AUDITORS' REPORT TO THE MEMBERS OF MASTEK LIMITED

1. We have audited the attached Balance Sheet of Mastek Limited (the "Company") as at June 30, 2012, and the related Statement of Profit and Loss and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the "Order"), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:

   (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;

   (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

   (c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;

   (d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;

   (e) On the basis of written representations received from the directors, as on June 30, 2012 and taken on record by the Board of Directors, none of the directors is disqualified as on June 30, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;

   (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give, in the prescribed manner, the information required by the Act, and give a true and fair view in conformity with the accounting principles generally accepted in India:

      (i) in the case of the Balance Sheet, of the state of affairs of the Company as at June 30, 2012;

      (ii) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and

      (iii) in the case of the Cash Flow Statement, of the cash flows 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

ANNEXURE TO AUDITORS' REPORT

Referred to in paragraph 3 of the Auditors' Report of even date to the members of Mastek Limited on the financial statements as of and for the year ended June 30, 2012

1. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.

   (b) The fixed assets of the Company have been physically verified by the Management during the year and no material discrepancies between the book records and the physical inventory have been noticed. In our opinion, the frequency of verification is reasonable.

   (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.

2. The Company is in the business of rendering services, and consequently, does not hold any inventory. Therefore, the provisions of Clause 4(ii) of the Order are not applicable to the Company.

3. (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act. Therefore, the provisions of Clause 4(iii)(b), (iii)(c) and (iii)(d) of the Order are not applicable to the Company.

   (b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Therefore, the provisions of Clause 4(iii)(f) and (iii)(g) of the Order are not applicable to the Company.

4. In our opinion, and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across, nor have been informed of, any continuing failure to correct major weaknesses in the aforesaid internal control system.

5. According to the information and explanations given to us, there have been no contracts or arrangements referred to in Section 301 of the Act during the year to be entered in the register required to be maintained under that Section. Accordingly, the question of commenting on transactions made in pursuance of such contracts or arrangements does not arise.

6. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.

7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.

8. The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the products of the Company.

9. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty and other material statutory dues, as applicable, with the appropriate authorities.

   (b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of income tax, sales tax, wealth tax, service tax, customs duty and excise duty which have not been deposited on account of any dispute.

10. The Company has no accumulated losses as at June 30, 2012 and has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.

11. According to the records of the Company examined by us and the information and explanations given to us, the Company has no outstanding dues to any financial institutions or banks or debenture holders as at the balance sheet date and hence the question of commenting on the default by the Company in repayment of such dues does not arise.

12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore, the provisions of Clause 4(xii) of the Order are not applicable to the Company.

13. As the provisions of any special statute applicable to chit fund/ nidhi/ mutual benefit fund/ societies are not applicable to the Company, the provisions of Clause 4(xiii) of the Order are not applicable to the Company.

14. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments. Accordingly, the provisions of Clause 4(xiv) of the Order are not applicable to the Company.

15. In our opinion, and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year. Accordingly, the provisions of Clause 4(xv) of the Order are not applicable to the Company.

16. The Company has not obtained any term loans. Accordingly, the provisions of Clause 4(xvi) of the Order are not applicable to the Company.

17. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that the no funds have been raised by the Company on short-term basis and hence the question of using such funds for long-term investment does not arise.

18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year. Accordingly, the provisions of Clause 4(xviii) of the Order are not applicable to the Company.

19. The Company has not issued any debentures during the year and does not have any debentures outstanding as at the beginning of the year and at the year end. Accordingly, the provisions of Clause 4(xix) of the Order are not applicable to the Company.

20. The Company has not raised any money by public issues during the year. Accordingly, the provisions of Clause 4(xx) of the Order are not applicable to the Company.

21. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of any such case by the Management.

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

Pradip Kanakia
Partner
Membership Number 39985

Place : Mumbai
Date : July 27, 2012

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	**36,447.63**	36,426.54
		37,798.94	37,774.10
Non-current liabilities			
Long-term borrowings	5	**44.10**	41.31
Other long term liabilities	6	**50.64**	48.24
Long-term provisions	7	**3,454.68**	2,632.78
Current liabilities			
Trade payables	8	**229.44**	272.67
Other current liabilities	9	**4,068.53**	3,967.02
Short-term provisions	10	**2,054.78**	671.47
Total		**47,701.11**	45,407.59
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	11 (i)	**7,315.97**	8,848.06
Intangible assets	11 (ii)	**1,373.26**	1,864.06
Capital work-in-progress		**0.21**	11.26
Non-current investments	12	**15,296.34**	15,310.25
Deferred tax assets	13	**1,873.99**	1,781.01
Long-term loans and advances	14	**5,196.60**	4,273.19
Other non-current assets	15	**—**	0.91
Current assets			
Current investments	16	**4,010.00**	6,182.72
Trade receivables	17	**6,467.83**	3,857.71
Cash and bank balances	18	**3,375.67**	1,781.34
Short-term loans and advances	19	**1,025.16**	646.89
Other current assets	20	**1,766.08**	850.19
Total		**47,701.11**	45,407.59
Summary of significant accounting policies	2		
Contingent Liabilites, capital and other commitments	21, 22		

