet date and resultant exchange gain of Rs 10 for the quarter ended June 30, 2014 (quarter ended June 30, 2013: Nil) has been recorded in the statement of profit and loss.

3.3.2 Short-term provisions

Particulars	As at June 30, 2014	As at March 31, 2014
Provision for employee benefits		
- Gratuity	-	2
- Compensated absences	340	320
Provision for taxes	370	219
Provision for discount	316	231
Dividend payable	417	626
Dividend distribution tax payable	71	106
Provision for foreseeable losses on contracts	3	3
Provision for post contract support services	5	4
Provision for disputed dues*	64	63
Total	1,586	1,574

*Represents disputed tax dues provided pursuant to unfavourable order received from the tax authorities against which the Company has preferred an appeal with the relevant authority. In respect of the provisions of AS 29, the disclosures required have not been provided in accordance with paragraph 72 of AS 29.

Mindtree Limited**Significant accounting policies and notes to the accounts (continued)****For the quarter ended June 30, 2014****(Rupees in millions, except share and per share data, unless otherwise stated)**

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

Particulars	As at June 30, 2014	As at March 31, 2014
Change in projected benefit obligations		
Obligations at the beginning of the period	365	324
Service cost	21	74
Interest cost	7	26
Benefits settled	(12)	(36)
Actuarial (gain)/ loss	(23)	(23)
Obligations at end of the period	358	365
Change in plan assets		
Plan assets at the beginning of the period, at fair value	363	313
Expected return on plan assets	7	26
Actuarial gain/ (loss)	6	-
Contributions	-	60
Benefits settled	(12)	(36)
Plan assets at the end of the period, at fair value	364	363

Reconciliation of the present value of the obligation and the fair value of the plan assets

Particulars	As at June 30,		As at March 31,		
	2014	2014	2013	2012	2011
Fair value of plan assets at the end of the period	364	363	313	275	257
Present value of defined obligations at the end of the period	(358)	(365)	(324)	(276)	(265)
Asset/ (liability) recognised in the balance sheet	6	(2)	(11)	(1)	(8)

Mindtree Limited**Significant accounting policies and notes to the accounts (continued)****For the quarter ended June 30, 2014****(Rupees in millions, except share and per share data, unless otherwise stated)**

Particulars	For the quarter ended June 30,	
	2014	2013
Gratuity cost		
Service cost	21	22
Interest cost	7	6
Expected return on plan assets	(7)	(6)
Actuarial (gain)/loss	(29)	(4)
Net gratuity cost	(8)	18
Actual return on plan assets	13	9
Assumptions		
Interest rate	8.70%	7.46%
Expected rate of return on plan assets	8.00%	7.50%
Salary increase	6.00%	6.00%
Attrition rate	14.23%	13.37%
Retirement age	60	60

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

The disclosure of provisions movement as required under the provisions of AS 29 is as follows:-

Provision for post contract support services

Particulars	For the quarter ended June 30,	
	2014	2013
Balance at the beginning of the period	4	3
Provisions made during the period	1	1
Utilisations during the period	-	-
Released during the period	-	-
Provision at the end of the period	5	4

Mindtree Limited**Significant accounting policies and notes to the accounts (continued)****For the quarter ended June 30, 2014****(Rupees in millions, except share and per share data, unless otherwise stated)****Provision for discount**

Particulars	For the quarter ended June 30,	
	2014	2013
Balance at the beginning of the period	270	145
Provisions made during the period	101	66
Utilisations during the period	(7)	(7)
Released during the period	-	-
Provision at the end of the period	364	204
Current	316	204
Non-current	48	-

Provision for foreseeable losses on contracts

Particulars	For the quarter ended June 30,	
	2014	2013
Balance at the beginning of the period	3	-
Provisions made during the period	-	-
Utilisations during the period	-	-
Released during the period	-	-
Provision at the end of the period	3	-

The current provisions are expected to be utilized over a period of one year and the non-current provisions are expected to be utilized over a period of two to three years.

