



**Audited Condensed Standalone Financial Statements  
for the quarter and nine months ended 31 December 2016**

	Page
Auditors' Report	1
Condensed Standalone Balance Sheet	2
Condensed Standalone Statement of Profit and Loss	4
Condensed Standalone Statement of Changes to Equity	6
Condensed Standalone Statement of Cash Flow	7
Explanatory Notes to the Condensed Standalone Financial Statements	9

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of Mphasis Limited

### **Report on the Interim Condensed Standalone Financial Statements**

We have audited the accompanying interim condensed standalone financial statements of Mphasis Limited ("the Company"), which comprise the interim condensed standalone Balance Sheet as at 31 December 2016, the interim condensed standalone Statement of Profit and Loss (including other comprehensive income) for the quarter and nine months then ended, the interim condensed standalone statement of cash flows and the interim condensed standalone Statement of changes in equity for the nine months then ended on that date and a summary of select explanatory notes.

### **Management's Responsibility for the Interim Condensed Standalone Financial Statements**

The Company's Board of Directors is responsible with respect to the preparation of these interim condensed standalone financial statements in accordance with the requirements of Indian Accounting Standard (Ind AS) 34, "Interim Financial Reporting" as specified under Section 133 of the Companies Act, 2013 ('Act') read with the relevant rules issued thereunder and other accounting principles generally accepted in India. The Board of Directors are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the interim condensed standalone financial statements are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility for Interim Condensed Standalone Financial Statements**

Our responsibility is to express an opinion on these interim condensed standalone financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the interim condensed standalone financial statements that are not materially misstated in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Board of Directors, as well as evaluating the overall presentation of the interim condensed standalone financial statements. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the interim condensed standalone financial statements.

### **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the accompanying interim condensed standalone financial statements have been prepared, in all material respects, in accordance with the requirements of Ind AS 34 specified under Section 133 of the Act, read with relevant rules issued thereunder and other accounting principles generally accepted in India.

For S.R. Batliboi & Associates LLP  
Chartered Accountants  
ICAI Firm Registration Number: 101049W/E300004

per Adarsh Ranka  
Partner  
Membership Number: 209567

Place of Signature: Bengaluru

Date: 31 January 2017

**Mphasis Limited****Condensed Standalone Balance Sheet as at 31 December 2016**

	(₹ millions)		
	31 December 2016	31 March 2016	1 April 2015
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, Plant and Equipment	556.96	434.23	565.46
Other intangible assets	91.76	60.54	76.17
Intangible assets under development	1.63	10.91	10.46
<b>Financial assets</b>			
Investments	16,794.00	16,759.60	15,462.72
Trade receivables	35.63	40.41	53.82
Loans and advances	1,070.63	974.84	856.05
Other financial assets	109.17	109.17	0.10
Deferred tax assets (Net)	477.20	651.25	464.38
Income tax assets (Net)	2,974.06	2,781.36	2,852.34
Other non-current assets	2,105.65	2,513.27	2,536.02
<b>Sub total</b>	<b>24,216.69</b>	<b>24,335.58</b>	<b>22,877.52</b>
<b>Current assets</b>			
Inventories	-	40.99	-
<b>Financial assets</b>			
Investments	15,282.68	12,536.37	7,659.17
Trade receivables	6,945.57	5,012.88	4,774.30
Cash and cash equivalents	910.39	1,321.15	1,901.05
Bank balances other than cash and cash equivalents	1,054.98	3,635.19	8,650.84
Loans and advances	1,336.96	1,595.21	1,633.51
Other financial assets	2,733.83	2,916.74	2,544.88
Income tax assets (Net)	-	212.28	231.84
Other current assets	1,324.54	1,686.62	1,433.77
<b>Sub total</b>	<b>29,588.95</b>	<b>28,957.43</b>	<b>28,829.36</b>
<b>TOTAL ASSETS</b>	<b>53,805.64</b>	<b>53,293.01</b>	<b>51,706.88</b>

# Mphasis Limited

## Condensed Standalone Balance Sheet as at 31 December 2016

	(₹ millions)		
	31 December 2016	31 March 2016	1 April 2015
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity share capital	2,103.91	2,101.94	2,101.48
Other equity	42,756.62	42,938.61	42,342.32
<b>Total equity</b>	<b>44,860.53</b>	<b>45,040.55</b>	<b>44,443.80</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
<b>Financial liabilities</b>			
Other financial liabilities	10.58	11.30	26.04
Provisions	567.20	749.72	535.35
<b>Sub total</b>	<b>577.78</b>	<b>761.02</b>	<b>561.39</b>
<b>Current liabilities</b>			
<b>Financial liabilities</b>			
Borrowings	884.91	1,325.10	1,250.00
Trade payables	4,813.97	3,584.29	3,166.11
Other financial liabilities	1,411.93	1,465.03	1,413.95
Provisions	576.86	655.60	188.28
Other current liabilities	345.26	355.05	435.40
Income tax liabilities (Net)	334.40	106.37	247.95
<b>Sub total</b>	<b>8,367.33</b>	<b>7,491.44</b>	<b>6,701.69</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>53,805.64</b>	<b>53,293.01</b>	<b>51,706.88</b>

Explanatory notes annexed.

The explanatory notes form an integral part of these condensed standalone financial statements.

As per our report of even date.

