MASTEK GROUP

AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF MASTEK LIMITED

The Board of Directors of Mastek Limited

1. We have audited the attached consolidated balance sheet of Mastek Limited (the "Company") and its subsidiaries, hereinafter referred to collectively as the "Group" (refer Note 1 to the attached consolidated financial statements) as at June 30, 2012, the related consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These consolidated 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.

2. We conducted our audit in accordance with the 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.

3. We did not audit the financial statements of Mastek Asia Pacific Pte. Ltd., Singapore and Mastek MSC Software Sdn. Bhd., Malaysia, included in the consolidated financial statements, which constitute total assets of ₹ 2,835.76 Lacs and net assets of ₹ 2,613.28 Lacs as at June 30, 2012, total revenue of ₹ 2,046.04 Lacs, net profit of ₹ 661.57 Lacs and net cash inflows amounting to ₹ 417.62 Lacs for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion on the consolidated financial statements to the extent they have been derived from such financial statements is based solely on the report of such other auditors.

4. We report that the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard (AS) 21 - Consolidated Financial Statements notified under sub-section 3C of Section 211 of the Companies Act, 1956.

5. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components of the Group as referred to above, and to the best of our information and according to the explanations given to us, in our opinion, the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

   (a) in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at June 30, 2012;

   (b) in the case of the consolidated Statement of Profit and Loss, of the profit of the Group for the year ended on that date; and

   (c) in the case of the consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For **Price Waterhouse**
Firm Registration Number: 012754N
Chartered Accountants

Pradip Kanakia
Partner
Membership Number 39985

Place : Mumbai
Date : July 27, 2012

CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 2012

(All amounts in ₹ Lakhs, unless otherwise stated)

	Note	As at June 30, 2012	As at June 30, 2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	**3**	**1,351.31**	1,347.56
Reserves and surplus	**4**	**52,206.21**	47,722.91
		53,557.52	49,070.47
Non-current liabilities			
Long-term borrowings	**5**	**44.10**	41.31
Other long term liabilities	**6**	**50.64**	48.24
Long-term provisions	**7**	**4,172.08**	3,108.35
Current liabilities			
Short-term borrowings	**8**	**653.81**	447.00
Trade payables	**9**	**414.51**	435.68
Other current liabilities	**10**	**13,531.47**	10,017.22
Short-term provisions	**11**	**2,863.52**	1,344.69
Total		**75,287.65**	64,512.96
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	**12 (i)**	**7,760.09**	9,091.17
Intangible assets	**12 (ii)**	**17,862.13**	14,948.18
Capital work-in-progress		**0.21**	11.26
Non-current investments	**13**	**279.12**	293.03
Deferred tax assets	**14**	**2,269.69**	2,210.01
Long-term loans and advances	**15**	**5,413.17**	4,381.20
Other non-current assets	**16**	**51.74**	41.24
Current assets			
Current investments	**17**	**4,010.00**	6,182.72
Trade receivables	**18**	**18,047.05**	10,806.36
Cash and bank balances	**19**	**9,775.37**	9,536.77
Short-term loans and advances	**20**	**2,081.62**	1,375.58
Other current assets	**21**	**7,737.46**	5,635.44
Total		**75,287.65**	64,512.96
Summary of significant accounting policies	**2**		
Contingent Liabilites, capital and other commitments	**22, 23**		

The accompanying notes are an integral part of these financial statements.

In terms of our report of even date

For Price Waterhouse
Firm Registration Number: 012754N
Chartered Accountants

Pradip Kanakia
Partner
Membership Number: 39985

Place : Mumbai
Date : July 27, 2012

For and on behalf of the Board

Sudhakar Ram
Chairman & Managing Director

S. Sandilya
Director

Bhagwant Bhargawe
Company Secretary

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED JUNE 30, 2012

(All amounts in ₹ Lakhs, unless otherwise stated)

	Note	Year ended June 30, 2012	Year ended June 30, 2011
Revenue	24	72,420.02	59,410.21
Other income	25	1,485.45	2,011.14
Total Revenue		73,905.47	61,421.35
Expenses			
Employee benefits expense	26	46,126.47	45,449.19
Finance costs	27	129.94	116.19
Depreciation and amortization expenses	28	2,878.37	2,878.84
Other expenses	29	24,242.69	15,809.18
Total Expenses		73,377.47	64,253.40
Profit / (Loss) before exceptional item and tax		528.00	(2,832.05)
Exceptional item	30	—	2,719.93
Profit / (Loss) before tax		528.00	(5,551.98)
Tax expense:			
Current Tax		1,480.09	979.76
Less: Minimum alternate tax credit entitlement		372.37	—
Net Current tax		1,107.72	979.76
Deferred tax charge		32.33	91.41
Income tax refund / write back for earlier years		(662.08)	(1,028.81)
Profit / (Loss) for the year		50.03	(5,594.34)
Earning / (Loss) per equity share	31		
Basic (Face value of ₹ 5/- each)		0.19	(20.76)
Diluted (Face value of ₹ 5/- each)		0.19	(20.76)
Summary of significant accounting policies	2		

The accompanying notes are an integral part of these financial statements.

In terms of our report of even date

For Price Waterhouse
Firm Registration Number: 012754N
Chartered Accountants

Pradip Kanakia
Partner
Membership Number: 39985

Place : Mumbai
Date : July 27, 2012

For and on behalf of the Board

Sudhakar Ram
Chairman & Managing Director

S. Sandilya
Director

Bhagwant Bhargawe
Company Secretary

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2012

(All amounts in ₹ Lakhs, unless otherwise stated)

	Year ended June 30, 2012	Year ended June 30, 2011
Cash flows from operating activities		
Net Profit/(Loss) before tax	**528.00**	(5,551.98)
Adjustments for :		
Interest income	**(317.25)**	(498.15)
Dividend income from investments	**(74.15)**	(149.42)
Expense on Employee Stock option scheme	**35.00**	88.50
Finance costs	**113.45**	100.22
Depreciation and amortization	**2,878.37**	2,878.84
Exceptional item	**—**	2,719.93
Provision for doubtful debts	**256.25**	57.11
Bad debts written off	**15.44**	50.68
(Profit)/loss on sale of fixed assets, net	**(165.69)**	3.08
Gain on sale of investments	**(357.28)**	(0.90)
Unrealised foreign exchange loss/(gain)	**809.59**	(383.04)
Operating profit/(loss) before working capital changes	**3,721.73**	(685.13)
(Increase)/decrease in trade receivables	**(5,397.77)**	2,078.37
(Increase)/decrease in loans and advances and other assets	**(1,552.90)**	1,201.63
Increase/(decrease) in trade payables, other liabilities and provisions	**3,702.99**	(325.00)
Cash generated from operations	**474.05**	2,269.87
Income taxes paid, net of refunds received	**(1,689.04)**	(1,228.09)
Net cash (used in)/generated from operating activities	**(1,214.99)**	1,041.78
Cash flows from investing activities		
Proceeds from sale of tangible assets	**615.49**	21.45
Purchase of tangible and intangible assets, net of capital work in progress capitalised	**(1,574.06)**	(2,826.49)
Interest received	**317.25**	498.15
Sale proceeds of current investments	**48,494.95**	36,619.32
(Investment)/Realisation of fixed deposits having maturity over three months	**(374.82)**	1,150.79
Dividend from current investments	**74.15**	149.43
Purchase of current investments	**(45,964.95)**	(40,828.42)
Net cash generated from/(used in) investing activities	**1,588.01**	(5,215.77)

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2012 (CONTD.)