Mindtree Limited
Significant accounting policies and notes to the accounts
For the quarter ended June 30, 2014
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3.4 Non-current assets

3.4.1 Fixed assets

Assets	Gross block				Accumulated depreciation				Net book value	
	As at April 1, 2014	Additions during the period	Deletions during the period	As at June 30, 2014	As at April 1, 2014	For the period	Deletions during the period	As at June 30, 2014	As at June 30, 2014	As at March 31, 2014
Tangible assets										
Leasehold land	425	-	-	425	83	3	-	86	339	342
Buildings	1,911	-	-	1,911	348	16	-	364	1,547	1,563
Leasehold improvements	1,602	4	-	1,606	1,037	48	-	1,085	521	565
Computer systems	1,570	92	1	1,661	1,085	85	1	1,169	492	485
Test equipment	218	-	-	218	217	-	-	217	1	1
Furniture and fixtures	191	-	-	191	157	2	-	159	32	34
Electrical installations	360	1	-	361	256	14	-	270	91	104
Office equipment	600	5	-	605	436	20	-	456	149	164
Motor vehicles	2	-	-	2	1	-	-	1	1	1
Plant and machinery	8	-	-	8	1	-	-	1	7	7
Total (A)	6,887	102	1	6,988	3,621	188	1	3,808	3,180	3,266
Intangible assets										
Intellectual property	67	-	-	67	52	3	-	55	12	15
Computer Software	892	13	-	905	737	37	-	774	131	155
Total (B)	959	13	-	972	789	40	-	829	143	170
Total (A+B)	7,846	115	1	7,960	4,410	228	1	4,637	3,323	3,436
Previous year	6,407	1,657	218	7,846	3,818	809	217	4,410	3,436	

Mindtree Limited**Significant accounting policies and notes to the accounts****For the quarter ended June 30, 2014****(Rupees in millions, except share and per share data, unless otherwise stated).****3.4.2 Non-current investments**

Particulars	As at	
	June 30, 2014	March 31, 2014
Investment in mutual funds (quoted)	-	168
Investment in equity instruments (unquoted)		
- Investment in Trade	8	8
- Investment in subsidiary	14	14
Less: Provision for diminution in value of investments	(1)	(1)
Total	21	189
Aggregate amount of quoted investments	-	168
Aggregate market value of quoted investments	-	170
Aggregate amount of unquoted investments	22	22

Details of investment in mutual funds are as given below:

Particulars	As at	
	June 30, 2014	March 31, 2013
Tata Mutual Fund	-	40
Reliance Mutual Fund	-	28
UTI Mutual Fund	-	100
Total	-	168

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

Particulars	As at	
	June 30, 2014	March 31, 2014
2,400 (previous year: 2,400) equity shares in Career Community.com Limited	1	1
643,790 (previous year: 643,790) Series A Convertible Preferred Stock at US\$ 0.0001 each fully paid at premium of US \$ 0.2557 each in 30 Second Software Inc	7	7
Total	8	8

Details of investment in subsidiary are as given below:

Particulars	As at	
	June 30, 2014	March 31, 2014
Mindtree Software (Shanghai) Co., Ltd ('MSSCL')	14	14
Total	14	14

Mindtree Limited**Significant accounting policies and notes to the accounts (continued)****For the quarter ended June 30, 2014****(Rupees in millions, except share and per share data, unless otherwise stated)****3.4.3 Taxes**

Particulars	For the quarter ended June 30,	
	2014	2013
Tax expense		
Current tax	390	401
Deferred tax	(17)	(11)
Total	373	390

The Company has units at Bangalore, Hyderabad and Chennai registered as Special Economic Zone (SEZ) units which are entitled to a tax holiday under Section 10AA of the Income Tax Act, 1961.

The Company also has STPI units at Bangalore and Pune which are registered as a 100 percent Export Oriented Unit, which were earlier entitled to a tax holiday under Section 10B and Section 10A of the Income Tax Act, 1961.

Deferred tax assets (net):

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

Particulars	As at	As at
	June 30, 2014	March 31, 2014
Excess of depreciation as per books over depreciation allowed under Income Tax Act, 1961	212	213
Provision for doubtful debts	33	31
Provision for compensated absence	103	100
Provision for volume discount	29	29
Others	42	29
Total deferred tax assets	419	402

Mindtree Limited**Significant accounting policies and notes to the accounts (continued)****For the quarter ended June 30, 2014****(Rupees in millions, except share and per share data, unless otherwise stated)****3.4.4 Long-term loans and advances**

Particulars	As at June 30, 2014	As at March 31, 2014
<i>(Unsecured considered good)</i>		
Capital advances	147	136
Security deposits*	536	512
Advances recoverable in cash or in kind or for value to be received*	67	110
Total	750	758

*Refer note 3.15 for related party balances.