**For S.R. BATLIBOI & ASSOCIATES LLP**  
Chartered Accountants  
ICAI Firm registration number: 101049W/E300004

**For and on behalf of the Board of Directors**

**per Adarsh Ranka**  
*Partner*  
Membership No. 209567

**Nitin Rakesh**  
*Chief Executive Officer*

**Narayanan Kumar**  
*Director*

**V. Suryanarayanan**  
*Executive Vice President &  
Chief Financial Officer*

**A. Sivaram Nair**  
*Executive Vice President, Company  
Secretary General Counsel & Ethics Officer*

Bengaluru  
31 January 2017

Bengaluru  
31 January 2017

# Mphasis Limited

## Condensed Standalone statement of Profit and Loss for the quarter and nine months ended 31 December 2016

	(₹ millions)			
	Quarter ended 31 December 2016	Quarter ended 31 December 2015	Nine months ended 31 December 2016	Nine months ended 31 December 2015
<b>Income</b>				
Revenue from operations	7,808.90	7,319.07	22,579.85	22,256.93
Other income	526.79	310.95	1,498.84	1,203.97
<b>Total income (I)</b>	<b>8,335.69</b>	<b>7,630.02</b>	<b>24,078.69</b>	<b>23,460.90</b>
<b>Expenses</b>				
Purchase of traded goods	-	146.36	0.24	406.02
(Increase) / decrease in inventories of traded goods	-	31.57	40.99	(103.19)
Employee benefits expense	3,362.01	3,488.21	10,166.59	10,466.23
Finance costs	5.28	10.44	22.33	61.05
Depreciation and amortization expense	66.03	64.21	192.93	205.60
Other expenses	2,473.21	2,294.86	7,476.78	7,354.34
<b>Total expenses (II)</b>	<b>5,906.53</b>	<b>6,035.65</b>	<b>17,899.86</b>	<b>18,390.05</b>
<b>Profit before tax (III) [(I)-(II)]</b>	<b>2,429.16</b>	<b>1,594.37</b>	<b>6,178.83</b>	<b>5,070.85</b>
<b>Exceptional item (net of tax) (IV)</b>				
Expected loss on proposed sale of domestic BPO business (refer note 6)	-	-	-	12.40
Expected loss on exit from other domestic BPO business (refer note 7)	-	-	-	92.04
Accelerated cost due to change in control (refer note 10)	-	-	39.77	-
<b>Profit before tax after exceptional item (III)-(IV)</b>	<b>2,429.16</b>	<b>1,594.37</b>	<b>6,139.06</b>	<b>4,966.41</b>
<b>Tax expenses</b>				
Current tax	612.48	407.23	1,555.91	1,193.74
Deferred tax charge / (credit)	50.59	(1.29)	126.46	33.31
Minimum alternative tax credit entitlement	-	-	(128.98)	-
<b>Total tax expenses</b>	<b>663.07</b>	<b>405.94</b>	<b>1,553.39</b>	<b>1,227.05</b>
<b>Profit for the period before exceptional item</b>	<b>1,766.09</b>	<b>1,188.43</b>	<b>4,625.44</b>	<b>3,843.80</b>
<b>Profit for the period after exceptional item</b>	<b>1,766.09</b>	<b>1,188.43</b>	<b>4,585.67</b>	<b>3,739.36</b>
<b>Other comprehensive income ('OCI')</b>				
<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods</b>				
Net change in fair value of derivatives designated as cash flow hedges	(91.81)	89.52	137.77	(139.94)
Income tax effect	31.76	(30.98)	(47.68)	48.43
<b>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</b>	<b>(60.05)</b>	<b>58.54</b>	<b>90.09</b>	<b>(91.51)</b>

# Mphasis Limited

## Condensed Standalone statement of Profit and Loss for the quarter and nine months ended 31 December 2016 (₹ millions)

	Quarter ended 31 December 2016	Quarter ended 31 December 2015	Nine months ended 31 December 2016	Nine months ended 31 December 2015
<b>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</b>				
Re-measurement gains / (losses) on defined benefit plans	0.16	(27.50)	(0.25)	(40.35)
Income tax effect	(0.05)	9.52	0.09	13.97
<b>Net other comprehensive income not to be reclassified to profit or loss in subsequent periods</b>	<b>0.11</b>	<b>(17.98)</b>	<b>(0.16)</b>	<b>(26.38)</b>
<b>Other comprehensive income for the period, net of tax</b>	<b>(59.94)</b>	<b>40.56</b>	<b>89.93</b>	<b>(117.89)</b>
<b>Total comprehensive income for the period</b>	<b>1,706.15</b>	<b>1,228.99</b>	<b>4,675.60</b>	<b>3,621.47</b>
<b>Profit for the period attributable to:</b>				
Owners of the Company	1,766.09	1,188.43	4,585.67	3,739.36
Non-controlling interests	-	-	-	-
	<b>1,766.09</b>	<b>1,188.43</b>	<b>4,585.67</b>	<b>3,739.36</b>
<b>Total comprehensive income for the period attributable to:</b>				
Owners of the Company	1,706.15	1,228.99	4,675.60	3,621.47
Non-controlling interests	-	-	-	-
	<b>1,706.15</b>	<b>1,228.99</b>	<b>4,675.60</b>	<b>3,621.47</b>
<b>Earnings per equity share before exceptional item [nominal value of shares ₹ 10 (31 December 2015: ₹ 10)]</b>				
Basic (₹)	8.41	5.66	22.03	18.32
Diluted (₹)	8.38	5.65	21.97	18.28
<b>Earnings per equity share after exceptional item [nominal value of shares ₹ 10 (31 December 2015: ₹ 10)]</b>				
Basic (₹)	8.41	5.66	21.84	17.82
Diluted (₹)	8.38	5.65	21.78	17.78
Weighted average number of shares – Basic	210,090,627	209,868,075	209,947,842	209,864,302
Weighted average number of shares – Diluted	210,632,746	210,345,495	210,509,397	210,257,707

Explanatory notes annexed.

The explanatory notes form an integral part of these condensed standalone financial statements.

As per our report of even date.

**For S.R. BATLIBOI & ASSOCIATES LLP**  
Chartered Accountants  
ICAI Firm registration number: 101049W/E300004

**For and on behalf of the Board of Directors**

**per Adarsh Ranka**  
Partner  
Membership No. 209567

**Nitin Rakesh**  
Chief Executive Officer

**Narayanan Kumar**  
Director

**V. Suryanarayanan**  
Executive Vice President &  
Chief Financial Officer

**A. Sivaram Nair**  
Executive Vice President, Company Secretary  
General Counsel & Ethics Officer

Bengaluru  
31 January 2017

Bengaluru  
31 January 2017

**Mphasis Limited**
**Condensed Standalone Statement of changes in equity for the nine months ended 31 December 2016**
**EQUITY**

(₹ millions)

	Equity Share Capital	Other Equity					Retained earnings	Items of OCI	Total equity attributable to equity holders of the Company
		Capital reserve	Securities premium reserve	Share based payment reserve	General reserve	Treasury shares			
<b>As at 1 April 2016</b>	<b>2,101.94</b>	<b>265.16</b>	<b>1,572.36</b>	<b>170.44</b>	<b>5,946.19</b>	<b>(158.29)</b>	<b>34,910.97</b>	<b>231.76</b>	<b>45,040.53</b>
Profit for the period	-	-	-	-	-	-	4,585.67	-	4,585.67
Other Comprehensive Income	-	-	-	-	-	-	(0.16)	90.09	89.93
Increase in share capital on issue of ESOP / RSU	1.97	-	-	-	-	-	-	-	1.97
Dividend (including tax on dividend)	-	-	-	-	-	-	(5,058.70)	-	(5,058.70)
Effect of share based payments	-	-	70.23	68.50	2.91	59.49	-	-	201.13
<b>As at 31 December 2016</b>	<b>2,103.91</b>	<b>265.16</b>	<b>1,642.59</b>	<b>238.94</b>	<b>5,949.10</b>	<b>(98.80)</b>	<b>34,437.78</b>	<b>321.85</b>	<b>44,860.53</b>
<b>As at 1 April 2015</b>	<b>2,101.48</b>	<b>265.16</b>	<b>1,556.84</b>	<b>106.74</b>	<b>5,478.02</b>	<b>(127.68)</b>	<b>34,901.49</b>	<b>161.75</b>	<b>44,443.80</b>
Profit for the period	-	-	-	-	-	-	3,739.36	-	3,739.36
Other Comprehensive Income	-	-	-	-	-	-	(26.38)	(91.51)	(117.89)
Increase in share capital on issue of ESOP / RSU	0.29	-	-	-	-	-	-	-	0.29
Dividend (including tax on dividend)	-	-	-	-	-	-	(4,042.69)	-	(4,042.69)
Effect of share based payments	-	-	9.42	49.44	1.41	(38.63)	-	-	21.64
<b>As at 31 December 2015</b>	<b>2,101.77</b>	<b>265.16</b>	<b>1,566.26</b>	<b>156.18</b>	<b>5,479.43</b>	<b>(166.31)</b>	<b>34,571.78</b>	<b>70.24</b>	<b>44,044.51</b>

