



Date: 14 November 2013

The Dy. General Manager
Corporate Relationship Dept.
Bombay Stock Exchange Limited
Phiroze Jeejeebhoy Towers
Dalal Street,
Mumbai – 400 001
Scrip Code : 526299 ISIN: IN356A01018

Mphasis Limited Registered Office:
Bagmane World Technology Center
Marathalli Outer Ring Road
Doddanakhundi Village
Mahadevapura
Bangalore - 560 048, India
Ph.: +91 080 3352 5000
Fax: +91 080 6695 9943

Dear Sir/Madam,

Kind Attention : Smita Khare / Jayesh Ashtekar

Sub: Application for approval under Clause 24(f) of the Listing Agreement for the proposed merger of Mphasis Finsource Limited (The "Transferor Company"), a wholly owned subsidiary with Mphasis Limited (The "Transferee Company").

Further to your email dated 6 November, 2013 and related telcon had with Ms. Smita of your office, we enclose the following:

1. The financial details of the Transferee Company for the previous 3 financial years and nine months period ended 31 July 2013, as **Annexure I**
2. The financial details of the Transferor Company for the previous 3 financial years and the truncated two months period ended 31 May 2013 , along with the auditor's certificate to this effect as **Annexure II**
3. The audited special purpose financial statements of the Transferor Company for two month period ended 31 May 2013, as **Annexure III**.

Please note that the condensed Group and Standalone financials of Mphasis Limited, for the nine month period ended 31 July 2013 had already been couriered to you on 5 November 2013.

We request you to take the above documents on record and accord your approval at the earliest. We would be glad to provide any further document/information in this regard.

Yours faithfully

For Mphasis Limited


Sivaram Nair

SVP, Legal Counsel ,Company Secretary and Ethics Officer.

Enclosed : as above







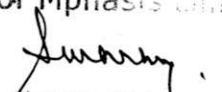
ANNEXURE I

The financial details and capital evolution of the transferee/resulting Company for the previous 3 years and truncated period** as per the Audited Statement of Accounts:

Name of the Company- Mphasis Limited

Details	Audited financials for the period ended 31 July 2013	As per last Audited Financial Year	1 year prior to the last Audited Financial Year	2 years prior to the last Audited Financial Year
	1 November 2012 -31 July 2013	2011-12	2010-11	2009-10
Equity Paid up Capital	210.13	210.11	210.04	209.93
Reserves and surplus	3,767.84	3,422.01	3,197.91	2,698.63
Carry forward losses	-	-	-	-
Net Worth	3,977.97	3,632.12	3,407.96	2,908.56
Miscellaneous Expenditure	-	-	-	-
Secured Loans	-	-	0.16	0.86
Unsecured Loans	302.03	269.03	243.48	-
Fixed Assets	82.43	132.63	176.54	149.05
Income from Operations	2,511.92	3,420.84	3,404.13	3,770.09
Total Income	2,603.78	3,568.02	3,566.01	3,881.54
Total Expenditure	2,044.14	2,814.78	2,654.43	2,789.43
Profit before Tax	559.64	753.24	911.58	1,092.10
Profit after Tax	415.38	611.05	782.01	996.88
Cash profit	479.76	725.43	888.67	1,112.67
EPS (in INR)	19.77	29.09	37.24	47.53
Book value(in INR)	189.31	172.87	162.26	138.54

For Mphasis Limited


 A. Sivaram Nair
 Senior Vice President,
 Company Secretary,
 General Counsel and Ethics Officer

ANNEXURE I				
The financial details and capital evolution of the transferor Company for the previous 3 years and truncated period as per the audited statement of accounts				
Mphasis Finsource Limited				
₹				
	As per last Audited Financial Year	1 year prior to the last Audited Financial Year	2 years prior to the last Audited Financial Year	Truncated period **
	2012-13	2011-12	2010-11	1 Apr 2013 to 31 May 13
Equity paid up capital	500,000	500,000	500,000	500,000
Reserves and surplus (Note 1)	-	-	-	-
Carry forward gain/ (loss)	1,087,691	(11,708,661)	(17,868,242)	(9,671,269)
Net worth (Note 2)	1,587,691	(11,208,661)	(17,368,242)	(9,171,269)
Secured loans	-	45,000,000	118,500,000	-
Fixed assets (Net block)	25,365,609	37,721,807	49,319,937	20,819,743
Income from operations	386,336,876	265,497,243	176,009,818	71,487,031
Total income	392,311,173	266,804,644	177,236,929	73,200,814
Total expenditure	370,986,427	261,629,773	167,654,374	76,653,774
Profit/ (loss) before tax	21,324,746	5,174,871	9,582,555	(3,452,960)
Profit/ (loss) after tax	12,796,352	6,159,581	10,955,555	(10,758,960)
Cash profit/ (loss) (Note 3)	37,478,720	37,997,497	31,152,622	(6,626,303)
EPS (Note 4)	255.93	123.19	219.11	(215.18)
Book value (Note 5)	31.75	(224.17)	(347.36)	(183.43)

* Certificate on capital evolution is not required to be attached incase of amalgamation of a wholly owned subsidiary.