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

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	**23**	**45,088.44**	36,432.74
Other income	**24**	**1,257.06**	4,890.30
Total Revenue		**46,345.50**	41,323.04
Expenses			
Employee benefits expense	**25**	**28,559.75**	29,985.41
Finance costs	**26**	**12.52**	9.32
Depreciation and amortization expenses	**27**	**2,645.50**	2,713.09
Other expenses	**28**	**15,728.82**	9,172.57
Total Expenses		**46,946.59**	41,880.39
(Loss) before tax		**(601.09)**	(557.35)
Tax expense:			
Current tax		**692.61**	466.83
Less: Minimum alternate tax credit entitlement		**372.37**	—
Net current tax		**320.24**	466.83
Deferred tax (credit) / charge		**(92.98)**	141.83
Income tax refund / write back for earlier years		**(271.07)**	(1,032.57)
(Loss) for the year		**(557.28)**	(133.44)
(Loss) per equity share	**29**		
Basic (Face value of ₹ 5/- each)		**(2.06)**	(0.50)
Diluted (Face value of ₹ 5/- each)		**(2.06)**	(0.50)
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

(All amounts in ₹ Lakhs, unless otherwise stated)

1 Company 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 is a provider of vertically-focused enterprise technology solutions and platforms in Insurance (Life, Pensions and General), Government / Public Sector, and Financial Services sectors.

The Company's offering portfolio includes business and technology services comprising IT Consulting, Application Development, Systems Integration, Application Management Outsourcing, Testing, Data Warehousing and Business Intelligence, Application Security, CRM services and Legacy Modernisation. The Company has operations through its subsidiaries / branch 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.

2 Summary of significant accounting policies:

2.1 **Basis of preparation**

These 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.

All assets and liabilities have been classified as current or non-current as per the Company'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 Company 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 loss for the year ended June 30, 2012 would have been higher by ₹ 1,681.61 and the debit balance in the Hedging Reserve would have been lower by the same amount.

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 tangible 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 tangible 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 Company 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 the 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**

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 the 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 discount or premium arising at the inception of such a forward exchange contract is amortised as expense or income 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 settlement 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 discount or premium arising at the inception of the contract is amortized as expense or income 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 Company also makes contributions towards defined contribution plans in respect of its branch in foreign jurisdiction, as applicable. Under the defined contribution plans, the Company 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 Company also provides for leave encashment liability towards employees of 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 and performance incentives.

2.11 **Revenue recognition**

The Company 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 change 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 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 subsidiaries and on other 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 Company's depreciation policy.

2.14 **Earnings per share**

Basic earnings 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 earnings 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 there conversion to equity shares would increase earnings per share or decrease loss per share.

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 Accounts 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 Company 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 occurence or non occurence of one or more uncertain future events not wholly within the control of the Company 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 Company 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.

(All amounts in ₹ Lakhs, unless otherwise stated)

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

(a) Reconciliation of the 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 (Refer note 30)	**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

Refer note 30 for details of shares to be issued under the Employee Stock Option Scheme.

(e) Shares bought back (during 5 years immediately preceeding 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		
Balance as at the beginning of the year	**0.02**	0.02
Add : Balance transferred on merger of Keystone Solutions Pvt. Ltd. (Refer note 41)	**106.05**	—
Balance as at the end of the year	**106.07**	0.02
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		
Balance as at the beginning of the year	**10,033.08**	10,033.08
Add : Balance transferred on merger of Keystone Solutions Pvt. Ltd. (Refer note 41)	**10.00**	—
Balance as at the end of the year	**10,043.08**	10,033.08
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)**	—
Surplus in Statement of Profit and Loss		
Balance as at the beginning of the year	**24,802.08**	24,935.52
Add : Balance transferred on merger of Keystone Solutions Pvt. Ltd. (Refer note 41)	**2,108.93**	—
Loss for the year	**(557.28)**	(133.44)
Less: Appropriations		
Interim Dividend	**—**	—
Proposed dividend on Equity Shares for the year	**—**	—
Dividend distribution tax on Proposed dividend on Equity Shares	**—**	—
Transfer to General Reserve	**—**	—
Balance as at the end of the year	**26,353.73**	24,802.08
Total	**36,447.63**	36,426.54

(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 (Refer note 31)	**1,613.39**	1,772.14
Provision for leave encashment	**886.11**	860.64
Others		
Provision for mark-to-market losses on derivatives (Refer note 34)	**955.18**	—
Total	**3,454.68**	2,632.78

8 Trade payables

	As at June 30, 2012	As at June 30, 2011
Trade payables (Refer note 37)	**229.44**	272.67

9 Other current liabilities

	As at June 30, 2012	As at June 30, 2011
Current maturities of finance lease obligations	**15.51**	11.24
Unearned revenue	**21.48**	54.57
Unpaid dividends (Refer note (a) below)	**49.27**	52.14
Security and other deposits	**0.30**	1.50
Other payables		
Employee benefits payable	**1,598.85**	2,029.79
Accrued expenses	**1,781.36**	1,336.32
Capital creditors	**152.51**	189.44
Statutory dues including provident fund and tax deducted at source	**449.25**	292.02
Total	**4,068.53**	3,967.02

(a) There is no amount due for payment to Investor Education and Protection Fund under Section 205C of the Companies Act, 1956 as at the year end.