3.4.5 Other non-current assets

Particulars	As at June 30, 2014	As at March 31, 2014
<i>(Unsecured considered good)</i>		
Advance tax and tax deducted at source, net of provision for taxes	870	853
MAT credit entitlement	142	160
Other non-current assets	28	26
Total	1,040	1,039

3.5 Current assets**3.5.1 Current investments**

Particulars	As at June 30, 2014	As at March 31, 2014
Investment in mutual funds (quoted)	4,981	4,760
Less: Provision for diminution in the value of investments	(1)	-
Term deposits	400	400
Total	5,380	5,160
Aggregate amount of quoted investments	4,981	4,760
Aggregate market value of quoted investments	5,192	4,912
Aggregate amount of unquoted investments	400	400

Mindtree Limited**Significant accounting policies and notes to the accounts (continued)****For the quarter ended June 30, 2014****(Rupees in millions, except share and per share data, unless otherwise stated)**

Details of investment in mutual funds are as given below:

Particulars	As at	As at
	June 30, 2014	March 31, 2014
ICICI Prudential Mutual Fund	486	366
IDFC Mutual Fund	369	365
UTI Mutual Fund	293	193
HSBC Mutual Fund	201	80
Franklin Templeton Mutual Fund	332	449
DSP Blackrock Mutual Fund	419	419
Birla Sun Life Mutual Fund	523	440
Reliance Mutual Fund	396	367
Tata Mutual Fund	405	306
DWS Mutual Fund	208	156
SBI Mutual Fund	421	315
HDFC Mutual Fund	516	513
Axis Mutual Fund	60	103
Kotak Mutual Fund	55	54
JP Morgan Mutual Fund	120	203
Sundaram Mutual Fund	71	106
Pinebridge Mutual Fund	30	30
L & T Mutual Fund	-	142
IDBI Mutual Fund	76	153
Total	4,981	4,760

Details of investments in term deposit are as given below:

Particulars	As at	As at
	June 30, 2014	March 31, 2014
HDFC Limited	400	400
Total	400	400

Mindtree Limited
Significant accounting policies and notes to the accounts (continued)
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3.5.2 Trade receivables

Particulars	As at June 30, 2014	As at March 31, 2014
<i>(Unsecured)</i>		
Debts overdue for a period exceeding six months		
- considered good	100	95
- considered doubtful	123	131
Other debts		
- considered good	6,805	5,909
- considered doubtful	2	5
Less: Provision for doubtful debts	(125)	(136)
Total	6,905	6,004

3.5.3 Cash and bank balances

Particulars	As at June 30, 2014	As at March 31, 2014
Balances with banks in current and deposit accounts [^] *	1,203	1,171
Cash on hand	-	-
Other bank balances**	5	4
Total	1,208	1,175

[^]The deposits maintained by the Company with banks comprises time deposits, which can be withdrawn by the Company at any point without prior notice or penalty on the principal.

* Balances with banks include the following:

Particulars	As at June 30, 2014	As at March 31, 2014
Balance with banks held as margin money towards guarantees	2	1

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

Mindtree Limited**Significant accounting policies and notes to the accounts (continued)****For the quarter ended June 30, 2014****(Rupees in millions, except share and per share data, unless otherwise stated)****3.5.4 Short-term loans and advances**

Particulars	As at June 30, 2014	As at March 31, 2014
<i>(Unsecured considered good)</i>		
Advances recoverable in cash or in kind or for value to be received*	643	627
Less: Provision for doubtful advances	(15)	(15)
Total	628	612

*Refer note 3.15 for related party balances.

3.5.5 Other current assets

Particulars	As at June 30, 2014	As at March 31, 2014
Unbilled revenue	882	1,014
Gratuity - Excess of plan assets over obligations*	6	-
MAT credit entitlement	16	-
Other current assets**	711	712
Total	1,615	1,726

*Refer 3.3.2 for status of gratuity plan as required under AS 15.