# Mphasis Limited

## Condensed Standalone statement of cash flows for the nine months ended 31 December 2016

	(₹ millions)	
	Nine months ended 31 December 2016	Nine months ended 31 December 2015
<b>Cash flow from operating activities</b>		
<b>Profit before tax and exceptional item</b>	<b>6,178.83</b>	<b>5,070.85</b>
Non-Cash Adjustment to reconcile profit before tax to net cashflows:		
Depreciation / amortization (net of provision for loss on a long-term contract)	193.04	220.07
Profit on sale of Property, Plant and Equipment	(17.89)	(3.33)
Fair value changes in financial instruments	(141.13)	126.87
Employee stock compensation expense (net)	7.54	33.67
Provision for bad and doubtful debts	-	(2.50)
Interest expense (excluding exchange difference considered as adjustment to borrowing cost)	19.67	11.86
Interest income (excluding fair value changes)	(250.48)	(554.16)
Dividend income	(135.04)	(395.73)
Profit on sale of investments	(649.98)	(141.30)
Purchase of treasury shares (net off reserve)	-	(50.71)
Receipts on exercise of options	32.00	10.86
Effect of exchange rate changes (gain) / loss	41.25	78.73
<b>Operating profit before working capital changes</b>	<b>5,277.81</b>	<b>4,405.18</b>
(Increase) / decrease in trade receivables	(1,838.89)	(1,251.87)
(Increase) / decrease in loans and advances	335.24	(37.95)
(Increase) / decrease in other financial assets	346.87	80.57
(Increase) / decrease in inventories	40.99	(103.19)
(Increase) / decrease in other assets	703.75	(48.24)
Increase / (decrease) in other financial liabilities	(32.72)	601.80
Increase / (decrease) in trade payables	1,229.68	56.81
Increase / (decrease) in provisions	(261.51)	144.04
Increase / (decrease) in other liabilities	(12.06)	(130.95)
<b>Cash generated from operations</b>	<b>511.35</b>	<b>(688.98)</b>
Direct taxes paid (net of refunds)	(1,093.35)	(1,154.38)
<b>Net cash flow from operating activities before exceptional item</b>	<b>4,695.81</b>	<b>2,561.82</b>
Accelerated cost due to change in control	(13.95)	-
<b>Net cash flow from operating activities after exceptional item (A)</b>	<b>4,681.86</b>	<b>2,561.82</b>
<b>Cash flow from investing activities</b>		
Purchase of Property, Plant and Equipment	(435.36)	(446.73)
Proceeds from sale of Property, Plant and Equipment	14.04	119.27
Purchase of investments	(169,329.25)	(51,647.11)
Sale of investments	167,438.88	49,481.02
Interest received	158.67	517.80
Dividends received	135.04	395.73
Re-investment of dividend	(99.45)	(343.79)
Investments in bank deposits	(74.79)	(2,780.39)
Redemption / maturity of bank deposits	2,655.00	7,143.33
<b>Net cash flow from investing activities (B)</b>	<b>462.78</b>	<b>2,439.14</b>



# Mphasis Limited

## Condensed Standalone statement of cash flows for the nine months ended 31 December 2016

	(₹ millions)	
	Nine months ended 31 December 2016	Nine months ended 31 December 2015
<b>Cash flow from financing activities</b>		
Proceeds from issue of share capital	1.97	0.29
Proceeds of premium from issue of share capital	0.17	0.37
Repayment of unsecured loans	(1,363.10)	(3,929.33)
Availment of unsecured loans	881.66	2,600.60
Interest paid	(19.67)	(11.86)
Dividends paid (including tax on dividend)	(5,056.43)	(4,041.61)
<b>Net cash flow used in financing activities (C)</b>	<b>(5,555.40)</b>	<b>(5,381.54)</b>
<b>Net decrease in cash and cash equivalents (A+B+C)</b>	<b>(410.76)</b>	<b>(380.58)</b>
Cash and cash equivalents at the beginning of the period	1,321.15	1,901.05
<b>Cash and cash equivalents at the end of the period</b>	<b>910.39</b>	<b>1,520.47</b>

### Components of cash and cash equivalents

Cash on hand	-	-
Balance with banks		
- on current account	210.23	954.59
- on deposit account	690.18	557.83
- unclaimed dividend	9.98	8.05
<b>Total cash and cash equivalents</b>	<b>910.39</b>	<b>1,520.47</b>

As per our report of even date.

**For S.R. BATLIBOI & ASSOCIATES LLP**  
Chartered Accountants  
ICAI Firm registration number: 101049W/E300004

**For and on behalf of the Board of Directors**

**per Adarsh Ranka**  
Partner  
Membership No. 209567

**Nitin Rakesh**  
Chief Executive Officer

**Narayanan Kumar**  
Director

**V. Suryanarayanan**  
Executive Vice President &  
Chief Financial Officer

**A. Sivaram Nair**  
Executive Vice President, Company Secretary  
General Counsel & Ethics Officer

Bengaluru  
31 January 2017

Bengaluru  
31 January 2017

# Mphasis Limited

## Explanatory Notes to the Condensed Standalone Financial Statements for the quarter and nine months ended 31 December 2016

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### Basis of preparation

In accordance with the notification issued by the Ministry of Corporate Affairs, Mphasis Limited ('the Company') has adopted Indian Accounting Standards (referred to as "Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 with effect from 1 April 2016. The condensed standalone financial statements of the Company, have been prepared and presented in accordance with Ind AS. Previous period numbers in the condensed standalone financial statements have been restated to Ind AS. In accordance with Ind AS 101 First-time Adoption of Indian Accounting Standard, the Company has presented a reconciliation from the presentation of condensed standalone financial statements under Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 ("Previous GAAP") to Ind AS of Shareholders' equity as at 31 March 2016, 31 December 2015 and 01 April 2015 and of the comprehensive net income for the quarter and nine months ended 31 December 2015.

These condensed standalone financial statements have been prepared in accordance with Ind AS 34 Interim Financial Reporting as notified under the Companies (Indian Accounting Standards) Rules, 2015 read with Section 133 of the Companies Act, 2013. Refer to note 3 for information on how the Company has adopted Ind AS. The condensed standalone financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The condensed standalone financial statements comprise the financial statements of the Company and its controlled employee benefit trusts.

#### Business Combinations

The Company accounts for its business combinations under acquisition method of accounting. Acquisition related costs are recognised in the statement of profit and loss as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the condition for recognition are recognised at their fair values at the acquisition date.

Purchase consideration paid in excess of the fair value of net assets acquired is recognised as goodwill. Where the fair value of identifiable assets and liabilities exceed the cost of acquisition, after reassessing the fair values of the net assets and contingent liabilities, the excess is recognised as capital reserve.

Business combinations arising from transfers of interests in entities that are under the common control are accounted at historical cost. The difference between any consideration given and the aggregate historical carrying amounts of assets and liabilities of the acquired entity are recorded in shareholders' equity.

#### Use of estimates

The preparation of the condensed standalone financial statements in conformity with Ind AS requires the management to make estimates, judgements and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities on the date of the condensed standalone financial statements and the reported amounts of revenues and expenses for the period reported. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and future periods are affected.