(All amounts in ₹ Lakhs, unless otherwise stated)

	Year ended June 30, 2012	Year ended June 30, 2011
Cash flows from financing activities		
Proceeds from issue of ESOP shares	**3.75**	11.29
Repayment/proceeds from working capital loan, net	**97.66**	447.00
Repayment of finance lease obligation	**(20.38)**	(20.84)
Repayment of long term loan	**(1,341.00)**	(2,769.90)
Dividends paid including dividend distribution tax	**—**	(393.71)
Interest paid on loans and lease obligations	**(113.45)**	(100.22)
Net cash used in financing activities	**(1,373.42)**	(2,826.38)
Effect of changes in exchange rates	**826.42**	189.44
Net decrease in cash and cash equivalents during the year	**(173.98)**	(6,810.93)
Cash and cash equivalents at the beginning of the year	**8,663.55**	15,474.48
Cash and cash equivalents at the end of the year	**8,489.57**	8,663.55

Notes :

1 The above cash flow statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard 3 on Cash Flow Statement issued by the Institute of Chartered Accountants of India.

2 Cash and cash equivalents - Refer note 19

3 Figures in brackets indicate cash outgo.

4 Previous year's figures have been regrouped/reclassified wherever necessary.

In terms of our report of even date

For Price Waterhouse

Firm Registration Number: 012754N
Chartered Accountants

Pradip Kanakia
Partner
Membership Number: 39985

Place : Mumbai
Date : July 27, 2012

For and on behalf of the Board

Sudhakar Ram
Chairman & Managing Director

S. Sandilya
Director

Bhagwant Bhargawe
Company Secretary

(All amounts in ₹ Lakhs, unless otherwise stated)

1 Group Information :

Mastek Limited (the 'Company') is a public limited company domiciled in India and is listed on the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE). The Company and its subsidiaries (collectively referred herein under as "the Group") are provider of vertically-focused enterprise technology solutions and platforms in Insurance (Life, Pensions and General), Government / Public Sector, and Financial Services sectors.

The Group's offering portfolio includes business and technology services comprising of IT Consulting, Application Development, Systems Integration, Application Management Outsourcing, Testing, Data Warehousing and Business Intelligence, Application Security, CRM services and Legacy Modernisation. The Group has operations in U.S., Canada, U.K., India and Asia-Pacific and has its offshore software development centers in India at Mumbai, Pune, Chennai and Mahape.

The details of subsidiaries considered in these consolidated financial statements are:

Name of the Company	Country of Incorporation	As at June 30, 2012	As at June 30, 2011
MajescoMastek	USA	100%	100%
Mastek (UK) Limited	UK	100%	100%
Mastek GmbH	Germany	100%	100%
Mastek Asia Pacific Pte Ltd.	Singapore	100%	100%
Mastek MSC Sdn. Bhd.	Malaysia	100%	100%
Mastek MSC (Thailand) Co. Ltd	Thailand	100%	100%
Vector Insurance Services LLC	USA	90%	90%
Systems Task Group International Limited	USA	100%	100%
Keystone Solutions Private Limited *	India	NA	100%
MajescoMastek Canada Limited	Canada	100%	100%

* - Merged with the Company with effect from July 1, 2011

2 Summary of significant accounting policies:

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with the generally accepted accounting principles in India under the historical cost convention on accrual basis and comply in all material aspects with the accounting standards notified under Section 211(3C) [Companies (Accounting Standards) Rules, 2006, as amended] and the other relevant provisions of the Companies Act, 1956, in particular Accounting Standard 21 (AS 21) - 'Consolidated Financial Statements'.

The financial statements of the Company and its subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses. Intra group balances and intra group transactions and resulting unrealized profits are eliminated in full. Unrealized losses resulting from intra group transactions are also eliminated unless cost cannot be recovered.

The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

All assets and liabilities have been classified as current or non-current as per the Group's normal operating cycle and other criteria set out in the Schedule VI to the Companies Act, 1956. Based on the nature of services and the time between the acquisition of assets / inputs for processing and their realisation in cash and cash equivalents, the Group has ascertained its operating cycle as 12 months for the purpose of current / non current classification of assets and liabilities.

2.2 Changes in accounting policy

Hedge Accounting: Effective October 1, 2011, the Company has adopted hedge accounting as per the Accounting Standard (AS) 30, "Financial Instruments: Recognition and Measurement" issued by the Institute of Chartered Accountants of India to the extent the adoption does not contradict with existing Accounting Standards and other authoritative pronouncements of the Company Law and other regulatory requirements. In respect of forward contracts that are designated as effective cash flow hedges, the gain or loss from the effective portion of the hedge is recorded and reported directly in reserves (under the Hedging Reserve Account) and is reclassified into the Statement of Profit and Loss upon the occurrence of the hedged transactions.

Had the Company not adopted hedge accounting under AS 30, the profit for the year ended June 30, 2012 would have been lower by ₹ 1,681.16 and the debit balance in the Hedging Reserve would have been lower by the same amount.

(All amounts in ₹ Lakhs, unless otherwise stated)

2.3 **Use of estimates**

The preparation of the financial statements in conformity with the generally accepted accounting principles requires that the management makes estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as at the date of the financial statements, and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

2.4 **Tangible assets and depreciation**

Tangible assets are stated at cost of acquisition less accumulated depreciation and accumulated impairment losses, if any. Direct costs are capitalized until the assets are ready for use and include inward freight, duties, taxes and expenses incidental to acquisition and installation.

Subsequent expenditures related to an item of fixed asset are added to its book value only if they increase the future benefits from the existing asset beyond its previously assessed standard of performance.

Losses arising from the retirement of, and gains or losses arising from disposal of fixed assets which are carried at cost are recognised in the Statement of Profit and Loss.

Depreciation on tangible assets is provided on the straight line method, on a pro rata basis, over the useful life of assets, as estimated by management or as per Schedule XIV of the Act in cases where the rates specified therein are higher. Assets individually costing less than ₹ 5,000/- are depreciated fully in the year of acquisition. The useful lives estimated by management which are higher than rates specified as per Schedule XIV are as under:

Assets	Useful Life
Leasehold Land	Lease Term ranging from 95-99 years
Buildings	25 - 30 years
Computers	2 years
Leasehold Improvements	5 years or the primary period of lease whichever is less
Plant and Equipment	2 - 5 years
Office Equipment	2 - 5 years
Furniture and Fixtures	5 years
Vehicles	5 years

2.5 **Intangible assets and amortization**

Intangible assets are stated at cost of acquisition less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized on a straight line method over their estimated useful lives as follows:

Assets	Useful Life
Goodwill	3 years
Computer software	1 - 5 years

2.6 **Impairment of assets**

At each Balance Sheet date, the Group assesses whether there is any indication that an asset may be impaired. If any such indication exists, management estimates the recoverable amount. Recoverable amount is higher of an asset's net selling price and value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in the statement of profit and loss to the extent carrying amount exceeds recoverable amount.

2.7 **Investments**

Investments that are readily realisable and are intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long term investments. Current investments are carried at cost or fair value, whichever is lower. Long-term investments are carried at cost. However, provision for diminution is made to recognise a decline, other than temporary, in the value of the investments, such reduction being determined and made for each investment individually.