10 Short-term provisions

	As at June 30, 2012	As at June 30, 2011
Provision for employee benefits		
Provision for Leave encashment	**685.21**	563.72
Others		
Provision for taxes	**—**	107.75
Provision for mark-to-market losses on derivatives (Refer note 34)	**1,369.57**	—
Total	**2,054.78**	671.47

(All amounts in ₹ Lakhs, unless otherwise stated)

11 Fixed assets

(i) Tangible assets

	Gross Block (at cost)				Depeciation				Net Block	
	As at July 1, 2011	Additions	Disposals / Transfer	**As at June 30, 2012**	As at July 1, 2011	For the year	Disposals / Transfer	**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	545.18	131.67	—	**676.85**	3,136.98	3,232.13
Computers	2,780.74	281.53	**(0.44)**	3,061.83	2,653.67	152.73	**(0.44)**	**2,805.96**	255.87	127.07
Plant and equipment	4,102.75	35.24	**(24.29)**	4,113.70	2,778.98	560.91	**(23.06)**	**3,316.83**	796.87	1,323.77
Furniture and fixtures	5,461.90	85.21	**(9.44)**	5,537.67	4,059.41	547.76	**(7.67)**	**4,599.50**	938.17	1,402.49
Vehicles	385.72	31.61	**(52.04)**	365.29	210.29	53.08	**(23.00)**	**240.37**	124.92	175.43
Office equipment	1,730.31	53.29	**(1.88)**	1,781.72	1,515.21	95.16	**(1.53)**	**1,608.84**	172.88	215.10
Total (A)	**18,238.73**	**523.40**	**(88.09)**	**18,674.04**	**11,762.74**	**1,541.31**	**(55.70)**	**13,248.35**	**5,425.69**	**6,475.99**
Previous Year	14,805.10	3,972.83	(539.20)	18,238.73	10,262.00	1,738.11	(237.37)	11,762.74	6,475.99	
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	446.75	—	—	—	**446.75**	415.88	8.37	424.25	**22.50**	**30.87**
Vehicles	52.84	39.72	**(10.60)**	81.96	10.11	13.53	**(2.02)**	**21.62**	60.34	42.73
Total (B)	**3,590.03**	**50.44**	**(463.09)**	**3,177.38**	**1,217.96**	**114.82**	**(45.68)**	**1,287.10**	**1,890.28**	**2,372.07**
Previous Year	3,543.19	76.51	(29.67)	3,590.03	1,091.47	126.49	—	1,217.96	2,372.07	
Total (A + B)	**21,828.76**	**573.84**	**(551.18)**	**21,851.42**	**12,980.70**	**1,656.13**	**(101.38)**	**14,535.45**	**7,315.97**	**8,848.06**
Previous Year	18,348.29	4,049.34	(568.87)	21,828.76	11,353.47	1,864.60	(237.37)	12,980.70	8,848.06	

(ii) Intangible assets

	Gross Block (at cost)				Amortization				Net Block	
	As at July 1, 2011	Additions	Disposals / Transfer	**As at June 30, 2012**	As at July 1, 2011	For the year	Disposals / Transfer	**As at June 30, 2012**	**As at June 30, 2012**	As at June 30, 2011
Goodwill	130.32	—	—	**130.32**	86.88	43.44	—	**130.32**	**—**	43.44
Computer software	8,714.24	484.66	—	**9,198.90**	6,893.62	932.02	—	**7,825.64**	**1,373.26**	1,820.62
Total	**8,844.56**	**484.66**	**—**	**9,329.22**	**6,980.50**	**975.46**	**—**	**7,955.96**	**1,373.26**	**1,864.06**
Previous Year	6,843.00	2,002.69	(1.13)	8,844.56	6,147.05	834.58	(1.13)	6,980.50	1,864.06	

Notes:

(a) Owned buildings include subscription towards share capital of Co-operative societies amounting to Rupees Two Hunderd and Fifty only (Previous year Rupees Two Hunderd and Fifty only).

(b) Previous year's disposals / transfer under tangible assets include transfer to Investment Property shown under 'Non-current Investments' (Refer note 12): Gross Block ₹ 389.41 , Accumulated depreciation ₹ 82.47 and Net block ₹ 306.94 .

(All amounts in ₹ Lakhs, unless otherwise stated)

12 Non-current investments

			As at June 30, 2012	As at June 30, 2011
(A)	Investment property (Refer note 11 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
(B)	Trade investments			
	Investment in subsidiaries - fully paid equity shares (Unquoted, at cost)			
	MajescoMastek, USA 128,415,000 (Previous year - 128,415,000) Equity Shares of US $ 0.002 each, fully paid up		**11,565.47**	11,565.47
	Mastek Asia Pacific Pte Ltd., Singapore 3,650,000 (Previous year - 3,650,000) Equity Shares of S $ 1 each, fully paid up	**886.22**		
	Less : Provision for diminution in value	**(661.40)**	**224.82**	224.82
	Mastek MSC Sdn Bhd., Malaysia 11,262,000 Equity Shares (Previous year - 11,262,000) of RM 1 each, fully paid up		**1,443.42**	1,443.42
	Mastek UK Ltd., UK 200,000 (Previous year - 200,000) Equity Shares of £ 1 each, fully paid up		**215.81**	215.81
	Mastek GmbH, Germany 1(Previous year - 1) Share fully paid up		**12.69**	12.69
	(During the previous year ended June 30, 2011 share capital was reduced by ₹ 261.42 (Refer note 39))			
	MajescoMastek Canada Ltd. 3,500,000 (Previous year - 3,500,000) Shares of CN $ 1 each, fully paid up		**1,555.01**	1,555.01
	Total		**15,017.22**	15,017.22
Total (A + B)			**15,296.34**	15,310.25
Aggregate amount of investment property			**279.12**	293.03
Aggregate amount of unquoted investments			**15,017.22**	15,017.22
Aggregate provision for dimunition in value of unquoted investments			**661.40**	661.40