Key source of estimation of uncertainty at the date of condensed standalone financial statements, which may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year, is in respect of useful lives of property, plant and equipment and valuation of deferred tax assets and provisions and contingent liabilities.

#### Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment.

Sales tax/Value Added Tax (VAT)/Service Tax is not received by the Company on its own account. Rather, it is tax collected on value added to the commodity/service rendered by the seller on behalf of the government. Accordingly, it is excluded from revenue.

The Company derives its revenues primarily from software services & projects, call centre and business & knowledge process outsourcing operations, infrastructure outsourcing services, licensing arrangement, application services and trading of goods.

Revenues from software services & projects comprise income from time-and-material and fixed price contracts. Revenue from time and material contracts is recognized when the services are rendered in accordance with the terms of contracts with clients. Revenue from fixed price contracts is recognized using the percentage-of-completion method, calculated as the proportion of the cost of effort incurred up to the reporting date to estimated cost of total effort.

Revenues from call centre and business & knowledge process outsourcing operations arise from both time-based and unit-priced client contracts. Such revenue is recognized when the services are rendered in accordance with the terms of the contracts with clients.

Revenues from infrastructure outsourcing services arise from time based, unit-priced and fixed price contracts. Revenue from time based and unit-priced is recognized when the services are rendered in accordance with the terms of the contracts with clients. Revenue from fixed price contracts is recognized using the percentage-of-completion method, calculated as the proportion of the cost of effort incurred up to the reporting date to estimated cost of total effort.

License fee revenues are recognised when the general revenue recognition criteria given in Ind AS 18 are met. Revenue from bundled contracts is allocated separately for each element based on their fair values. Maintenance revenue is recognized rateably over the period of underlying maintenance agreements.

Revenue from sale of services is shown as net of applicable discounts and pricing incentives to customer.

Revenues from sale of goods is recognized on transfer of significant risks and rewards where it is probable that economic benefits will flow to the Company and there is neither continuing managerial involvement nor effective control over the goods sold.

Revenue is recognised only when evidence of an arrangement is obtained and the other criteria to support revenue recognition are met, including the price is fixed or determinable, services have been rendered and collectability of the resulting receivables is reasonably assured.

## Mphasis Limited

### Explanatory Notes to the Condensed Standalone Financial Statements for the quarter and nine months ended 31 December 2016

Provisions for estimated losses on incomplete contracts are recorded in the period in which such losses become probable based on the current contract estimates. Unbilled revenue represent revenues in excess of amounts billed to clients as at the balance sheet date. Unearned revenue represent billings in excess of revenues recognized.

Advances received for services are reported as liabilities until all conditions for revenue recognition are met.

Interest income is recognized based on effective interest rate method.

Dividend income is recognized when the right to receive the dividend is established.

#### Property, plant and equipment and Intangible assets

Property, plant and equipment are stated at the cost of acquisition or construction less accumulated depreciation and write down for, impairment if any. Direct costs are capitalised until the assets are ready to be put to use. When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. All other repair and maintenance costs are recognised in the statement of profit or loss as incurred. Property, plant and equipment purchased in foreign currency are recorded at cost, based on the exchange rate on the date of purchase.

The Company identifies and determines cost of each component/ part of Property, plant and equipment separately, if the component/ part has a cost which is significant to the total cost of the Property, plant and equipment and has useful life that is materially different from that of the remaining asset.

Intangible assets purchased including acquired in business combination, are measured at cost or fair value as of the date of acquisition, as applicable, less accumulated amortisation and accumulated impairment, if any. The amortization period and the amortization method are reviewed atleast at each financial year end. Internally generated intangible assets are stated at cost that can be measured reliably during the development phase and capitalised when it is probable that future economic benefits that are attributable to the assets will flow to the Company.

Gains or losses arising from derecognition of Property, plant and equipment are measured as the difference between the net disposal proceeds and the carrying amount of Property, plant and equipment and are recognized in the statement of profit and loss when the Property, plant and equipment is derecognized.

Cost of assets not ready for use at the balance sheet date are disclosed under capital work-in-progress.

#### Depreciation and amortization

Depreciation on Property, plant and equipment is calculated on a straight-line basis using the rates arrived at, based on the useful lives estimated by the management. Intangible assets are amortised on a straight line basis over the estimated useful economic life. The useful lives estimated by the management are given below:

(In years)

Asset	Useful life as per Companies Act, 2013	Useful life estimated by the management
Computer equipment	3	3
Furniture and Fixtures	10	5
Lease hold Improvements	10	10 or remaining primary lease term whichever is less
Office equipment	5	5
Plant and equipment	15	7
Server and Networks	6	6
Purchased software / Internally developed for self-consumption	As per Ind AS 38	Useful life of the asset
Internally developed software for sale	As per Ind AS 38	Useful life of the asset
Vehicles	8	5

In respect of plant and equipment, furniture and fixtures and vehicles, the management, basis internal assessment of usage pattern believes that the useful lives as mentioned above best represent the period over which management expects to use these assets. Hence the useful lives in respect of these assets are different from the useful lives as prescribed under Part C of Schedule II of the Companies Act 2013.

Project specific assets are depreciated over the period of contract or useful life of the asset, whichever is lower.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

#### Leases

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items, are classified as operating leases. Operating lease payments are recognised on a straight line basis over the lease term, unless the lease agreement explicitly states that increase is on account of inflation in the statement of profit and loss.

## **Mphasis Limited**

### **Explanatory Notes to the Condensed Standalone Financial Statements for the quarter and nine months ended 31 December 2016**

Profit or loss on sale and lease back arrangements resulting in operating leases are recognized immediately in case the transaction is established at fair value, else, the excess over the fair value is deferred and amortized over the period for which the asset is expected to be used. If the sale price is below fair value, any profit or loss is recognized immediately in the statement of profit and loss.

Leases under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets acquired are capitalised at the fair value of the leased asset or the present value of the minimum lease payments at the inception of the lease, whichever is lower.

For arrangements entered into prior to 1 April 2015, the Company has determined whether the arrangement contain lease on the basis of facts and circumstances existing on the date of transition.

#### **Borrowing costs**

Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

#### **Impairment**

##### **A. Financial assets (other than at fair value)**

The Company assesses at each date of balance sheet whether a financial asset or a group of financial assets is impaired. Ind AS 109 requires expected credit losses to be measured through a loss allowance. The Company recognises lifetime expected losses for all contract assets and / or all trade receivables that do not constitute a financing transaction. For all other financial assets, expected credit losses are measured at an amount equal to the 12-month expected credit losses or at an amount equal to the life time expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition.

##### **B. Non-financial assets**

###### **Tangible and intangible assets**

Property, plant and equipment and intangible assets with finite life are evaluated for recoverability whenever there is any indication that their carrying amounts may not be recoverable. If any such indication exists, the recoverable amount (i.e. higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the cash generating unit (CGU) to which the asset belongs.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised in the statement of profit and loss.

###### **Financial instruments**

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value measured on initial recognition of financial asset or financial liability.

##### **(i) Cash and cash equivalents**

The Company considers all highly liquid financial instruments, which are readily convertible into known amounts of cash that are subject to an insignificant risk of change in value and having original maturities of three months or less from the date of purchase, to be cash equivalents. Cash and cash equivalents consist of balances with banks which are unrestricted for withdrawal and usage.