2.8 **Foreign currency transactions and translation**

The consolidated financial statements are prepared in Indian Rupees. The Indian Rupee is the functional currency for Mastek Limited. However, U.S. Dollar, Pound Sterling, Singapore Dollar, Malaysian Ringitts, Thai Baht, Canadian Dollar and Euro are the functional currencies for its non-integral subsidiaries located in United States of America, United Kingdom, Singapore, Malaysia, Thailand, Canada and Europe (Germany), respectively. The translation of the functional currencies into Indian Rupees (reporting currency) is performed for assets and liabilities using the current exchange rates prevailing at the Balance Sheet date and for revenues and expenses using average exchange rates prevailing during the reporting periods and for share capital and reserves using the exchange rate at the date of transaction. The differences on translation are taken directly to reserves, under Foreign Currency Translation Reserve.

Foreign currency transactions of the Company are accounted at the exchange rates prevailing on the date of the transaction. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Profit and Loss.

In respect of transactions related to company's foreign branch, all revenue and expense transactions during the year are reported at average rate. Monetary assets and liabilities are translated at the rate prevailing on the Balance Sheet date whereas non-monetary assets and liabilities are translated at the rate prevailing on the date of the transaction. Net gain/loss on foreign currency translation is recognised in the Statement of Profit and Loss.

In case of forward exchange contracts which are open on the balance sheet date and are backed by receivables, the premium or discount arising at the inception of such a forward exchange contract is amortized as income or expense over the life of the contract. The exchange difference on such contracts is computed by multiplying the foreign currency amount of the forward exchange contract by the difference between a) the foreign currency amount of the contract translated at the exchange rate at the reporting date or the settlemt date where the transaction is settled during the reporting period, and b) the same foreign currency amount translated at the latter of the date of inception of the forward exchange contract and the last reporting date. The exchange difference so computed on such contracts is recognised in the statement of profit and loss. Any profit or loss arising on cancellation or renewal of such forward exchange contracts is recognised as income or expense for the period.

2.9 **Derivative instruments and hedge accounting**

The Company uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The Company designates these hedging instruments as cash flow hedges.

The use of hedging instruments is governed by the policies of the Company which are approved by its Board of Directors.

Hedging instruments are initially measured at fair value, and are remeasured at subsequent reporting dates. Changes in the fair value of these derivatives that are designated and effective as hedges of future cash flows are recognised directly in the hedging reserve and the ineffective portion is recognised immediately in the statement of profit and loss.

For derivative financial instruments that do not qualify for hedge accounting, the premium or discount arising at the inception of the contract is amortized as income or expense over the life of the contract. Gains/losses on settlement of transaction arising on cancellation or renewal of such a forward exchange contract are recognized as income or expense for the period.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time for forecasted transactions, any cumulative gain or loss on the hedging instrument recognised in shareholders' funds is retained there until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in hedging reserve is transferred to the statement of profit and loss for the period.

2.10 **Employee benefits**

(i) Long-term employee benefits

(a) Defined contribution plans

The Company has defined contribution plans for post employment benefits in the form of provident fund, employees' state insurance, labour welfare fund and superannuation fund in India which are administered through Government of India and/or Life Insurance Corporation of India (LIC). The Group also makes contributions towards defined contribution plans in respect of its subsidiaries in foreign jurisdictions, as applicable. Under the defined contribution plans, the Group has no further obligation beyond making the contributions. Such contributions are charged to the statement of profit and loss as incurred.

(b) Defined benefit plans

The Company has defined benefit plans for post employment benefits in the form of gratuity and leave encashment for its employees in India. The gratuity scheme of the Company is administered through Life Insurance Corporation of India

(LIC). The Group also provides for leave encashment liability towards employees of foreign subsidiaries and its UK branch. Liability for defined benefit plans is provided on the basis of actuarial valuations, as at the Balance Sheet date, carried out by independent actuaries. The actuarial valuation method used by independent actuaries for measuring the liability is the projected unit credit method. Actuarial gains and losses comprise experience adjustments and the effects of changes in actuarial assumptions and are recognised immediately in the statement of profit and loss as income or expense.

(ii) **Short-term employee benefits**

The undiscounted amount of short term employee benefits expected to be paid in exchange for the services rendered by employees is recognised during the period when the employee rendered the services. These benefits comprise compensated absences such as paid annual leave, overseas social security contributions and performance incentives.

2.11 **Revenue recognition**

The group derives revenues primarily from information technology services. Revenues on time and material contracts are recognised when services are rendered and related costs are incurred. Revenues on fixed price, fixed time bound contracts are recognised over the life of the contract based on a percentage completion method measured by the proportion that contract costs incurred for work performed up to the reporting date bear to the estimated total contract costs. The cumulative impact of any revision in estimates of the percentage of work completed is reflected in the period in which the changes becomes known. Provisions for estimated losses on such contracts are made during the period in which a loss becomes probable and can be reasonably estimated.

Revenues from sale of software licences are recognised upon delivery, unless there is a customisation effort involved in which case the revenues are recognised ratably over the life of the contract taking into account the spread of the customisation effort.

Revenues from maintenance contracts are recognised pro-rata over the period of the contract.

Revenues from resale of software and hardware are recognised upon delivery of products to the customer.

Amounts received or billed, in advance of services performed are recorded as unearned revenue under ‘Other Current Liabilities’. Unbilled revenue included in ‘Other Current Assets’, represents amounts recognised in respect of services performed in accordance with contract terms.

2.12 **Other income**

Dividend income from investments is recognised when the right to receive payment is established. Interest income is recognised on time proportion basis taking into account the amounts invested and the rate of interest. Rental income is recognised on a straight line basis over the term of the lease as per the terms of contract with the lessee.

2.13 **Leases**

Assets taken on leases which transfer substantially all the risks and rewards incidental to ownership of the assets i.e. finance leases, in terms of provisions of Accounting Standard (AS) 19 – ‘Leases’, are capitalized. The assets acquired under finance leases are capitalized at the lower of the fair value at the inception of the lease and the present value of minimum lease payments and a liability is created for an equivalent amount. Such assets are disclosed as leased assets under tangible assets and are depreciated accordingly. Each lease rental paid on the finance lease is allocated between the liability and interest cost, so as to obtain a constant periodic rate of interest on the outstanding liability for each period. Other leases are classified as operating leases and rental payments in respect of such leases are charged to the statement of profit and loss on a straight line basis over the lease term. Assets given under operating leases are capitalised in the Balance Sheet under tangible assets and are depreciated as per the Group’s depreciation policy.

2.14 **Earnings per share**

Basic earning per share (EPS) are calculated by dividing the net loss / profit after tax for the year (including the post-tax effect of extraordinary items, if any) attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Diluted earning per share is computed by adjusting the number of shares used for basic EPS with the weighted average number of shares that could have been issued on the conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the year, unless they have been issued at a later date. The diluted potential equity shares have been adjusted for the proceeds receivable had the shares been actually issued at fair value i.e. average market value of outstanding shares. The number of shares and potentially dilutive shares are adjusted for share splits and bonus shares, as appropriate. In calculating diluted earnings per share, the effects of anti-dilutive potential equity shares are ignored. Potential equity shares are anti-dilutive when their conversion to equity shares would increase earning per share or decrease loss per share.