(All amounts in ₹ Lakhs, unless otherwise stated)

13 Deferred tax assets

	As at June 30, 2012	As at June 30, 2011
Deferred tax assets		
Depreciation	**753.24**	702.01
Provision for gratuity and leave encashment	**1,033.28**	1,037.10
Provision for doubtful debts and advances	**75.86**	28.78
Other timing differences	**11.61**	13.12
Total	**1,873.99**	1,781.01

14 Long-term loans and advances

	As at June 30, 2012	As at June 30, 2011
Unsecured, considered good, unless otherwise stated		
Capital advances	**8.35**	7.26
Security Deposits	**154.51**	157.06
Prepaid expenses	**19.63**	19.88
Other loans and advances		
Advance Income tax , net of provision for tax	**2,326.80**	1,818.56
MAT Credit Entitlement	**2,679.11**	2,263.90
Advance to Employees	**8.20**	6.53
Total	**5,196.60**	4,273.19

15 Other non-current assets

	As at June 30, 2012	As at June 30, 2011
Margin money deposit	**—**	0.91

16 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

(All amounts in ₹ Lakhs, unless otherwise stated)

17 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	**225.53**	87.24
Less: Provision for Doubtful Debts	**(225.53)**	(87.24)
Others		
Unsecured, Considered Good	**6,467.83**	3,857.71
Total	**6,467.83**	3,857.71

18 Cash and bank balances

	As at June 30, 2012	As at June 30, 2011
Cash and cash equivalents		
Cash on hand	**1.91**	1.46
Bank balances		
In current accounts	**1,825.05**	739.55
Fixed deposits (with original maturity of less than 3 months)	**499.44**	988.19
	2,326.40	1,729.20
Other bank balances		
Fixed deposit (with original maturity more than 3 months but less than 12 months)	**1,000.00**	—
Unpaid dividend account	**49.27**	52.14
	1,049.27	52.14
Total	**3,375.67**	1,781.34

19 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	**34.97**	28.41
Prepaid expenses	**270.31**	318.61
Service tax credit receivable	**556.35**	217.37
Advance to suppliers	**114.16**	32.88
Advance to employees	**49.37**	49.62
Total	**1,025.16**	646.89

20 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**	0.03
Margin money deposit	**1.65**	12.85
Unbilled revenue	**798.79**	684.19
Reimbursable expenses receivable		
Considered Good	**953.87**	153.12
Considered doubtful	**8.29**	1.45
Less: Provision for doubtful	**(8.29)**	(1.45)
Total	**1,766.08**	850.19

(All amounts in ₹ Lakhs, unless otherwise stated)

21 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 Company does not expect any outflows in respect of the above contingent liabilities.

22 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	**251.01**	196.95

23 Revenue

	Year ended June 30, 2012	Year ended June 30, 2011
Information Technology Services	**44,977.09**	35,932.93
Other Operating Revenue		
Resale of Software and Hardware	**53.37**	464.19
Bad debts recovered	**57.98**	35.62
Total	**45,088.44**	36,432.74

24 Other income

	Year ended June 30, 2012	Year ended June 30, 2011
Interest income		
On deposit	**184.51**	53.43
On others	**97.28**	148.64
Dividend income from investments	**74.15**	149.42
Dividend from subsidiaries	**231.78**	3,181.79
Profit on sale of tangible assets, net	**165.69**	—
Profit on sale of investments	**357.28**	0.90
Profit on sale of investments in subsidiaries	**—**	279.12
Net Gain on Foreign Currency Transactions and Translation	**—**	1,017.82
Miscellaneous income	**146.37**	59.18
Total	**1,257.06**	4,890.30

(All amounts in ₹ Lakhs, unless otherwise stated)

25 Employee benefits expense

	Year ended June 30, 2012	Year ended June 30, 2011
Salaries, wages and performance incentives	**25,958.98**	27,479.31
Gratuity (Refer note 31)	**454.47**	139.99
Contribution to provident and other funds (Refer note 31)	**798.75**	866.66
Expense on Employee Stock Option Scheme (Refer note 30 (d))	**35.00**	88.50
Staff welfare expense	**1,312.55**	1,410.95
Total	**28,559.75**	29,985.41

26 Finance costs

	Year ended June 30, 2012	Year ended June 30, 2011
Interest on finance lease	**8.06**	4.58
Bank charges	**4.46**	4.74
Total	**12.52**	9.32

27 Depreciation and amortization expenses

	Year ended June 30, 2012	Year ended June 30, 2011
Depreciation on Tangible assets	**1,656.13**	1,864.60
Amortization on Intangible assets	**975.46**	834.58
Depreciation on Investment Property	**13.91**	13.91
Total	**2,645.50**	2,713.09

28 Other expenses

	Year ended June 30, 2012	Year ended June 30, 2011
Recruitment and training expenses	**241.23**	189.96
Travelling and conveyance	**1,427.06**	1,475.86
Communication charges	**256.97**	288.77
Electricity	**618.92**	553.56
Consultancy charges	**9,051.52**	3,142.10
Purchase of hardware and software	**550.93**	808.93
Rates and taxes	**203.41**	187.63
Repairs to buildings	**337.16**	262.11
Repairs : others	**795.36**	743.95
Insurance	**57.70**	74.93
Printing and stationery	**39.60**	38.35
Professional fees (Refer note (a) below)	**629.65**	595.87
Rent (Refer note 32)	**137.89**	202.05
Advertisement and publicity	**113.14**	63.50
Donation	**30.20**	29.37
Exchange loss, net	**536.86**	—
Provision for doubtful debt and other receivables	**225.10**	21.91
Bad debt written off	**15.44**	50.68
Hire charges	**239.72**	312.60
Loss on sale of tangible assets, net	**—**	3.08
Commission	**3.99**	72.83
Miscellaneous expenses	**216.97**	54.53
Total	**15,728.82**	9,172.57