##### **(ii) Financial assets at amortised cost**

Financial assets are subsequently measured at amortised cost if these financial assets are held within a business whose objective is to hold these assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

##### **(iii) Financial assets at fair value through other comprehensive income**

Financial assets are measured at fair value through other comprehensive income if these financial assets are held within a business whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

##### **(iv) Financial assets at fair value through profit or loss**

Financial assets are measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income on initial recognition. The transaction costs directly attributable to the acquisition of financial assets and liabilities at fair value through profit or loss are immediately recognised in statement of profit and loss.

##### **(v) Financial liabilities**

Financial liabilities are subsequently carried at amortized cost using the effective interest method ,except for contingent consideration recognized in a business combination which is subsequently measured at fair value through profit or loss. For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

## **Mphasis Limited**

### **Explanatory Notes to the Condensed Standalone Financial Statements for the quarter and nine months ended 31 December 2016**

#### **(vi) Derivative financial instruments**

The Company holds derivative financial instruments such as foreign exchange forward contracts to mitigate the risk of changes in exchange rates on foreign currency exposures. The counterparty for these contracts is generally a bank.

##### **(a) Financial assets or financial liabilities, at fair value through profit or loss.**

This category has derivative financial assets or liabilities which are not designated as hedges.

Any derivative that is either not designated a hedge, or is so designated but is ineffective as per Ind AS 109, is categorized as a financial asset or financial liability, at fair value through statement of profit and loss.

Derivatives not designated as hedges are recognized initially at fair value and attributable transaction costs are recognized in net profit in the statement of profit and loss when incurred. Subsequent to initial recognition, these derivatives are measured at fair value through profit or loss and the resulting gains or losses are included in statement of profit and loss.

##### **(b) Cash flow hedge accounting**

The Company designates certain foreign exchange forward contracts as cash flow hedges to mitigate the risk of foreign exchange exposure on highly probable forecast cash transactions. When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and accumulated in the cash flow hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in the net profit in the statement of profit and loss. If the hedging instrument no longer meets the criteria for hedge accounting, then hedge accounting is discontinued prospectively. If the hedging instrument expires or is sold, terminated or exercised, the cumulative gain or loss on the hedging instrument recognized in cash flow hedging reserve till the period the hedge was effective remains in cash flow hedging reserve until the forecasted transaction occurs. The cumulative gain or loss previously recognized in the cash flow hedging reserve is transferred to the net profit in the statement of profit and loss upon the occurrence of the related forecasted transaction. If the forecasted transaction is no longer expected to occur, then the amount accumulated in cash flow hedging reserve is reclassified to net profit in the statement of profit and loss.

#### **(vii) De-recognition of financial instruments**

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition under Ind AS 109. A financial liability (or a part of a financial liability) is derecognized when the obligation specified in the contract is discharged or cancelled or expires.

#### **(viii) Fair value of financial instruments**

In determining the fair value of its financial instruments, the Company uses following hierarchy and assumptions that are based on market conditions and risks existing at each reporting date.

##### **Fair value hierarchy:**

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- ▶ Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- ▶ Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- ▶ Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

##### **Employee benefits**

Gratuity, which is a defined benefit plan, is accrued based on an independent actuarial valuation, which is done based on project unit credit method as at the balance sheet date. The Company recognizes the net obligation of a defined benefit plan in its balance sheet as an asset or liability. Gains and losses through re-measurements of the net defined benefit liability/(asset) are recognized in other comprehensive income. In accordance with Ind AS, re-measurement gains and losses on defined benefit plans recognised in OCI are not to be subsequently reclassified to statement of profit and loss. As required under Ind AS compliant Schedule III, the Company transfers it immediately to retained earnings.

The cost of short term compensated absences are provided for based on estimates. Long term compensated absence costs are provided for based on actuarial valuation using the project unit credit method. The Company presents the entire leave as a current liability in the balance sheet, since it does not have an unconditional right to defer its settlement for 12 months after the reporting date.

Contributions payable to recognized provident funds, which are defined contribution schemes, are charged to the statement of profit and loss. The Company has established a Provident Fund Trust to which contributions towards provident fund are made each month. The Provident Fund Trust guarantees a specified rate of return on such contributions on a periodical basis. This being a defined benefit plan, the Company accounts for it, based on actuarial valuation, as per Projected Unit Credit Method, as at the date of Balance Sheet.

##### **Share based payments**

The Company measures compensation cost relating to share-based payments using the fair valuation method in accordance with Ind AS 102, Share-Based Payment. Compensation expense is amortized over the vesting period of the option on a straight line basis.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

## **Mphasis Limited**

### **Explanatory Notes to the Condensed Standalone Financial Statements for the quarter and nine months ended 31 December 2016**

#### **Foreign currencies**

Foreign currency transactions are recorded at exchange rates prevailing on the date of the transaction. Foreign currency denominated monetary assets and liabilities are restated into the functional currency using exchange rates prevailing on the balance sheet date.

Gains and losses arising on settlement and restatement of foreign currency denominated monetary assets and liabilities are included in the statement of profit and loss.

#### **Income taxes**

Income tax expense comprises current tax expense and the net change in the deferred tax asset or liability during the year. Current and deferred tax are recognised in the statement of profit and loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

#### **(i) Current income tax**

Current income tax for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the taxable income for that period. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

#### **(ii) Deferred income tax**

Deferred income tax is recognised using the balance sheet approach, deferred tax is recognized on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income taxes are not provided on the undistributed earnings of subsidiaries/branches where it is expected that the earnings of the subsidiary or branch will not be distributed in the foreseeable future.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

#### **Provisions and contingent liabilities**

A provision is recognized when an enterprise has a present obligation (legal or constructive) as result of past event and it is probable that an outflow of embodying economic benefits of resources will be required to settle a reliably assessable obligation. Provisions are determined based on best estimate required to settle each obligation at each balance sheet date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the condensed standalone financial statements.

#### **Earnings per share**

The basic earnings per share is computed by dividing the net profit attributable to equity shareholders for the period by the weighted average number of equity shares outstanding during the period. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share, and also the weighted average number of equity shares which could be issued on the conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date. The diluted potential equity shares have been arrived at, assuming that the proceeds receivable were based on shares having been issued at the average market value of the outstanding shares. In computing dilutive earnings per share, only potential equity shares that are dilutive and that would, if issued, either reduce future earnings per share or increase loss per share, are included.

#### **Inventories**

Inventory comprises of traded goods and is measured at lower of cost and net realisable value. Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated cost necessary to make the sale.

#### **Treasury shares**

The Company has created an Employee Benefit Trust (EBT) for providing share-based payment to its employees. The Company uses EBT as a vehicle for distributing shares to employees under the employee remuneration schemes. The EBT buys shares of the company from the market, for giving shares to employees. The Company treats EBT as its extension and shares held by EBT are treated as treasury shares.

## **Mphasis Limited**

### **Explanatory Notes to the Condensed Standalone Financial Statements for the quarter and nine months ended 31 December 2016**

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in statement of profit and loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in reserve. Share options exercised during the reporting period are satisfied with treasury shares.