(All amounts in ₹ Lakhs, unless otherwise stated)

2.15 **Income Taxes**

Provision for tax for the year comprises of current tax and deferred tax. Current tax is measured by the amount of tax expected to be paid on the taxable profits after considering tax allowances and exemptions and using applicable tax rates and laws. Deferred tax is recognised on timing differences between the accounting income and the taxable income for the year and quantified using the tax rates and tax laws enacted or substantively enacted as on the Balance Sheet date. Deferred tax assets are recognised and carried forward to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets in respect of unabsorbed depreciation or carry forward losses are recognised only to the extent there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised.

Current tax assets and liabilities are offset when there is a legally enforceable right to set off the recognised amount and there is an intention to settle the asset and liability on a net basis.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off assets against liabilities representing the current tax and where the deferred tax assets and liabilities relate to taxes on income levied by the same governing taxation laws.

2.16 **Accounting for Employee Stock Options**

Stock options granted to employees of Mastek Limited and its subsidiaries under the stock option schemes established after June 19, 1999 are accounted as per the treatment prescribed by Employee Stock Option Scheme and Employee Stock Purchase Guidelines (SEBI guidelines) issued by the Securities and Exchange Board of India (SEBI) in 1999 and as amended from time to time and the guidance note on Employee Share-based Payments issued by the Institute of Chartered Accountants of India. The intrinsic value of the option, being excess of market value of the underlying share immediately prior to date of grant over its exercise price is recognised as deferred employee compensation with a credit to share options outstanding account. The Expense on deferred employee compensation is charged to Statement of Profit and Loss on straight line basis over the vesting period of the option. The options that lapse are reversed by a credit to Expense on Employee Stock Option Scheme, equal to the amortised portion of value of lapsed portion and debit to share options outstanding account equal to the un-amortised portion.

2.17 **Provisions and Contingent Liabilities**

Provisions are recognised when the Group has a present obligation as a result of past events, for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. A disclosure for a contingent liability is made where there is a possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Group or a present obligation that arises from the past events where it is either not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount cannot be made. Provisions are reviewed regularly and are adjusted where necessary to reflect the current best estimates of the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset, only when such reimbursement is virtually certain.

2.18 **Cash and Cash Equivalents**

Cash and cash equivalents include cash in hand, demand deposits with banks and other short term highly liquid investments with original maturities of three months or less.

3 Share Capital

	As at June 30, 2012	As at June 30, 2011
Authorised:		
40,000,000 (June 30, 2011: 40,000,000) equity shares of ₹ 5/- each	**2,000.00**	2,000.00
2,000,000 (June 30, 2011: 2,000,000) preference shares of ₹ 100/- each	**2,000.00**	2,000.00
	4,000.00	4,000.00
Issued, subscribed and fully paid up:		
27,026,187 (June 30, 2011: 26,951,187) equity shares of ₹ 5/- each fully paid	**1,351.31**	1,347.56
Total	**1,351.31**	1,347.56

(All amounts in ₹ Lakhs, unless otherwise stated)

(a) Reconciliation of number of shares

	As at June 30, 2012		As at June 30, 2011	
	No. of shares	**Amount**	No. of shares	Amount
Equity Shares				
Balance as at the beginning of the year	**26,951,187**	**1,347.56**	26,943,937	1,347.20
Add : Addition on account of ESOP	**75,000**	**3.75**	7,250	0.36
Balance as at the end of the year	**27,026,187**	**1,351.31**	26,951,187	1,347.56

(b) Rights, preferences and restrictions attached to shares

The Company has one class of equity shares having a par value of ₹ 5/- per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

(c) Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company

	As at June 30, 2012		As at June 30, 2011	
Equity Shares of ₹ 5 held by:	**No. of shares**	**% of holding**	No. of shares	% of holding
Ashank Desai	**3,099,552**	**11.47%**	3,099,552	11.50%
Sudhakar Ram	**2,791,680**	**10.33%**	2,791,680	10.36%
Ketan Mehta	**2,519,100**	**9.32%**	2,519,100	9.35%
Nalanda India Fund Limited	**2,688,020**	**9.95%**	2,688,020	9.97%
Ashish Dhawan	**2,318,259**	**8.58%**	1,261,441	4.51%
Fidelity Purita Trust Fidelity Low Priced	**2,025,000**	**7.49%**	2,025,000	7.51%
Sundar Radhakrishnan	**1,445,800**	**5.35%**	1,445,800	5.36%
Bajaj Allianz Life Insurance Company Limited	**1,569,280**	**5.81%**	1,752,580	6.50%
Life Insurance Corporation Of India	**1,550,404**	**5.74%**	1,550,404	5.75%

(d) Shares reserved for issue under options

	As at June 30, 2012	As at June 30, 2011
Number of shares to be issued under the Employee Stock Option Plans	**2,364,242**	2,573,478

(e) Shares bought back (during 5 years immediately preceding June 30, 2012)

	June 30, 2012	June 30, 2011	June 30, 2010	June 30, 2009	June 30, 2008
Equity Shares bought back	**—**	—	—	176,863	1,483,232

(All amounts in ₹ Lakhs, unless otherwise stated)

4 Reserves and surplus

	As at June 30, 2012	As at June 30, 2011
Capital Reserve	**21.44**	21.44
Capital Redemption Reserve Account	**1,295.27**	1,295.27
Securities Premium Account		
Balance as at the beginning of the year	**150.59**	139.66
Add : Addition on account of ESOP allotment	**—**	10.93
Add : Transferred from Stock Options Outstanding	**180.50**	—
Balance as at the end of the year	**331.09**	150.59
Share Options Outstanding Account		
Balance as at the beginning of the year	**145.50**	57.00
Add: Additions on account of options granted during the year	**35.00**	88.50
Less: Transfer to securities premium on exercise of stock options during the year	**(180.50)**	—
Balance as at the end of the year	**—**	145.50
General Reserve	**10,405.24**	10,405.24
Hedging Reserve Account		
Balance as at the beginning of the year	**—**	—
Add: Changes in the fair value of the effective cash flow hedges	**(1,681.61)**	—
Balance as at the end of the year - debit	**(1,681.61)**	—
Foreign Currency Translation Reserve		
Balance as at the beginning of the year	**(250.43)**	(37.54)
Add : Exchange gain / (loss) on translation during the year	**6,079.88**	(212.89)
Balance as at the end of the year	**5,829.45**	(250.43)
Surplus in Statement of Profit and Loss		
Balance as at the beginning of the year	**35,955.30**	41,549.64
Profit / (Loss) for the year	**50.03**	(5,594.34)
Balance as at the end of the year	**36,005.33**	35,955.30
Total	**52,206.21**	47,722.91

(All amounts in ₹ Lakhs, unless otherwise stated)

5 Long-term borrowings

	As at June 30, 2012	As at June 30, 2011
Secured :		
Long term maturities of finance lease obligations	**44.10**	41.31

(a) Nature of Security and terms of repayment for secured borrowings

Nature of Security	Terms of Repayment
Finance Lease Obligations are secured by hypothecation of assets underlying the leases.	Monthly payment of Equated Monthly Installments beginning from the month subsequent to taking the lease.