(All amounts in ₹ Lakhs, unless otherwise stated)

(a) Professional fees include payment to auditors :

	Year ended June 30, 2012	Year ended June 30, 2011
i. As auditor		
Statutory audit	**46.50**	48.50
Limited review	**18.00**	18.00
Other services	**12.00**	—
ii. For reimbursement of expenses	**2.65**	2.10

29 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 loss attributable to equity shareholders	**(557.28)**	(133.42)
(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) (Loss) / Earnings per share in ₹		
Basic	**(2.06)**	(0.50)
Diluted *	**(2.06)**	(0.50)
(Nominal value per share ₹ 5/- each)		

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

30 Employee Stock Option Scheme

(a) Plan II

The Company established a new scheme in 2002 for granting 700,000 stock options to employees and each option representing one equity share of the Company. The exercise price is as governed by the guidelines issued by SEBI. The scheme is governed by the Employee Stock Option Scheme and Employees Stock Purchase Guidelines issued in 1999 by SEBI. There is a minimum period of twelve months for the first vesting from the date of the grant of options. The options are exercisable within two years of their vesting. As per the SEBI guidelines issued in 1999, and as amended from time to time, the excess of the market price of the underlying equity shares as of the date of the grant of the option over the exercise price of the option is to be recognized and amortized on a straight line basis over the vesting period. No options have been granted under the scheme at below market price and consequently, there is no compensation cost in the current year. In April, 2006, the Company issued Bonus Shares in the ratio of 1:1 and the number of unvested and unexercised options and the price of the said options have been adjusted accordingly.

In accordance with the Guidelines, the Company has passed the necessary special resolutions in January 2002 to approve the scheme and to extend the plan to the employees of its subsidiaries.

(No of Options)

	Year ended June 30, 2012	Year ended June 30, 2011
Opening Balance	**—**	7,750
Granted during the year	**—**	—
Exercised during the year	**—**	(5,250)
Cancelled during the year	**—**	(2,500)
Balance unexercised options	**—**	—

(b) Plan III

The Company passed special resolutions at its Annual General Meeting held on September 20, 2004 approving the allocation of 700,000 stock options to the eligible employees of the Company and its subsidiaries.

The Company subsequently established a new scheme in 2004 for granting 700,000 stock options to the employees referred to above, each option representing one equity share of the Company. The exercise price is as governed by the guidelines issued by SEBI. The scheme is governed by the Employee Stock Option Scheme and Employee Stock Purchase Guidelines issued in 1999 by SEBI and as amended from time to time. The first vesting of the stock options shall happen only on completion of one year from the date of grant and the options are exercisable within two years from the date of vesting. As per the SEBI guidelines, the excess of market price of the underlying equity shares as of the date of the grant of the options over the exercise price of the option is to be recognized and amortized on a straight line basis over the vesting period. No options have been granted under the scheme at below market price and consequently, there is no compensation cost in the current year. In April, 2006 the Company issued Bonus Shares in the ratio of 1:1 and the number of unvested and unexercised options and the price of the said options have been adjusted accordingly.

(All amounts in ₹ Lakhs, unless otherwise stated)

(No of Options)

	Year ended June 30, 2012	Year ended June 30, 2011
Opening Balance	**279,292**	546,794
Granted during the year	**—**	—
Exercised during the year	**—**	—
Cancelled during the year	**(184,542)**	(267,502)
Balance unexercised options	**94,750**	279,292

(c) Plan IV

The Shareholders of the Company through Postal Ballot on August 9, 2007 approved the allocation of 1,000,000 stock options to the eligible employees of the Company and its subsidiaries.

The Company subsequently established a new scheme in 2007 for granting 1,000,000 stock options to the employees referred to above, each option representing one equity share of the Company. The exercise price is as governed by the guidelines issued by SEBI. The scheme is governed by the Employee Stock Option Scheme and Employee Stock Purchase Guidelines issued in 1999 by SEBI and as amended from time to time. The first vesting of the stock options shall happen only on completion of one year from the date of grant and the options are exercisable within two years from the date of vesting. During the previous year ended June 30, 2011, the Company has extended the vesting period from two years to seven years. As per the SEBI guidelines, the excess of market price of the underlying equity shares as of the date of the grant of the options over the exercise price of the option is to be recognized and amortized on a straight line basis over the vesting period. No options have been granted under the scheme at below market price and consequently, there is no compensation cost in the current year.