#### **Cash dividend to equity holders of the Company**

The Company recognises a liability to make cash distributions to equity holders of the Company when the distribution is authorised and the distribution is no longer at the discretion of the Company. Final dividends on shares are recorded as a liability on the date of approval by the shareholders and interim dividends are recorded as a liability on the date of declaration by the Company's Board of Directors.

#### **Government Grants**

The Company recognizes government grants only when there is reasonable assurance that the conditions attached to them shall be complied with, and the grants will be received. Government grants related to assets are treated as deferred income and are recognized in net profit in the statement of profit and loss on a systematic and rational basis over the useful life of the asset. Government grants related to revenue are recognized on a systematic basis in net profit in the statement of profit and loss over the periods necessary to match them with the related costs which they are intended to compensate

### **EXPLANATORY NOTES**

#### **2. Description of the Company**

Mphasis Limited, a global, multicultural organisation headquartered in Bengaluru, India, specialises in providing a suite of application development and maintenance services, infrastructure outsourcing services and business & knowledge process outsourcing solutions to clients around the world.

Mphasis Limited has its registered office in Bengaluru. The Company is listed on the principal stock exchanges of India.

#### **3. Adoption of Ind AS**

These condensed standalone financial statements, for the quarter and nine months ended 31 December 2016, have been prepared in accordance with Ind AS. For the year ended 31 March 2016, the Company prepared its condensed standalone financial statements in accordance with accounting standards notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 ('Indian GAAP' or 'previous GAAP').

Accordingly, the Company has prepared condensed standalone financial statements which comply with Ind AS applicable for quarter and nine months ended on 31 December 2016, together with the comparative period data, as described in the summary of significant accounting policies. This note explains the principal adjustments made by the Company in restating its Indian GAAP financial statements.

#### **3.1 Exemptions applied**

Ind AS 101 allows first-time adopters certain exemptions from the retrospective application of certain requirements under Ind AS. The Company has applied the following material exemptions:

- Ind AS 103 Business Combinations has not been applied to acquisitions, which are considered businesses under Ind AS that occurred before 1 April 2015. Use of this exemption means that the Indian GAAP carrying amounts of assets and liabilities, that are required to be recognised under Ind AS, is their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with respective Ind AS. The Company did not recognise or exclude any previously recognised amounts as a result of Ind AS recognition requirements.
- The Company has elected to avail the exemption under Ind AS 101 to use Indian GAAP carrying value as deemed cost at the date of transition for all items of property, plant and equipment as per the statement of financial position prepared in accordance with previous GAAP.

## Mphasis Limited

### Explanatory Notes to the Condensed Standalone Financial Statements for the quarter and nine months ended 31 December 2016

4. Reconciliation of equity between previous GAAP and Ind AS				(₹ millions)
	Notes	31 March 2016	31 December 2015	1 April 2015
<b>Equity under previous GAAP</b>		<b>45,274.83</b>	<b>44,212.37</b>	<b>40,495.05</b>
Fair valuation of investments	4 (a)	53.13	34.32	158.58
Fair valuation of forward contracts	4 (b)	(4.99)	(0.02)	2.62
Effect of income tax		(132.58)	(44.00)	(137.24)
Proposed dividend and tax on dividend	4 (c)	-	-	4,046.73
Effect of consolidation of Employee Welfare Trusts	4 (d)	(135.35)	(139.06)	(109.93)
Others		(14.49)	(19.10)	(12.01)
<b>Equity as per Ind AS</b>		<b>45,040.55</b>	<b>44,044.51</b>	<b>44,443.80</b>

#### Total comprehensive income reconciliation for the quarter and nine months ended 31 December 2015

	Notes	Quarter ended 31 December 2015	Nine months ended 31 December 2015
<b>Profit for the period after exceptional item under previous GAAP</b>		<b>1,222.90</b>	<b>3,797.12</b>
Fair valuation of investments	4 (a)	(27.55)	(124.26)
Fair valuation of forward contracts	4 (b)	(52.60)	(2.64)
Employee benefits	4 (e)	27.50	40.35
Effect of income tax		18.49	30.86
Others		(0.31)	(2.07)
<b>Profit for the period after exceptional item under Ind AS</b>		<b>1,188.43</b>	<b>3,739.36</b>
Other comprehensive income		40.56	(117.89)
<b>Total comprehensive income</b>		<b>1,228.99</b>	<b>3,621.47</b>

#### Notes to reconciliations between previous GAAP and Ind AS

**a) Fair valuation of investments**

Under previous GAAP, current investments were measured at lower of cost or fair value and long term investments were measured at cost less diminution in value which is other than temporary. Under Ind AS, financial assets other than those valued at amortized cost are measured at fair value.

Investment in Mutual Funds have been classified as fair value through statement of profit and loss and fair value changes are recognized in the statement of profit and loss.

**b) Fair valuation of forward contracts**

Under previous GAAP, in relation to the forward contracts entered into, to hedge the foreign currency risk of the underlying outstanding at the balance sheet date, the exchange difference is calculated and recorded in accordance with paragraphs 36 and 37 of AS 11. Under Ind AS, the aforementioned forward contracts are fair valued through statement of profit and loss and fair value changes are recognized in statement of profit and loss.

**c) Dividend and tax on dividend**

Under previous GAAP, dividend payable was recorded as a liability in the period to which it relates. Under Ind AS, dividend to holders of equity instruments is recognised as a liability in the period in which the obligation to pay is established.

**d) Effect of consolidation of employee welfare trusts**

Under previous GAAP, employee welfare trusts were not required to be consolidated considering that these trusts were constituted as irrecoverable trusts. Under Ind AS all the employee welfare trusts have been consolidated.

**e) Employee benefits**

Under previous GAAP, actuarial gains and losses were recognized in the statement of profit and loss. Under Ind AS, the actuarial gains and losses form part of remeasurement of net defined benefit liability/asset which is recognized in other comprehensive income in the respective periods.



## Mphasis Limited

### Explanatory Notes to the Condensed Standalone Financial Statements for the quarter and nine months ended 31 December 2016

#### 5 Financial Instruments

The carrying value of financial instruments by categories as of 31 December 2016 is as follows:

(₹ millions)

Particulars	Fair value through profit or loss	Derivative instruments in Hedging relationship	Derivative instruments not in Hedging relationship	Amortised Cost	Total
<b>Financial assets</b>					
Cash and cash equivalents	-	-	-	910.39	<b>910.39</b>
Bank balances other than cash and cash equivalents	-	-	-	1,054.98	<b>1,054.98</b>
Investment (other than investment in Subsidiaries)	16,650.96	-	-	1,255.17	<b>17,906.13</b>
Trade receivables	-	-	-	6,981.20	<b>6,981.20</b>
Loans and advances	-	-	-	2,407.59	<b>2,407.59</b>
Forward cover	-	-	33.88	-	<b>33.88</b>
Cash flow hedges	-	494.83	-	-	<b>494.83</b>
Other financial assets	-	-	-	2,314.29	<b>2,314.29</b>
<b>Total</b>	<b>16,650.96</b>	<b>494.83</b>	<b>33.88</b>	<b>14,923.62</b>	<b>32,103.29</b>
<b>Financial liabilities</b>					
Borrowings	-	-	-	884.91	<b>884.91</b>
Trade payables	-	-	-	4,813.97	<b>4,813.97</b>
Forward cover	-	-	10.67	-	<b>10.67</b>
Cash flow hedges	-	2.64	-	-	<b>2.64</b>
Other financial liabilities	-	-	-	1,409.20	<b>1,409.20</b>
<b>Total</b>	<b>-</b>	<b>2.64</b>	<b>10.67</b>	<b>7,108.08</b>	<b>7,121.39</b>