6 Other long term liabilities

	As at June 30, 2012	As at June 30, 2011
Security and other deposits	**50.64**	48.24

7 Long-term provisions

	As at June 30, 2012	As at June 30, 2011
Provision for employee benefits		
Provision for gratuity	**1,613.39**	1,772.14
Provision for leave encashment	**1,603.51**	1,336.21
Other Provisions		
Provision for mark-to-market losses on derivatives (Refer note 34)	**955.18**	—
Total	**4,172.08**	3,108.35

8 Short-term borrowings

	As at June 30, 2012	As at June 30, 2011
Secured:		
Working Capital facility from bank	**653.81**	447.00

(a) Nature of Security

(i) Secured against current assets including receivables of MajescoMastek, USA

(ii) Secured by Corporate Guarantee given by the Company on behalf of Subsidiary, MajescoMastek, for its line of credit for Working Capital from Bank.

(b) Terms of Repayment

(i) The Working Capital facility is valid till 17^{th} May 2013.

(ii) Repayable at the discretion of the Group upto the earlier of 360 days or the validity date of the facility.

9 Trade payables

	As at June 30, 2012	As at June 30, 2011
Trade payables	**414.51**	435.68

(All amounts in ₹ Lakhs, unless otherwise stated)

10 Other current liabilities

	As at June 30, 2012	As at June 30, 2011
Current maturities of long-term debt	**—**	1,341.00
Current maturities of finance lease obligations	**15.51**	11.24
Unearned revenue	**4,354.72**	734.06
Advances received	**0.83**	0.78
Unpaid dividends	**49.27**	52.14
Security and other deposits	**0.30**	1.50
Other payables		
Employee benefits payable	**3,140.93**	3,313.93
Accrued expenses	**2,805.26**	2,476.01
Capital creditors	**153.11**	189.44
Statutory dues including provident fund and tax deducted at source	**3,011.54**	1,897.12
Total	**13,531.47**	10,017.22

11 Short-term provisions

	As at June 30, 2012	As at June 30, 2011
Provision for employee benefits		
Provision for leave encashment	**861.71**	673.88
Other Provisions		
Provision for taxes, net of advance tax	**632.24**	670.81
Provision for mark-to-market losses on derivatives (Refer note 34)	**1,369.57**	—
Total	**2,863.52**	1,344.69

12 Fixed assets

(i) Tangible assets

	Gross Block (at cost)						Depreciation						Net Block	
	As at July 01, 2011	Additions	Disposals/ Transfer	Other adjust-ments	Foreign exchange translation adjustment	**As at June 30, 2012**	As at July 01, 2011	For the year	Disposals/ Transfer	Deletions	Foreign exchange translation adjustment	**As at June 30, 2012**	**As at June 30, 2012**	As at June 30, 2011
a. Own assets :														
Buildings	3,777.31	36.52	–	–	–	**3,813.83**	545.17	131.67	–	–	–	**676.84**	**3,136.99**	3,232.14
Computers	4,320.86	522.11	(0.44)	–	389.69	**5,232.22**	4,073.67	319.30	(0.44)	–	354.68	**4,747.21**	**485.01**	247.19
Plant and equipments	4,341.93	45.68	(24.29)	–	43.21	**4,406.53**	2,901.91	586.90	(23.07)	–	27.54	**3,493.28**	**913.25**	1,440.02
Furniture and fixtures	5,880.98	186.65	(9.44)	–	94.01	**6,152.20**	4,473.75	563.18	(7.67)	–	87.28	**5,116.54**	**1,035.66**	1,407.23
Vehicles	385.74	31.62	(52.04)	–	–	**365.32**	210.27	53.08	(23.00)	–	–	**240.35**	**124.97**	175.47
Office equipments	1,730.31	53.28	(1.88)	–	–	**1,781.71**	1,515.21	95.16	(1.53)	–	–	**1,608.84**	**172.87**	215.10
Total (A)	**20,437.13**	**875.86**	**(88.09)**	**–**	**526.91**	**21,751.81**	**13,719.98**	**1,749.29**	**(55.71)**	**–**	**469.50**	**15,883.06**	**5,868.75**	**6,717.15**
Previous Year	16,925.01	4,114.65	(563.33)	–	(39.20)	20,437.13	12,085.78	1,903.00	(235.72)	–	(33.08)	13,719.98	6,717.15	
b. Leased assets :														
Land and premises	3,090.44	10.72	(452.49)	–	–	**2,648.67**	791.97	92.92	(43.66)	–	–	**841.23**	**1,807.44**	2,298.47
Leasehold improvements	506.87	–	–	–	14.68	**521.55**	474.05	9.62	–	–	14.32	**497.99**	**23.56**	32.82
Vehicles	52.84	39.72	(10.60)	–	–	**81.96**	10.11	13.52	(2.01)	–	–	**21.62**	**60.34**	42.73
Total (B)	**3,650.15**	**50.44**	**(463.09)**	**–**	**14.68**	**3,252.18**	**1,276.13**	**116.06**	**(45.67)**	**–**	**14.32**	**1,360.84**	**1,891.34**	**2,374.02**
Previous Year	3,605.64	76.51	(29.67)	–	(2.33)	**3,650.15**	1,174.51	129.56	–	–	(27.94)	1,276.13	2,374.02	
Total (A + B)	**24,087.28**	**926.30**	**(551.18)**	**–**	**541.59**	**25,003.99**	**14,996.11**	**1,865.35**	**(101.38)**	**–**	**483.82**	**17,243.90**	**7,760.09**	**9,091.17**
Previous Year	20,530.65	4,191.16	(593.00)	–	(41.53)	24,087.28	13,260.29	2,032.56	(235.72)	–	(61.02)	14,996.11	9,091.17	

(All amounts in ₹ Lakhs, unless otherwise stated)

(ii) Intangible assets

	Gross Block (at cost)						Amortization						Net Block	
	As at July 01, 2011	Additions	Disposals/ Transfer	Other adjust-ments	Foreign exchange translation adjustment	**As at June 30, 2012**	As at July 01, 2011	For the year	Disposals/ Transfer	Deletions	Foreign exchange translation adjustment	**As at June 30, 2012**	**As at June 30, 2012**	As at June 30, 2011
Goodwill	13,399.21	60.30	–	–	3,218.34	**16,677.85**	230.87	–	–	–	–	**230.87**	**16,446.98**	13,168.34
Computer software	10,037.62	625.95	–	–	325.95	**10,989.52**	8,257.78	999.11	–	–	317.48	**9,574.37**	**1,415.15**	1,779.84
Total	**23,436.83**	**686.25**	**–**	**–**	**3,544.29**	**27,667.37**	**8,488.65**	**999.11**	**–**	**–**	**317.48**	**9,805.24**	**17,862.13**	**14,948.18**
Previous Year	24,520.22	2,222.43	(1.13)	(2,719.93)	(584.76)	23,436.83	7,626.68	832.37	(1.13)	–	30.73	8,488.65	14,948.18	

Notes:

(a) Owned premises include subscription towards share capital of Co-operative societies amounting to Rupees Two hundred and fifty only (Previous year Rupees Two hundred and fifty only).

(b) Previous year's disposals / transfer under tangible assets include transfer to Investment property shown under 'Non-current Investments' (Refer note 13): Gross Block ₹ 389.41, Accumulated depreciation ₹ 82.47and Net block ₹ 306.94.