(No of Options)

	Year ended June 30, 2012	Year ended June 30, 2011
Opening Balance	**407,238**	513,714
Granted during the year	**—**	—
Exercised during the year	**—**	(2,000)
Cancelled during the year	**(87,404)**	(104,476)
Balance unexercised options	**319,834**	407,238

(d) Plan V

The Company introduced a new scheme in 2008 for granting 1,500,000 stock options to the employees, each option representing one equity share of the Company. The exercise price as may be determined by the Compensation Committee and such price may be the face value of the share from time to time or may be the Market Price or any price as may be decided by the Committee and will be governed by the guidelines issued by SEBI. The scheme is governed by the Employee Stock Option Scheme and Employee Stock Purchase Guidelines issued in 1999 by SEBI and as amended from time to time. The first vesting of the stock options shall happen only on completion of one year from the date of grant and the options are exercisable within seven years from the date of vesting. As per the SEBI guidelines, the excess of market price of the underlying equity shares as of the date of the grant of the options over the exercise price of the option is to be recognized and amortized on a straight line basis over the vesting period. The options granted during the financial year ended June 30, 2012 and June 30, 2011 have been granted at an exercise price which is equal to the market price of the underlying equity shares except for Nil Options (Previous Year 50,000 options), which had been granted at a price less than the market price. Consequently, the amortised compensation cost of ₹ 35.00 (Previous Year ₹ 88.50) in respect of options granted in earlier periods has been charged to the Statement of Profit and Loss during the current year.

(All amounts in ₹ Lakhs, unless otherwise stated)

(No of Options)

	Year ended June 30, 2012	Year ended June 30, 2011
Opening Balance	**1,317,348**	891,000
Granted during the year	**46,900**	879,248
Exercised during the year	**(75,000)**	—
Cancelled during the year	**(393,790)**	(452,900)
Balance unexercised options	**895,458**	1,317,348

(e) Plan VI

The Company introduced a new scheme in 2010 for granting 2,000,000 stock options to the employees, each option representing one equity share of the Company. The exercise price as may be determined by the Compensation Committee and such price may be the face value of the share from time to time or may be the Market Price or any price as may be decided by the Committee and will be governed by the guidelines issued by SEBI. The scheme is governed by the Employee Stock Option Scheme and Employee Stock Purchase Guidelines issued in 1999 by SEBI and as amended from time to time. The first vesting of the stock options shall happen only on completion of one year from the date of grant and the options are exercisable within seven years from the date of vesting. As per the SEBI guidelines, the excess of market price of the underlying equity shares as of the date of the grant of the options over the exercise price of the option is to be recognized and amortized on a straight line basis over the vesting period.No options have been granted under the scheme at below market price and consequently, there is no compensation cost in the current year.

(No of Options)

	Year ended June 30, 2012	Year ended June 30, 2011
Opening Balance	**569,600**	—
Granted during the year	**494,600**	569,600
Exercised during the year	**—**	—
Cancelled during the year	**(10,000)**	—
Balance unexercised options	**1,054,200**	569,600

(f) Effect of Share-based payment plan on the Balance Sheet and Statement of Profit and Loss

	Year ended June 30, 2012	Year ended June 30, 2011
Expense arising from employee share-based payment plan (Refer note (d) above and note 25)	**35.00**	88.50
Share Options Outstanding Account (Refer note 3)	—	145.50

31 Employee benefit plans

The disclosures required as per the revised AS 15 are as under:

	Year ended June 30, 2012	Year ended June 30, 2011
(a) Defined contribution plans		
The Company has recognised the following amounts in Statement of Profit and Loss for the year:		
Contribution to Provident Fund	**767.92**	827.50
Contribution to Employees' State Insurance	**2.46**	3.16
Contribution to Maharashtra Labour Welfare Fund	**1.22**	1.32
Superannuation Contribution	**27.15**	34.68
	798.75	866.66

(All amounts in ₹ Lakhs, unless otherwise stated)

(b) Defined benefit plan

As per the independent actuarial valuation carried out as on June 30, 2012:

		As at June 30, 2012	As at June 30, 2011
(i)	Change in defined benefit obligations:		
	Projected benefit obligation at beginning of the year	**2,246.19**	2,330.95
	Service cost	**364.15**	428.60
	Interest cost	**215.19**	239.01
	Actuarial gain	**(99.41)**	(531.62)
	Benefits paid	**(232.58)**	(220.75)
	Projected benefit obligation at closing of the year	**2,493.54**	2,246.19
(ii)	Change in fair value of assets:		
	Fair value of plan assets at beginning of the year	**466.85**	—
	Expected return on plan assets	**47.86**	—
	Employer's contribution	**613.22**	687.60
	Acquisitions	**—**	—
	Benefit paid	**(232.58)**	(220.75)
	Actuarial loss	**(18.40)**	—
	Fair value of plan assets at closing of the year	**876.95**	466.85
(iii)	Amount recognized in the Balance Sheet		
	Present value of obligations	**2,493.54**	2,246.19
	Less: Fair value of plan assets	**(876.95)**	(466.85)
	Less: Unrecognised Past service cost	**(3.20)**	(7.20)
	Net Liability recognized	**1,613.39**	1,772.14
	Recognised under:		
	Long-term provisions (Refer note 7)	**1,613.39**	1,772.14
	Total	**1,613.39**	1,772.14

		Year ended June 30, 2012	Year ended June 30, 2011
(iv)	Net gratuity cost for the year		
	Service cost	**368.15**	432.60
	Interest cost	**215.19**	239.01
	Expected return on plan assets	**(47.86)**	—
	Net actuarial (gain) / loss recognized in the year	**(81.01)**	(531.62)
	Net gratuity cost	**454.47**	139.99
(v)	Asset information		
	Life Insurance Corporation of India	**100%**	100%
(vi)	Assumptions used in accounting for the gratuity plan:		
	Discount rate (p.a.)	**8.35%**	8.50%
	Return on Plan Assets (p.a.)	**7.50%**	7.50%
	Salary escalation rate (p.a.)	**10.00%**	10.00%
	Retirement age	**60 years**	60 years