**Includes derivative asset of Rs 58 (As at March 31, 2014: Rs 93).

3.6 Other income

Particulars	For the quarter ended June 30,	
	2014	2013
Interest income	13	20
Dividend income	31	43
Net gain on sale of investments	27	53
Foreign exchange gain	137	617
Other non-operating income	2	1
Total	210	734

Mindtree Limited**Significant accounting policies and notes to the accounts (continued)****For the quarter ended June 30, 2014****(Rupees in millions, except share and per share data, unless otherwise stated)****3.7 Expenses**

Employee benefits expense	For the quarter ended June 30,	
	2014	2013
Salaries and wages	4,395	3,480
Contribution to provident and other funds	346	312
Expense on employee stock based compensation	97	2
Staff welfare expenses	36	30
Total	4,874	3,824

Finance costs	For the quarter ended June 30,	
	2014	2013
Interest expense	-	1
Total	-	1

Other expenses	For the quarter ended June 30,	
	2014	2013
Travel expenses	514	401
Sub-contractor charges	463	266
Computer consumables	86	80
Legal and professional charges	97	101
Power and fuel	78	70
Rent (Refer note 3.16)	152	139
Repairs to buildings	12	7
Repairs to machinery	6	5
Insurance	11	6
Rates and taxes	21	13
Other expenses	436	374
Total	1,876	1,462

Mindtree Limited
Significant accounting policies and notes to the accounts (continued)
For the quarter ended June 30, 2014
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3.8 Contingent liabilities and commitments

- a) Estimated amount of contracts remaining to be executed on capital account and not provided for as at June 30, 2014 is Rs 797 (March 31, 2014: Rs 854).
- b) As of the balance sheet date, the Company's net foreign currency exposure that is not hedged by a derivative instrument or otherwise is Rs 6,490 (March 31, 2014: Rs 5,683).
- c) The Company has received an income tax assessment for the financial year 2008-09 wherein demand of Rs 24 has been raised against the Company on account of certain disallowances, adjustments made by the income tax department. A significant portion of this amount arises from the manner of adjustment of brought forward losses in arriving at the taxable profits of the Company and disallowance of portion of profit earned outside India from the STP and SEZ units.

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

The Company has received a favourable order from the Commissioner of Income tax (Appeals) for majority of grounds and considering the order passed, there will not be any demand on the Company. On the other grounds which are not favourable, the Company has filed an appeal before the Income Tax Appellate Tribunal ('ITAT').

- d) The Company has received income tax assessments for financial years 2006-07 and 2007-08 for the erstwhile subsidiary Mindtree Technologies Private Limited (MTPL) with demands amounting to Rs 11 and Rs 10 on account of certain disallowances/ adjustments made by income tax department. Management believes that the position taken by it on the matter is tenable and hence, no adjustment has been made to the financial statements. The Company has filed an appeal against the demand received. The Company has not deposited the amount of demand with the department.
- e) The Company has received income tax assessments under Section 143(3) of the Income-tax Act 1961 pertaining to erstwhile subsidiary Aztecsoft Limited for the financial years 2001-02, 2002-03, 2003-04, 2004-05, 2005-06, 2006-07, 2007-08 and 2008-09 wherein demand of Rs 91, Rs 49, Rs 61, Rs 28, Rs 58, Rs 119, Rs 214 and Rs 63 respectively has been raised against the Company. These demands have arisen mainly on account of transfer pricing adjustments made in the order. The Company has not accepted these orders and has been advised by its legal counsel/ advisors to prefer appeals before appellate authorities and accordingly the Company has filed appeals before the Commissioner of Income Tax (Appeals) and ITAT. The Company has deposited Rs 15 with the department against these demands. The department has adjusted pending refunds amounting to Rs 363 against these demands.

Mindtree Limited

Significant accounting policies and notes to the accounts (continued)

For the quarter ended June 30, 2014

(Rupees in millions, except share and per share data, unless otherwise stated)

The Company received a favourable order from the Commissioner of Income Tax (Appeals) for the year 2001-02 where in the Commissioner of Income Tax (Appeals) accepted the Company's contentions and quashed the demand raised. The Income tax department appealed against the above mentioned order with ITAT. ITAT, in an earlier year passed an order setting aside both the orders of the Commissioner of Income Tax (Appeals) as well as the Assessing Officer and remanded the matter back to the Assessing Officer for re-assessment. The Company preferred an appeal with the Hon'ble High Court of Karnataka against the order of the ITAT. The Hon'ble High Court of Karnataka has dismissed the appeal filed against the order of ITAT and upheld the order passed by the ITAT and accordingly the case is pending before Assessing Officer for re-assessment.