13 Non-current investments

	As at June 30, 2012	As at June 30, 2011
Investment property (Refer note 12 (b))		
Gross block		
Opening and Closing	**389.41**	389.41
Less : Accumulated depreciation		
Opening	**96.38**	82.47
Depreciation for the year	**13.91**	13.91
Closing	**110.29**	96.38
Net Block	**279.12**	293.03

14 Deferred tax assets

	As at June 30, 2012	As at June 30, 2011
Deferred tax assets		
Provision for doubtful debts	**138.84**	79.85
Depreciation	**776.94**	761.16
Provision for gratuity and leave encashment	**1,342.30**	1,252.78
Other timing differences	**11.61**	116.22
Total	**2,269.69**	2,210.01

15 Long-term loans and advances

	As at June 30, 2012	As at June 30, 2011
Unsecured, considered good unless otherwise stated		
Capital advances	**9.63**	7.26
Security Deposits	**170.08**	210.91
Prepaid expenses	**20.85**	24.31
Other bodies corporate		
Considered doubtful	**111.23**	89.40
Less: Allowance for doubtful advance	**(111.23)**	(89.40)
Other loans and advances		
Advance Income tax, net of provision for tax	**2,525.30**	1,860.00
MAT Credit Entitlement	**2,679.11**	2,272.19
Advance to Employees	**8.20**	6.53
Total	**5,413.17**	4,381.20

(All amounts in ₹ Lakhs, unless otherwise stated)

16 Other non-current assets

	As at June 30, 2012	As at June 30, 2011
Margin money deposit	**51.74**	41.24

17 Current investments

	As at June 30, 2012	As at June 30, 2011
At cost or market value, whichever is less:		
Investment in Mutual Funds (quoted):		
Sundaram Ultra Short Term - Super Inst. Plan - Growth (99,25,072 units Previous year - Nil units)	**1,450.00**	—
DWS Ultra Short Term Fund - Inst. Plan - Growth (99,15,443 units Previous year - Nil units)	**1,280.00**	—
Baroda Pioneer Treasury Advantage Fund - IP – Growth (1,03,625 units Previous year - Nil units)	**1,280.00**	—
Sundaram Ultra Short Term - Super Inst. Plan - Daily Dividend Reinvestment (Nil units Previous year - 15,077,248 units)	**—**	1,513.30
DWS Ultra Short Term Fund - Inst. Plan - Daily Dividend Reinvestment (Nil units Previous year - 12,665,378 units)	**—**	1,268.80
ICICI Prudential Blended Plan - B Option II - Daily Dividend Reinvestment (Nil units Previous year - 12,057,334 units)	**—**	1,206.64
SBI Magnum Income Fund - Floating Rate Plan - Saving Plus Bond Plan - Daily Dividend Reinvestment (Nil units Previous year - 7,173,190 units)	**—**	721.78
Tata Floater Fund - Daily Dividend Reinvestment (Nil units Previous year - 7,036,775 units)	**—**	706.18
Kotak Floater Long Term Fund - Daily Dividend Reinvestment (Nil units Previous year - 7,599,526 units)	**—**	766.02
Total	**4,010.00**	6,182.72
Aggregate amount of quoted investments	**4,010.00**	6,182.72
Market Value of quoted investments	**4,064.03**	6,182.72

18 Trade receivables

	As at June 30, 2012	As at June 30, 2011
Outstanding for a period exceeding six months from the date they were due for payment		
Unsecured, Considered Doubtful	**420.44**	238.61
Less: Provision for Doubtful Debts	**(420.44)**	(238.61)
Others		
Unsecured, Considered Good	**18,047.05**	10,806.36
Total	**18,047.05**	10,806.36

(All amounts in ₹ Lakhs, unless otherwise stated)

19 Cash and bank balances

	As at June 30, 2012	As at June 30, 2011
Cash and cash equivalents		
Cash on hand	**2.06**	1.89
Bank balances		
In current accounts	**7,268.02**	2,718.12
Fixed deposits (with original maturity of less than 3 months)	**1,219.48**	5,943.54
	8,489.56	8,663.55
Other bank balances		
Fixed deposits (with original maturity more than 3 months but less than 12 months)	**1,236.54**	821.08
Unpaid dividend account	**49.27**	52.14
	1,285.81	873.22
Total	**9,775.37**	9,536.77

20 Short-term loans and advances

	As at June 30, 2012	As at June 30, 2011
Unsecured considered good, unless otherwise stated:		
Other loans and advances		
Security deposits	**78.73**	36.54
Prepaid expenses	**567.50**	506.02
Service tax credit receivable	**1,068.15**	671.98
Advance to suppliers	**254.41**	79.01
Advance to employees	**112.83**	82.03
Total	**2,081.62**	1,375.58

21 Other current assets

	As at June 30, 2012	As at June 30, 2011
Unsecured considered good, unless otherwise stated:		
Interest accrued on deposits	**11.77**	39.56
Margin money deposit	**114.84**	102.25
Unbilled revenue	**7,402.30**	5,301.18
Reimbursable expenses receivable		
Considered Good	**208.55**	192.45
Considered doubtful	**24.13**	4.08
Less: Provision for doubtful	**(24.13)**	(4.08)
Total	**7,737.46**	5,635.44

(All amounts in ₹ Lakhs, unless otherwise stated)

22 Contingent Liabilities

	As at June 30, 2012	As at June 30, 2011
Claims against the Company not acknowledged as debts	**—**	105.78
Guarantees		
(a) Corporate performance guarantees given by the Company on behalf of the following subsidiaries		
(a) MajescoMastek Canada Ltd	**4,842.69**	2,411.84
(b) Mastek MSC Thailand Co Ltd	**508.99**	229.34
(c) Mastek (UK) Limited	**16,318.46**	42,828.87
(b) Corporate guarantees given by the Company on behalf of the following subsidiaries		
(a) MajescoMastek for its term loan	**—**	1,341.00
(b) MajescoMastek for its Line of Credit for Working Capital from Bank	**653.81**	447.00

The Group does not expect any outflows in respect of the above contingent liabilities.

23 Capital and other commitments

	As at June 30, 2012	As at June 30, 2011
Capital commitments		
Estimated amount of contracts remaining to be executed on capital account not provided for	**251.01**	196.95

24 Revenue

	Year ended June 30, 2012	Year ended June 30, 2011
Information Technology Services	**72,296.43**	58,863.19
Other operating revenue		
Resale of software and hardware	**53.37**	464.19
Bad debts recovered	**70.22**	82.83
Total	**72,420.02**	59,410.21

25 Other income

	Year ended June 30, 2012	Year ended June 30, 2011
Interest income		
On deposit	**219.97**	349.14
On others	**97.28**	149.01
Dividend income from investments	**74.15**	149.42
Gain on sale of investments	**357.28**	0.90
Profit on sale of tangible assets, net	**165.69**	—
Net gain on Foreign Currency Transactions and Translation	**—**	1,030.46
Miscellaneous income	**571.08**	332.21
Total	**1,485.45**	2,011.14

(All amounts in ₹ Lakhs, unless otherwise stated)

26 Employee benefits expense

	Year ended June 30, 2012	Year ended June 30, 2011
Salaries, wages and performance incentives	**42,785.31**	41,957.71
Gratuity	**454.47**	139.99
Contribution to provident and other funds	**869.57**	945.41
Expense on Employee Stock Option Scheme	**35.00**	88.50
Staff welfare expense	**1,982.12**	2,317.58
Total	**46,126.47**	45,449.19