The carrying value of financial instruments by categories as of 31 March 2016 is as follows:

Particulars	Fair value through profit or loss	Derivative instruments in Hedging relationship	Derivative instruments not in Hedging relationship	Amortised Cost	Total
<b>Financial assets</b>					
Cash and cash equivalents	-	-	-	1,321.15	<b>1,321.15</b>
Bank balances other than cash and cash equivalents	-	-	-	3,635.19	<b>3,635.19</b>
Investment (other than investment in Subsidiaries)	13,870.24	-	-	1,255.17	<b>15,125.41</b>
Trade receivables	-	-	-	5,053.29	<b>5,053.29</b>
Loans and advances	-	-	-	2,570.05	<b>2,570.05</b>
Forward cover	-	-	96.39	-	<b>96.39</b>
Cash flow hedges	-	358.18	-	-	<b>358.18</b>
Other financial assets	-	-	-	2,571.34	<b>2,571.34</b>
<b>Total</b>	<b>13,870.24</b>	<b>358.18</b>	<b>96.39</b>	<b>16,406.19</b>	<b>30,731.00</b>
<b>Financial liabilities</b>					
Borrowings	-	-	-	1,325.10	<b>1,325.10</b>
Trade payables	-	-	-	3,584.29	<b>3,584.29</b>
Forward cover	-	-	41.13	-	<b>41.13</b>
Cash flow hedges	-	3.77	-	-	<b>3.77</b>
Other financial liabilities	-	-	-	1,431.43	<b>1,431.43</b>
<b>Total</b>	<b>-</b>	<b>3.77</b>	<b>41.13</b>	<b>6,340.82</b>	<b>6,385.72</b>

## Mphasis Limited

### Explanatory Notes to the Condensed Standalone Financial Statements for the quarter and nine months ended 31 December 2016

The carrying value of financial instruments by categories as of 1 April 2015 is as follows:

(₹ millions)

Particulars	Fair value through profit or loss	Derivative instruments in Hedging relationship	Derivative instruments not in Hedging relationship	Amortised Cost	Total
<b>Financial assets</b>					
Cash and cash equivalents	-	-	-	1,901.05	<b>1,901.05</b>
Bank balances other than cash and cash equivalents	-	-	-	8,650.84	<b>8,650.84</b>
Investment (other than investment in Subsidiaries)	8,951.32	-	-	-	<b>8,951.32</b>
Trade receivables	-	-	-	4,828.12	<b>4,828.12</b>
Loans and advances	-	-	-	2,489.56	<b>2,489.56</b>
Forward cover	-	-	81.13	-	<b>81.13</b>
Cash flow hedges	-	257.81	-	-	<b>257.81</b>
Other financial assets	-	-	-	2,206.04	<b>2,206.04</b>
<b>Total</b>	<b>8,951.32</b>	<b>257.81</b>	<b>81.13</b>	<b>20,075.61</b>	<b>29,365.87</b>
<b>Financial liabilities</b>					
Borrowings	-	-	-	1,250.00	<b>1,250.00</b>
Trade payables	-	-	-	3,166.11	<b>3,166.11</b>
Forward cover	-	-	25.52	-	<b>25.52</b>
Cash flow hedges	-	10.47	-	-	<b>10.47</b>
Other financial liabilities	-	-	-	1,404.00	<b>1,404.00</b>
<b>Total</b>	<b>-</b>	<b>10.47</b>	<b>25.52</b>	<b>5,820.11</b>	<b>5,856.10</b>

#### Fair value hierarchy:

Particulars	As at 31 December 2016				As at 31 March 2016				As at 1 April 2015			
	Fair value measurements at reporting				Fair value measurements at reporting				Fair value measurements at reporting			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
<b>Assets</b>												
Investment (other than investment in Subsidiaries)	<b>16,650.96</b>	16,650.96	-	-	<b>13,870.24</b>	13,870.24	-	-	<b>8,951.32</b>	8,951.32	-	-
<b>Derivative instruments</b>												
Cash flow hedges	<b>494.83</b>	-	494.83	-	<b>358.18</b>	-	358.18	-	<b>257.81</b>	-	257.81	-
Forward cover	<b>33.88</b>	-	33.88	-	<b>96.39</b>	-	96.39	-	<b>81.13</b>	-	81.13	-
<b>Liabilities</b>												
<b>Derivative instruments</b>												
Cash flow hedges	<b>2.64</b>	-	2.64	-	<b>3.77</b>	-	3.77	-	<b>10.47</b>	-	10.47	-
Forward cover	<b>10.67</b>	-	10.67	-	<b>41.13</b>	-	41.13	-	<b>25.52</b>	-	25.52	-

- During the quarter ended 30 June 2015, the Board of Directors of the Company have approved sale and transfer of some contracts of the domestic BPO business, which is not a separate major line of Company's business and accordingly the Company had entered into definitive agreements with Hinduja Global Solutions Limited and Karvy Data Management Services Limited for sale of a portion of domestic BPO business as a going concern on slump sale basis for a lump sum consideration amounting to ₹ 140.00 millions and ₹ 27.50 millions respectively. The Company had estimated losses of ₹ 12.40 millions (net of tax of ₹ 6.57 millions) arising on the proposed sale and accounted for the same as an exceptional item. During the quarter ended 30 September 2015, the Competition Commission of India had approved the transaction and the Company had complied with all the pre-conditions on 01 September 2015.
- During the quarter ended 30 June 2015, the Company had formalized a plan to early exit / ramp down operations in respect of certain domestic BPO contracts. On account of the proposed early closure of the said contracts, the management had provided for ₹ 92.04 millions (net of tax of ₹ 48.67 millions) towards expected loss as an exceptional item.
- The management had re-assessed the future profitability of long term revenue contract as at 31 March 2016 and accordingly provided for ₹ 316.28 millions (net of tax of ₹ 167.38 millions) towards expected loss as an exceptional item during the year ended 31 March 2016. The loss incurred during the nine months ended 31 December 2016 under this contract has been adjusted against the said provision.

## Mphasis Limited

### Explanatory Notes to the Condensed Standalone Financial Statements for the quarter and nine months ended 31 December 2016

9. Pursuant to the Share Purchase Agreement executed on 4 April 2016, Hewlett Packard Enterprise Company the erstwhile ultimate holding company has transferred its entire stake in the Company to Marble II Pte. Limited, a company in Blackstone group. Further, Marble II Pte. Limited has acquired 2,178 Equity Shares, from the Public Shareholders, under the Open Offer as per the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011. The shareholding of the Marble II Pte. Limited, post the acquisition and Open Offer, is 127,108,444 equity shares representing 60.47% of the paid up equity share capital of the Company. Further to the above, the Company forms part of Blackstone group of companies.
10. During the quarter ended 30 September 2016, the transfer of control from Hewlett Packard Enterprise Company to Blackstone Group has resulted in accelerated vesting of unvested employee stock options and employee bonus, accordingly the Company has provided for deferred employee compensation cost on an accelerated basis over the remaining vesting period amounting to ₹ 39.77 millions (net of tax of ₹ 21.45 millions) and has accounted the same as exceptional item.
11. The Board of Directors, in its meeting held on 27 September 2016 has proposed the final dividend of ₹ 20 per share for the year ended 31 March 2016 and the same has been approved in the Annual General Meeting held on 4 November 2016.