During the period, the Company has received the order from the Commissioner of Income Tax (Appeals) for the year 2004-05 and on the unfavorable grounds, the Company has a filed an appeal with ITAT, Bangalore

The Company has appealed against the demands received for financial years 2002-03, 2003-04, 2004-05, 2005-06, 2006-07, 2007-08 and 2008-09. Based on favourable order received by the Company for the financial year 2001-02 and an evaluation of the facts and circumstances, no provision has been made against the above orders in the financial statements.

- f) The Company received an assessment order for financial year 2006-07 for the erstwhile subsidiary Mindtree Wireless Private Limited from the Assistant Commissioner of Income-tax ('ACIT') with a demand amounting to Rs 39 on account of certain other disallowances/ transfer pricing adjustments made by income tax department. Management believes that the position taken by it on the matter is tenable and hence, no adjustment has been made to the financial statements. The Company has filed an appeal with Commissioner of Income Tax (Appeals) against the demand received.

The Company has received the order from the Commissioner of Income Tax (Appeals) wherein the Commissioner of Income Tax (Appeals) accepted the grounds in part and in respect of unfavorable grounds, the Company has filed an appeal before Income Tax Appellate Tribunal. The final order giving effect by the Assessing Officer is completed and the demand is reduced to Rs 33. The Company has deposited Rs 5 with the department against this demand.

- g) The Company has received a final assessment order for financial year 2009-10 from the Deputy Commissioner of Income Tax with a demand amounting to Rs 61 due to non-adjustment of brought forward losses and transfer pricing adjustments. Management believes that the position taken by it on the matter is tenable and hence, no adjustment has been made to the financial statements. The Company has filed an appeal with Commissioner of Income Tax (Appeals).

Mindtree Limited**Significant accounting policies and notes to the accounts (continued)****For the quarter ended June 30, 2014****(Rupees in millions, except share and per share data, unless otherwise stated)****3.9 Quantitative details**

The Company is engaged in software development services. Such services are not capable of being expressed in any generic unit and hence, it is not possible to give the quantitative details required under paragraphs 5(viii)(c) of general instructions for preparation of the statement of profit and loss as per revised Schedule III to the Companies Act, 2013.

3.10 Value of imports on CIF basis

Particulars	For the quarter ended June 30,	
	2014	2013
Capital goods	102	77
Total	102	77

3.11 Expenditure in foreign currency

Particulars	For the quarter ended June 30,	
	2014	2013
Branch office expenses	3,344	2,493
Travel expenses	65	46
Professional charges	11	3
Others	85	30
Total	3,505	2,572

3.12 Earnings in foreign currency

Particulars	For the quarter ended June 30,	
	2014	2013
Income from software development	8,222	6,261
Other income	2	-
Total	8,224	6,261

Mindtree Limited**Significant accounting policies and notes to the accounts (continued)****For the quarter ended June 30, 2014****(Rupees in millions, except share and per share data, unless otherwise stated)**

- 3.13** During the quarter ended June 30, 2014, the Company has remitted in foreign currency dividend of Rs 6 (quarter ended June 30, 2013: Rs 5)

Dividend	Year to which it relates	For the quarter ended June 30, 2014		
		Number of shares held	Number of shareholders	Amount remitted
Third interim dividend	2013-14	1,119,693	53	6

Dividend	Year to which it relates	For the quarter ended June 30, 2013		
		Number of shares held	Number of shareholders	Amount remitted
Second interim dividend	2012-13	1,125,384	78	5

3.14 Segmental reporting

The Company is structured into five verticals –RCM, BFSI, HTMS, TH and Others. During the period, the Company has classified results of Media Services in HTMS. The results were previously classified with TH segment. Accordingly, as required by the accounting standards, comparatives have been restated and presented in line with the current segments. The Company considers business segment as the primary segment and geographical segment based on the location of customers as the secondary segment.

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

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

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

Mindtree Limited

Significant accounting policies and notes to the accounts (continued)

For the quarter ended June 30, 2014

(Rupees in millions, except share and per share data, unless otherwise stated)

Business segments

Statement of profit and loss	For the quarter ended June 30,	
	2014	2013
Segment revenue		
RCM	1,785	1,353
BFSI	1,917	1,480
HTMS	2,757	2,190
TH	1,380	955
Others	596	499
Total	8,435	6,477
Segment operating income		
RCM	317	264
BFSI	201	44
HTMS	646	592
TH	268	103
Others	256	188
Total	1,688	1,191
Unallocable expenses	(231)	(181)
Profit for the period before interest, other income and tax	1,457	1,010
Interest expense	-	(1)
Other income	210	734
Net profit before taxes	1,667	1,743
Income taxes	(373)	(390)
Net profit after taxes	1,294	1,353