27 Finance costs

	Year ended June 30, 2012	Year ended June 30, 2011
Interest on working capital facility	**66.89**	5.48
Interest on term loan	**14.87**	59.39
Interest on finance lease	**8.06**	4.58
Bank charges	**16.49**	15.97
Other finance charges	**23.63**	30.77
Total	**129.94**	116.19

28 Depreciation and amortization expenses

	Year ended June 30, 2012	Year ended June 30, 2011
Depreciation on Tangible assets	**1,865.35**	2,032.56
Amortization on Intangible assets	**999.11**	832.37
Depreciation on Investment Property	**13.91**	13.91
Total	**2,878.37**	2,878.84

(All amounts in ₹ Lakhs, unless otherwise stated)

29 Other expenses

	Year ended June 30, 2012	Year ended June 30, 2011
Recruitment and training expenses	**511.19**	292.85
Travelling and conveyance	**3,607.67**	2,923.69
Communication charges	**739.39**	763.95
Electricity	**651.47**	585.05
Consultancy charges	**10,702.05**	4,317.42
Purchase of hardware and software	**556.61**	811.15
Rates and taxes	**376.18**	308.98
Repairs to buildings	**431.36**	276.87
Repairs : others	**1,183.25**	1,094.96
Insurance	**319.08**	375.18
Printing and stationery	**103.93**	102.42
Professional fees	**2,118.76**	2,018.67
Rent (Refer note 32)	**886.14**	912.33
Advertisement and publicity	**516.15**	367.88
Exchange loss, net	**580.03**	—
Provision for doubtful debts	**256.25**	57.11
Bad debt written off	**15.44**	50.68
Loss on sale of tangible assets, net	**—**	3.08
Miscellaneous expenses	**687.74**	546.91
Total	**24,242.69**	15,809.18

30 Exceptional item

	Year ended June 30, 2012	Year ended June 30, 2011
Impairment of Goodwill	—	2,719.93

During the year ended June 30, 2011 Mastek had provided a loss of ₹ 2,719.93 on account of impairment of Goodwill of Vector Insurance Services LLC (Vector), a step down subsidiary in USA, as a result of lower than expected economic performance of Vector. The same has been adjusted from Gross block of goodwill in the Intangible Assets schedule (Refer note 12 (ii)).

(All amounts in ₹ Lakhs, unless otherwise stated)

31 Earnings Per Share (EPS)

	Year ended June 30, 2012	Year ended June 30, 2011
The components of basic and diluted earnings per share are as follows:		
(a) Net income / (loss) attributable to equity shareholders	**50.04**	(5,594.34)
(b) Weighted average number of outstanding equity shares		
Considered for basic EPS	**26,998,182**	26,950,108
Add : Effect of dilutive issue of stock options	**26,754**	322,025
Considered for diluted EPS	**27,024,935**	27,272,133
(c) Earnings / (Loss) per share (net of taxes) in ₹		
Basic	**0.19**	(20.76)
Diluted *	**0.19**	(20.76)
(Nominal value per share ₹ 5/- each)		

*The effect of potential equity shares on the net loss for the previous year is anti-dilutive. Hence the diluted EPS is same as the basic EPS.

32 Leases

(i) Operating lease

	As at June 30, 2012	As at June 30, 2011
(a) Future minimum lease payments under non-cancellable operating leases (in respect of properties):		
Due within one year	**480.09**	376.24
Due later than 1 year but not later than 5 years	**869.76**	858.74
Due later than 5 years	**41.67**	107.65
Total minimum lease payments	**1,391.51**	1,342.63

	Year ended June 30, 2012	Year ended June 30, 2011
(b) Operating lease rentals recognised in the statement of profit and loss (Refer note 29)	**886.14**	912.33

(c) Description of significant operating lease arrangements:

The Company has given refundable interest free security deposit under the lease agreements.

All agreements contain provision for renewal at the option of either parties.

All agreements provide for restriction on sub-lease.

(ii) Finance lease

	As at June 30, 2012	As at June 30, 2011
(a) Total minimum finance lease payments outstanding (in respect of vehicles):		
Due within one year	**22.70**	17.52
Due later than 1 year but not later than 5 years	**53.42**	50.83
Total minimum lease payments	**76.12**	68.35
Less: Interest not due	**(16.51)**	(15.80)
Present value of net minimum leases payments	**59.61**	52.55
Disclosed under:		
Long-term borrowings (Refer Note 5)	**44.10**	41.31
Other current liabilities (Refer Note 10)	**15.51**	11.24
	59.61	52.55

33 Income Taxes

(a) In accordance with the Indian Income Tax Act, the Company has calculated its tax liability after considering Minimum Alternate Tax (MAT). Payments under MAT can be carried forward and set off against future tax liability. Accordingly, a sum of ₹ 2,679.11 (Previous year ₹ 2,272.19) has been carried forward and shown under 'Long-term loans and advances'. (Refer Note 15).

(b) In addition to Indian operations, the Group has accounted for the tax liabilities of its foreign subsidiaries and the UK branch in accordance with their respective tax legislations.

(c) The Company had received tax demands aggregating to ₹ 2,272.48 (including interest of ₹ 760.27) primarily on account of transfer pricing issues for the assessment years 2006-07, 2007-08 and 2008-09. For the assessment year 2006-07, the second appellate authority (the Income tax Appellate Tribunal) has allowed these issues in favour of the company and for the assessment years 2007-08 and 2008-09, the matter is pending before the first appellate authority (the Commissioner of Income tax (Appeals)).

Considering the facts and favourable order of the second appellate authority upholding the position of the Company for the assessment year 2006-07, the management believes that the final outcome of the above disputes for the remaining years should be in favour of the Company and there should not be any material impact on financial statements.

34 Derivative Financial Instruments

The Company, in accordance with its risk management policies and procedures, enters into foreign currency forward contracts to manage its exposure in foreign exchange rates. The counter party is generally a bank. These contracts are for a period between one day and four years.

The following '' sell '' foreign exchange forward contracts are outstanding as at:

	June 30, 2012		June 30, 2011	
Foreign Currency	**No. of Contracts**	**Notional amount of Forward contracts (million)**	No. of Contracts	Notional amount of Forward contracts (million)
a USD	**111**	**25.07**	152	40.97
b GBP	**32**	**7.30**	15	3.91
c CAD	**1**	**0.30**	Nil	—

Mark-to-Market losses	**As at June 30, 2012**	As at June 30, 2011
Mark-to-Market losses provided for	**643.14**	—
Mark-to-Market losses reported in Hedging Reserve Account (Refer note 4)	**1,681.61**	—
Mark-to-Market losses total	**2,324.75**	—
Classified as long term provisions (Refer note 7)	**955.18**	—
Classified as short term provisions (Refer note 11)	**1,369.57**	—

35 Related Party Disclosures

Key Management Personnel: Sudhakar Ram (Chairman & Managing Director)
Ashank Desai (Non Executive Director)
Ketan Mehta (Non Executive Director)
R Sundar (Executive Director)

Disclosure of transactions between the Group and key management personnel during the year :

Total remuneration paid/payable :	**Year ended June 30, 2012**	Year ended June 30, 2011
Sudhakar Ram	**116.19**	116.19
Ketan Mehta	**128.27**	113.16
R Sundar	**73.78**	73.78

(All amounts in ₹ Lakhs, unless otherwise stated)

36 Segment reporting

Group follows AS 17, 'Segment Reporting' issued by the Institute of Chartered Accountants of India, which requires disclosures of financial and descriptive information about Mastek's reportable segments, both primary and secondary. The Group has identified geographic segments as primary segments and industry verticals as secondary segments.