#### 12. Contingent liabilities

- (a) The Company has received assessment orders for the financial years ended 31 March 2005, 31 March 2007, 31 March 2008, 31 March 2009, 31 March 2010, 31 March 2011 and 31 March 2012, wherein certain adjustments in respect of transfer pricing under Section 92CA of the Income Tax Act, 1961 have been made to the taxable income and demand orders for ₹ 1,637.11 millions (31 March 2016: ₹ 1,637.11 millions) have been raised on the Company. The above demands are disputed by the management and the Company has filed appeals against the aforesaid orders with appellate authorities. The management is of the view that the prices determined by it are at arm's length and is confident that the demands raised by the assessing officer are not tenable under law. Pending outcome of the aforesaid matters under litigation, no provision has been made in the books of account for the above mentioned tax demands.

Other claims against the Company not acknowledged as debts amounting to ₹ 5,740.59 millions (31 March 2016: ₹ 5,532.55 millions) net of bank guarantees aggregating to ₹ 6,661.95 millions (31 March 2016: ₹ 6,661.95 millions). The management, basis internal valuation and legal opinion is of the view that these demands are not tenable.

- (b) Other outstanding bank guarantees as at 31 December 2016: ₹ 685.10 millions (31 March 2016: ₹ 703.84 millions) including those furnished on account of jointly controlled operations ₹ 99.35 millions (31 March 2016: ₹ 99.35 millions) and customs authorities aggregating to ₹ 43.32 millions (31 March 2016: ₹ 47.82 millions).
- (c) The Company has received claims from certain customers / vendors. Management is of the view that these claims are not tenable and is taking appropriate action in this regard. It is not practical for the Company to estimate the amounts.
- (d) The Company has issued performance guarantees to certain clients for executed contracts. It is not practical for the Company to estimate the amounts.

#### 13. Segment reporting

The Company has identified Banking and Capital Market, Insurance, Information Technology, Communication and Entertainment and Emerging Industries as primary business segments of the Company.

The accounting policies consistently used in preparation of the financial statements are also applied to record revenue and expenditure in individual segments. Assets, liabilities, revenues and direct expenses in relation to segments are categorised based on items that are individually identifiable to that segment, while other items, wherever allocable, are apportioned to the segments on an appropriate basis. Certain items are not specifically allocable to individual segments as the underlying services are used interchangeably. The Company, therefore believes that it is not practical to provide segment disclosures relating to such items, and accordingly such items are separately disclosed as 'unallocated'.

## Mphasis Limited

### Explanatory Notes to the Condensed Standalone Financial Statements for the quarter and nine months ended 31 December 2016

Primary segment information	(₹ millions)			
	Quarter ended 31 December 2016	Quarter ended 31 December 2015	Nine months ended 31 December 2016	Nine months ended 31 December 2015
<b>Segment revenue</b>				
Banking and Capital Market	2,599.27	2,244.82	7,558.88	6,554.96
Insurance	1,867.61	1,763.17	5,440.50	5,083.89
Information Technology, Communication and Entertainment	986.18	1,010.94	2,859.64	3,643.17
Emerging Industries	2,161.51	2,254.86	6,290.04	6,831.49
Unallocated - Hedge	194.33	45.28	430.79	143.42
	<b>7,808.90</b>	<b>7,319.07</b>	<b>22,579.85</b>	<b>22,256.93</b>
<b>Segment result*</b>				
Banking and Capital Market	533.61	143.82	1,359.97	436.05
Insurance	614.13	519.96	1,585.10	1,468.54
Information Technology, Communication and Entertainment	347.68	365.96	864.50	1,061.56
Emerging Industries	830.15	814.60	2,319.05	2,520.99
Unallocated - Hedge	194.33	45.28	430.79	143.42
	<b>2,519.90</b>	<b>1,889.62</b>	<b>6,559.41</b>	<b>5,630.56</b>
Interest income	68.13	148.47	309.12	554.16
Finance costs	(5.28)	(10.44)	(22.33)	(61.05)
Other income	458.66	162.48	1,189.72	649.81
Other unallocable expenditure*	(612.25)	(595.76)	(1,896.86)	(1,807.07)
<b>Profit before taxation</b>	<b>2,429.16</b>	<b>1,594.37</b>	<b>6,139.06</b>	<b>4,966.41</b>
Income taxes	663.07	405.94	1,553.39	1,227.05
<b>Profit after taxation</b>	<b>1,766.09</b>	<b>1,188.43</b>	<b>4,585.67</b>	<b>3,739.36</b>

\*includes exceptional item.

	31 December 2016	31 March 2016
<b>Segment assets</b>		
Banking and Capital Market	6,795.77	5,753.79
Insurance	2,157.91	2,695.92
Information Technology, Communication and Entertainment	1,342.34	1,380.92
Emerging Industries	3,720.56	3,275.02
Unallocated	39,789.06	40,187.36
	<b>53,805.64</b>	<b>53,293.01</b>
<b>Segment liabilities</b>		
Banking and Capital Market	2,845.50	2,584.26
Insurance	2,467.56	1,579.83
Information Technology, Communication and Entertainment	844.40	935.53
Emerging Industries	1,543.03	1,641.43
Unallocated	1,244.62	1,511.41
	<b>8,945.11</b>	<b>8,252.46</b>
<b>Capital employed</b>		
Banking and Capital Market	3,950.27	3,169.53
Insurance	(309.65)	1,116.09
Information Technology, Communication and Entertainment	497.94	445.39
Emerging Industries	2,177.53	1,633.59
Unallocated	38,544.44	38,675.95
	<b>44,860.53</b>	<b>45,040.55</b>

## **Mphasis Limited**

### **Explanatory Notes to the Condensed Standalone Financial Statements for the quarter and nine months ended 31 December 2016**

14. The comparatives given in condensed standalone financial statement has been compiled after making necessary Ind AS adjustments to the respective audited financial statements under previous GAAP to give a true and fair view in accordance with Ind AS.

As per our report of even date.

**For S.R. BATLIBOI & ASSOCIATES LLP**  
Chartered Accountants  
ICAI Firm registration number: 101049W/E300004

**For and on behalf of the Board of Directors**

**per Adarsh Ranka**  
*Partner*  
Membership No. 209567

**Nitin Rakesh**  
*Chief Executive Officer*

**Narayanan Kumar**  
*Director*

**V. Suryanarayanan**  
*Executive Vice President &  
Chief Financial Officer*

**A. Sivaram Nair**  
*Executive Vice President, Company Secretary  
General Counsel & Ethics Officer*

Bengaluru  
31 January 2017

Bengaluru  
31 January 2017