		Year ended June 30, 2012	Year ended June 30, 2011
(vii)	Expected Contribution to the fund in the next year		
	Gratuity	**600.00**	500.00

(All amounts in ₹ Lakhs, unless otherwise stated)

(viii) Experience Adjustments

	June 30, 2012	June 30, 2011	June 30, 2010	June 30, 2009	June 30, 2008
Defined benefit obligation	**2,493.54**	2,246.19	2,230.95	2,122.17	1,284.64
Plan assets	**876.95**	466.85	—	—	—
Deficit	**(1,616.59)**	(1,779.34)	(2,330.95)	(2,122.17)	(1,284.64)
Experience adjustments					
On plan liabilities	**(143.20)**	(434.66)	(402.73)	199.45	(61.68)
On plan assets	**(18.40)**	—	—	—	—

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	**24.20**	8.72
Due later than 1 year but not later than 5 years	**8.80**	—
Total minimum lease payments	**33.00**	8.72

	Year ended June 30, 2012	Year ended June 30, 2011
(b) Operating lease rentals recognised in the Statement of Profit and Loss (Refer note 28)	**137.89**	202.05

(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 party.
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 lease payments	**59.61**	52.55
Disclosed under:		
Long-term borrowings (Refer note 5)	**44.10**	41.31
Other current liabilities (Refer note 9)	**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 ₹ 2,263.90) has been carried forward and shown under 'Long-term loans and advances'. (Refer note 14).

(b) Provision for income tax for the year is the aggregate of the provision for the nine months ended March 31, 2012 and the three months ended June 30, 2012. However, the ultimate tax liability for the financial year 2011-12 will be determined on the basis of the profit for the year April 1, 2011 to March 31, 2012 and the profit for the year April 01, 2012 to March 31, 2013.

(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 currency. The counter party is generally a bank. These contracts are for a period between one day and four years.The Company has following outstanding derivative instruments as at June 31, 2011:
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 10)	**1,369.57**	—

35 Related Party Disclosures

A. Enterprises where control exists

Subsidiaries - wholly owned, except as indicated: MajescoMastek USA (70% held by the Company) ; Mastek UK Ltd., UK; Mastek GmbH, Germany; Mastek Asia Pacific Pte. Ltd., Singapore; Mastek MSC Sdn. Bhd., Malaysia; MajescoMastek Canada Ltd, Keystone Solutions Private Limited, India; Mastek MSC Thailand Co Ltd., Thailand; System Task Group International Ltd., USA, and Vector Insurance Services LLC, USA (90% held by the Company) .

B. Other related parties with whom the Company had transactions during the year

Key Management Personnel: Sudhakar Ram (Chairman & Managing Director)
R Sundar (Executive Director)

Disclosure of transactions between the Company and related parties and the status of outstanding balances as on June 30, 2012

(All amounts in ₹ Lakhs, unless otherwise stated)

(a) The Company has entered into transactions with the following related parties:

	Year ended June 30, 2012	Year ended June 30, 2011
i. Income from services		
Mastek (UK) Ltd.	**28,200.11**	20,252.97
MajescoMastek	**10,234.76**	9,434.35
Others	**2,047.91**	234.24
ii. Dividend from subsidiary		
Mastek (UK) Ltd.	**—**	3,181.79
Mastek MSC Sdn. Bhd	**231.78**	—
iii. Sale of investments in equity shares (Refer note 40)		
Mastek (UK) Ltd.	**—**	4,914.54
iv. Commission expenses		
Mastek (UK) Ltd.	**3.99**	72.83
v. Reduction of capital (Refer note 39)		
Mastek GmbH, Germany	**—**	261.42
vi. Investment in equity shares		
MajescoMastek	**—**	1,808.75
MajescoMastek Canada Ltd	**—**	900.53
vii. Total remuneration to key management personnel		
Sudhakar Ram	**116.19**	116.19
R Sundar	**73.78**	73.78
(b) Balances at year end :		
i. Trade Receivables		
Mastek (UK) Ltd.	**3,131.03**	1,906.97
MajescoMastek	**1,337.26**	823.52
MajescoMastek Canada Limited	**739.88**	—
Others	**160.56**	1.50
ii. Corporate guarantees given on behalf of subsidiaries disclosed as contingent liabilities		
Mastek (UK) Ltd.	**16,318.46**	42,828.87
MajescoMastek	**653.81**	1,788.00
MajescoMastek Canada Ltd	**4,842.69**	2,411.84
Mastek MSC Thailand Co Ltd	**508.99**	229.34
iii. Investment in equity shares		
MajescoMastek	**11,565.47**	11,565.47
MajescoMastek Canada Ltd.	**1,555.01**	1,555.01
Others	**1,896.74**	1,896.74

36 Segment reporting

The Company has presented data relating to its segments in its consolidated financial statements which are presented in the same annual report as Mastek Limited. In terms of provisions of Accounting Standard (AS) 17 – 'Segment Reporting', no disclosures related to segments are presented in these stand-alone financial statements.

37 Micro, Small and Medium Enterprises

There are no dues to micro, small and medium enterprises which are outstanding at the Balance Sheet date. The information regarding micro, small and medium enterprises has been determined on the basis of the information available with the Company. This has been relied on by the auditors.