Geographical segments

Revenues	For the quarter ended June 30,	
	2014	2013
America	4,994	3,744
Europe	2,260	1,778
India	296	373
Rest of World	885	582
Total	8,435	6,477

Mindtree Limited**Significant accounting policies and notes to the accounts (continued)****For the quarter ended June 30, 2014****(Rupees in millions, except share and per share data, unless otherwise stated)****3.15 Related party transactions**

Name of related party	Nature of relationship
Mindtree Software (Shanghai) Co., Ltd ('MSSCL'), Republic of China	Subsidiary
Mindtree Foundation	Entity with common key management personnel
Amalgamated Bean Coffee Trading Company Limited ('ABCTCL')	These entities are part of Coffee Day Group which through various entities and its promoters holds 19.8 % equity stake in Mindtree, and the group has a nominee on the Mindtree Board.
Tanglin Developments Limited ('TDL')	

Transactions with the above related parties during the quarter were:

Name of related party	Nature of transaction	For the quarter ended June 30,	
		2014	2013
Mindtree Software (Shanghai) Co., Ltd	Reimbursement of operating expenses	4	-
Mindtree Foundation	Donation paid	13	-
Amalgamated Bean Coffee Trading Company Limited	Procurement of supplies	4	3
Tanglin Developments Limited	Leasing office buildings and land	80	92
	Advances/ deposits paid		
	- towards electricity deposit/ charges	9	-
	- towards lease rentals	-	-
	Advance/ deposits received back:		
	- towards electricity deposit/ charges	15	12
	- towards lease rentals	31	38
	Interest on advance towards electricity charges/ deposit	4	3

Mindtree Limited**Significant accounting policies and notes to the accounts (continued)****For the quarter ended June 30, 2014****(Rupees in millions, except share and per share data, unless otherwise stated)***Balances payable to related parties are as follows:*

Name of related party	As at June 30, 2014	As at March 31, 2014
Mindtree Software (Shanghai) Co., Ltd	4	-
Amalgamated Bean Coffee Trading Company Limited	1	-
Tanglin Developments Limited	1	-

Balances receivable from related parties are as follows:

Name of related party	Nature of transactions	As at June 30, 2014	As at March 31, 2014
Tanglin Developments Limited	Rental Advance		
	- Current	126	126
	- Non-current	63	94
	Advance towards electricity charges		
	- Current	48	48
	- Non-current	4	16
	Security deposit (including electricity deposit) returnable on termination of lease	405	399
Interest accrued on advance towards electricity charges	4	3	

Mindtree Limited**Significant accounting policies and notes to the accounts (continued)****For the quarter ended June 30, 2014****(Rupees in millions, except share and per share data, unless otherwise stated)****Key Managerial Personnel:**

Subroto Bagchi	Executive Chairman
Krishnakumar Natarajan	CEO and Managing Director
S. Janakiraman	Executive Director, President and Chief Technology Officer
N.S. Parthasarathy	Executive Director, President and Chief Operating Officer
Dr. Albert Hieronimus	Independent Director and Non-Executive Vice Chairman
V.G.Siddhartha	Non-Executive Director
Prof. David B. Yoffie	Independent Director
Prof. Pankaj Chandra	Independent Director
Ramesh Ramanathan	Independent Director
Apurva Purohit	Independent Director
Rostow Ravanan*	Chief Financial Officer and Executive Director
Manisha Girotra*	Independent Director
Rajesh Srichand Narang	Vice President - Legal and Company Secretary

*The Board of Directors at its meeting dated May 20, 2014, appointed Ms. Manisha Girotra as an Independent Director and Mr. Rostow Ravanan as an Executive Director, effective May 20, 2014.

Remuneration paid to key managerial personnel during the quarter ended June 30, 2014 amounts to Rs 106 (for the quarter ended June 30, 2013: Rs 29). Dividends paid to directors during the quarter ended June 30, 2014 amounts to Rs 32 (quarter ended June 30, 2013 amounts to Rs 30).