Group's operations predominantly relate to providing IT services, delivered to customers globally. The organizational and reporting structure of the Group is based on Strategic Business Units (SBU) concept. The SBU's are primarily geographical segments. SBU's are the operating segments for which separate financial information is available and for which operating results are evaluated regularly by management in deciding how to allocate resources and in assessing performance. These SBU's provide end-to-end information technology solutions on time and material contracts and fixed bid contracts.

The Group's primary reportable segments consist of the following SBUs, which are based on the risks and returns in different geographies and the location of the customers: North America operations, UK Operations, and Others. 'Others' include operations of the Group in other parts of the world including India.

a. Primary geographical segmental reporting on the basis of location of customers :

	Year ended June 30, 2012	Year ended June 30, 2011
Revenue		
UK	**34,903.26**	29,090.85
North America	**31,764.12**	25,804.39
Others	**5,629.05**	3,967.95
Total	**72,296.43**	58,863.19

Segment Result

	Year ended June 30, 2012	Year ended June 30, 2011
UK	**6,244.23**	6,448.47
North America	**1,449.83**	(43.68)
Others	**(9.05)**	(1,518.91)
Total	**7,685.01**	4,885.88
Common unallocable charges	**(8,636.11)**	(9,213.46)
Finance costs	**(129.94)**	(116.19)
Other operating revenue and other income	**1,609.04**	1,611.72
Profit / (Loss) before taxation and exceptional items	**528.00**	(2,832.05)
Exceptional item - impairment of Goodwill	**—**	(2,719.93)
Profit / (Loss) before taxation	**528.00**	(5,551.98)

Revenues and expenses directly attributable to segments are reported under each reportable segment. All other costs i.e. corporate costs and support function costs, which are not directly attributable or allocable to segments have been disclosed as common unallocable charges. Similarly revenues and income not allocable to segments are disclosed separately.

A major portion of segments assets used in Group's business comprise fixed assets, which are primarily located at its off shore centers in India and are commonly used by various SBUs. These fixed assets are therefore not directly identifiable to any particular reportable segment and have been allocated to SBUs on the basis of man-months used by these SBUs. Consequently, capital expenditure and depreciation and amortisation are similarly allocated to SBUs.

(All amounts in ₹ Lakhs, unless otherwise stated)

Other Primary Segmental information :

	Segmental Assets		Segmental Liabilities	
	As at June 30, 2012	As at June 30, 2011	**As at June 30, 2012**	As at June 30, 2011
UK	**18,284.18**	13,409.84	**5,823.16**	4,809.30
North America	**33,113.05**	25,282.31	**8,777.25**	3,077.33
Others	**8,758.90**	7,967.66	**4,568.39**	3,561.44
Segmental Assets/Liabilities	**60,156.13**	46,659.81	**19,168.80**	11,448.07
Unallocated Corporate Assets/Liabilities	**7,657.42**	11,510.95	**1,215.67**	1,483.06
Total Assets/Liabilities	**67,813.55**	58,170.76	**20,384.47**	12,931.13

	Year ended June 30, 2012	Year ended June 30, 2011
Capital expenditure		
UK	**260.02**	555.78
North America	**856.39**	3,738.71
Others	**62.16**	249.12
Unallocated	**433.98**	1,869.98
Total	**1,612.55**	6,413.59
Depreciation and amortization expenses		
UK	**345.19**	310.46
North America	**1,297.86**	1,191.70
Others	**159.47**	245.42
Unallocated	**1,075.85**	1,131.26
Total	**2,878.37**	2,878.84
Non-cash expenses other than depreciation		
UK	**—**	15.76
North America	**10.85**	19.45
Others	**260.84**	72.58
Total	**271.69**	107.79

b. **Information about secondary segments by industry verticals :**

	Year ended June 30, 2012	Year ended June 30, 2011
Revenue from external customers		
Insurance	**28,302.90**	24,574.78
Government	**21,291.07**	13,635.21
Financial Services	**12,745.67**	10,109.68
Others	**9,956.77**	10,543.53
	72,296.42	58,863.19

The information pertaining to carrying amount of segment assets by industry verticals is neither available nor evaluated by management.

37 Previous Year Figures

The consolidated financial statements for the year ended June 30, 2011 had been prepared as per the then applicable, pre-revised Schedule VI to the Companies Act, 1956. Consequent to the notification of Revised Schedule VI under the Companies Act, 1956, the consolidated financial statements for the year ended June 30, 2012 are prepared as per Revised Schedule VI. Accordingly, the previous year figures have also been reclassified to conform to this year's classification. The adoption of Revised Schedule VI for previous year figures has not impacted recognition and measurement principles followed for preparation of consolidated financial statements.

For Price Waterhouse

Firm Registration Number: 012754N
Chartered Accountants

Pradip Kanakia
Partner
Membership Number: 39985

Place : Mumbai
Date : July 27, 2012

For and on behalf of the Board

Sudhakar Ram
Chairman & Managing Director

S. Sandilya
Director

Bhagwant Bhargawe
Company Secretary

KEY STATISTICS

(₹ in Lakhs)

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
Total Income	91,619	96,497	72,190	61,421	**73,905**
Operating Profit (EBIDT)	18,205	18,153	9,529	163	**3,536**
Net Profit	12,588	14,116	6,772	(5,594)	**50**
EPS (₹/share)	44.23	52.45	25.15	(20.76)	**0.19**
DPS (₹/share)	10.0	10.00	3.25	-	**-**
Growth in					
Revenue / Income	13%	5%	-25%	-15%	**20%**
Operating Profit	23%	-0.3%	-47.5%	-98%	**-**
Net Profit	18%	12%	-52%	-183%	**-**
Operating Profit Margin	20%	19%	13%	0.3%	**4.8%**
Net Profit Margin	14%	15%	9%	-9%	**0.1%**
Effective Depreciation rate	4%	3%	4%	5%	**4%**
Interest Cover	41.50	31.77	53.33	NA	**5.06**
Return on Networth	34%	31%	13%	-11%	**0.1%**
Debt/Equity	0.22	0.14	0.08	0.04	**0.01**
(Debt includes Preference Shares)					
Current Ratio	1.5	1.7	2.9	1.8	**2.4**
Debtors Turnover (No. of days)	124	77	99	97	**89**
Depreciation/Average Gross Block	11%	7%	6%	6%	**6%**
Dividend Payout	23%	19%	13%	-	**-**
Dividend Yield	2.7%	4.5%	1.3%	-	**-**
Capital Expenditure in Fixed Assets	17,676	4,395	2,286	2,826	**1,574**
Current Investments & Cash and Bank Balances	13,173	23,996	19,752	15,903	**13,785**
Current Investments & Cash and Bank Balances as % of total assets	27%	41%	34%	31%	**18%**
Book Value of Shares	145.84	189.03	203.30	182.07	**198.17**
Market Value to Book Value	2.5	1.2	1.3	0.6	**0.6**
Price Earning Multiple	8	4	10	-	**-**
Group Employees as at the year end	4,071	3,759	3,243	2,905	**3,083**
Offshore (No)	2,870	2,831	2,449	2,138	**2,183**
Onsite (No)	1,201	928	794	767	**900**
Off-shore Facility (Sq.feet)	343,554	343,554	343,554	343,554	**343,554**