38 Other disclosures

a. The Company is engaged in the development of computer software and other software related services. Considering the nature of business, certain details required under the revised schedule VI are not applicable.

(All amounts in ₹ Lakhs, unless otherwise stated)

	Year ended June 30, 2012	Year ended June 30, 2011
b. Value of Imports on C.I.F basis		
Capital goods	**263.14**	1,594.02
c. Expenditure in foreign currency (Including expenditure incurred by the Company's overseas branch)		
Salaries and wages	**9,216.97**	10,021.19
Travelling and conveyance	**628.23**	692.99
Consultancy charges	**8,571.18**	2,856.08
Professional fees	**62.94**	131.13
Advertisement and publicity	**4.10**	0.93
Communication charges	**39.64**	58.76
Electricity	**5.49**	5.71
Insurance	**6.68**	16.85
Printing & stationery	**5.80**	5.11
Rates and taxes	**28.29**	20.54
Recruitment and training expense	**99.97**	2.78
Rent	**70.90**	131.79
Repairs - buildings	**25.98**	4.49
Repairs - others	**95.36**	137.31
Bad debt written off	**—**	50.68
Purchase of Software for resale	**415.57**	393.40
Commission expenses	**3.99**	72.83
Bank Charges	**1.43**	—
Hire Charges	**0.39**	—
Staff welfare	**866.80**	—
Miscellaneous expenses	**157.61**	12.25
d. Earnings in foreign exchange		
Income from services	**40,562.25**	29,971.17
Dividend from subsidiary	**231.78**	3,181.79
Profit on sale of investment in subsidiary	**—**	279.12
Others	**3.94**	11.71

39 Reduction of capital of Mastek Gmbh

Pursuant to management decision to discontinue business operation in Germany, the share capital of Mastek GmbH (wholly owned subsidiary) has been reduced by ₹ 261.42 (Euro 515,000) during the year ended June 30, 2011 to align with business requirements.

40 Sale of investment in Majescomastek, USA

During the year ended June 30, 2011, the Company sold 55,035,000 equity shares of MajescoMastek, USA (a wholly owned subsidiary before this sale) to Mastek UK Ltd (also a wholly owned subsidiary) for a total consideration of ₹ 4,914.54. After the sale, Mastek Ltd holds 70% of MajescoMastek and the balance 30% is held by Mastek UK Ltd.

41 Acquisition of Keystone's business and merger of Keystone Solutions Ltd with Mastek Ltd

During the year ended June 30, 2012, the Scheme of Amalgamation ("the Scheme") of Keystone Solutions Private Limited (a wholly owned step down subsidiary) with the Company has been sanctioned by the High Court of Mumbai with effective date from July 1, 2011, vide its order dated December 2, 2011. In accordance with the Scheme and the Accounting Standard (AS) 14, the Company has followed the "pooling of interest" method in accounting for the amalgamation. The difference between the value of the net identified assets acquired and the consideration amounted to ₹ 106.05 which has been credited to 'Capital Reserve' (Refer note 4).

42 Previous year figures

The 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 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 financial statements.

The accompanying notes are an integral part of these 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

STATEMENT PURSUANT TO EXEMPTION RECEIVED UNDER SECTION 212(8) OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES

Information relating to subsidiaries as at June 30, 2012 **(₹ In Lakhs)**

Sr. no.	Name of the Subsidiary Company	Reporting currency	Exchange rate	Capital	Reserves	Total Assets	Total Liabilities	Investment other than investment in subsidiary	Turnover	Profit / (Loss) before tax	Provision for tax	Profit / (Loss) after tax	Proposed dividend	Country
1	Mastek (UK) Limited	GBP	86.730	173.46	14,737.74	22,088.37	7,177.17	—	37,648.11	1,713.17	439.16	1,274.01	—	UK
2	MajescoMastek, USA - Consolidated (Refer note 1)	USD	55.615	143.84	18,334.76	27,656.82	9,178.23	—	29,000.03	5.36	104.02	(98.65)	—	USA
3	Mastek GmbH	EUR	69.978	17.49	24.36	44.45	2.60	—	—	(6.86)	(2.30)	(4.57)	—	Germany
4	Mastek Asia Pacific Pte Ltd.	SGD	43.815	1,599.25	(1,086.52)	589.71	76.99	—	525.69	10.86	—	10.86	—	Singapore
5	Mastek MSC Sdn Bhd.- Consolidated (Refer note 2)	RM	17.515	1,972.54	(36.47)	2,248.78	312.72	—	1,654.91	83.07	19.27	63.80	—	Malaysia
6	MajescoMastek Canada Ltd	CAD	54.278	1,555.01	(829.03)	2,466.32	1,740.34	—	3,337.29	7.22	—	7.22	—	Canada

Note :

1 MajescoMastek, USA - has following subsidiaries:
- System Task Group International Limited - 100%
- Vector Insurance Services LLC - 90%

2 Mastek MSC Sdn Bhd. - has following subsidiary:
- Mastek MSC (Thailand) Co. Ltd - 100%

3 Indian rupee equivalents of the figures given in foreign currencies in the accounts of the subsidiary companies except MajescoMastek, USA, are based on the exchange rates as on June 30, 2012.

4 MajescoMastek, USA figures are in Indian rupees.

Place : Mumbai
Date : July 27, 2012

Sudhakar Ram
Chairman & Managing Director

S. Sandilya
Director

Bhagwant Bhargawe
Company Secretary