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

Mindtree Limited**Significant accounting policies and notes to the accounts (continued)****For the quarter ended June 30, 2014****(Rupees in millions, except share and per share data, unless otherwise stated)****3.16 Lease transactions**

Lease rental expense under non-cancellable operating lease during the quarter ended June 30, 2014 amounted to Rs 81 (for the quarter ended June 30, 2013: Rs 69). Future minimum lease payments under non-cancellable operating lease are as below:

Particulars	As at	
	June 30, 2014	March 31, 2014
Payable -- Not later than one year	358	276
Payable -- Later than one year and not later than five years	698	473

Additionally, the Company leases office facilities and residential facilities under cancellable operating leases. The rental expense under cancelable operating lease during the quarter ended June 30, 2014 was Rs 71 (for the quarter ended June 30, 2013: Rs 70).

3.17 Earnings per equity share

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

Particulars	For the quarter ended June 30, 2014		For the quarter ended June 30, 2013*	
	Basic EPS	Diluted EPS	Basic EPS	Diluted EPS
Weighted average number of equity shares outstanding during the quarter	83,484,436	83,484,436	83,089,978	83,089,978
Weighted average number of equity shares resulting from assumed exercise of employee stock options	-	412,094	-	596,180
Weighted average number of equity shares for calculation of earnings per share	83,484,436	83,896,530	83,089,978	83,686,158

*In accordance with Accounting Standard 20 on 'Earnings Per Share', basic and diluted earnings per share is adjusted for 1:1 bonus issue for previous period presented.

3.18 Auditor's remuneration

Particulars	For the quarter ended June 30,	
	2014	2013
Statutory audit	4	4
Certification	1	1
Total	5	5

Mindtree Limited**Significant accounting policies and notes to the accounts (continued)****For the quarter ended June 30, 2014****(Rupees in millions, except share and per share data, unless otherwise stated)**

- 3.19** The Company has a development center at Gainesville, Florida, US. The state of Florida has offered various incentives targeted to the needs of the development center. The nature and the extent of the government grant is given below:

Nature of expenses	For the quarter ended June 30,	
	2014	2013
Reimbursement of rent	-	1
Grant towards workforce training	9	4
Total	9	5

The Company had availed a non-monetary grant of USD 950,000 for renovation of project facility. This grant is subject to fulfillment of certain conditions such as creation of minimum employment with specified average salary and capital investment at the development center at Gainesville, Florida, US.

3.20 Dues to micro, small and medium enterprises

The Ministry of Micro, Small and Medium Enterprises has issued an office memorandum dated August 26, 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allocated after filing of the Memorandum in accordance with the 'Micro, Small and Medium Enterprises Development Act, 2006' ('the Act'). Accordingly, the disclosure in respect of the amounts payable to such enterprises as at June 30, 2014 has been made in the financial statements based on information received and available with the Company. Further in view of the Management, the impact of interest, if any, that may be payable in accordance with the provisions of the Act is not expected to be material. The Company has not received any claim for interest from any supplier as at the balance sheet date.

Particulars	For the quarter ended	
	June 30, 2014	June 30, 2013
The principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier as at the end of accounting period;	Nil	Nil
The amount of interest paid by the buyer under the Act along with the amounts of the payment made to the supplier beyond the appointed day during each accounting period;	Nil	Nil
The amount of interest due and payable for the period (where the principal has been paid but interest under the Act not paid);	Nil	Nil
The amount of interest accrued and remaining unpaid at the end of accounting period; and	Nil	Nil
The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23.	Nil	Nil

Mindtree Limited**Significant accounting policies and notes to the accounts (continued)****For the quarter ended June 30, 2014****(Rupees in millions, except share and per share data, unless otherwise stated)**

- 3.21** The financial statements are presented in Rs in million. Those items which are required to be disclosed and which are not presented in the financial statement due to rounding off to the nearest Rs in million are given as follows:

Particulars	<i>Amount in Rs</i>	
	As at June 30, 2014	As at March 31, 2014
Share application money pending allotment	-	27,235
Cash on hand	20,487	25,277

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

As per our report attached

For **B S R & Co. LLP***Chartered Accountants*

Firm Registration No.: 101248W/W-100022

For **Mindtree Limited****Supreet Sachdev***Partner*

Membership No. : 205385

Subroto Bagchi

Chairman

N. Krishnakumar

CEO & Managing Director

Rostow RavananChief Financial Officer
& Executive Director**Rajesh Srichand Narang**

Company Secretary

Place: Bangalore

Date: July 17, 2014

Place: Bangalore

Date: July 17, 2014