** The Company has prepared the financial statements as per the special purpose framework, described in Note 2 to the financial statements.

Notes:

- 1) The Company does not have any other items of reserves and surplus other than Carry forward gain/ (loss)
- 2) Net Worth = Equity paid up capital + Reserves and surplus + Carry forward gain/ (losses)
- 3) Cash profit/ (loss) = Profit/ (loss) after tax + Depreciation and amortisation expense
- 4) EPS = Profit/ (loss) after tax / 50,000 (weighted average shares outstanding during the period)
- 5) Book Value = Net Worth/ 50,000 (shares outstanding at balance sheet date)

For and on behalf of the Board of Directors



Venkatasubramanian Suryanarayanan
Director

Bengaluru
06 November 2013

S.R. BATLIBOI & ASSOCIATES LLP

Chartered Accountants

12th & 13th Floor
"UB City" Canberra Block
No. 24, Vittal Mallya Road
Bengaluru-560 001, India
Tel : +91 80 6727 5000
Fax : +91 80 2210 6000

To

The Board of Directors
MphasiS Limited
Bagmane World Technology Centre
Marathahalli Ring Road
Doddanakundi Village
Mahadevapura
Bangalore – 560 048

1. At the request of MphasiS Limited ("the Company or the transferor company"), we have examined the attached Annexure 1 on the financial details and capital evolution of MphasiS Finsource Limited ("the transferee company") for the previous three years and truncated two months period ended 31 May 2013 as required for listed Companies while submitting draft scheme of arrangement with Securities Exchange Board of India ("SEBI") under Clause 24(f) of the listing agreement.
2. We performed the following procedures in relation to Annexure 1:
 - With respect to the Annexure 1, we traced the financial details to/ or computed the financial information with the audited financial statements for the years ended 31 March 2013, 31 March 2012 and 31 March 2011 and audited special purpose financial statement for two month period ended 31 May 2013.
3. We have obtained all the information and explanations we considered necessary for performing this engagement. The management of the Company has prepared the Annexure 1, and read with paragraph 2 above, we have relied solely on data furnished by the Company and have not undertaken any procedures on the same, except as mentioned in paragraph 2.
4. The accompanying Annexure is the responsibility of the Company's management. Our responsibility is to perform the procedures mentioned in paragraph 2 above on the Annexure, and state our findings. We performed the above mentioned procedures in accordance with the requirements of the guidance notes on audit reports and certificates issued for special purposes, issued by the Institute of Chartered Accountants of India. In addition to the foregoing, our scope of work did not include verification of compliance with other requirements of the guidelines, other circulars, notifications, etc, as issued by relevant regulatory authorities from time to time, and any other laws and regulations applicable to Company. Further, our scope of work did not involve performing audit tests for the purpose of expressing an opinion on the fairness or accuracy of any of the financial information or financial statements of the Company, taken as a whole. We have not performed an audit, the objective of which would be the expression of an opinion on the financial statements, specified elements, accounts or items thereof, for the purpose of this certificate. Accordingly, we do not express such an opinion.



S.R. BATLIBOI & ASSOCIATES LLP

Chartered Accountants

5. Based on the procedures performed by us and to the best of our information and according to the explanations given to us, we confirm that the details in Annexure 1 on the financial details of the transferee company for the previous three years and truncated two months period ended 31 May 2013 are as disclosed in Annexure 1.
6. Our certificate is solely for the purpose set forth in paragraph 1 and for your information and is not to be used for any other purpose or to be distributed to any other parties. This certificate relates only to the Annexure specified above and does not extend to any financial statements of the Company, taken as a whole.
7. We have no responsibility to update this certificate for events and circumstances occurring after the date of certificate.

S.R.BATLIBOI & ASSOCIATES LLP

Firm Registration number: 101049W

Chartered Accountants



per Adarsh Ranka

Partner

Membership No.: 209567



Place: Bengaluru

Date : 06 November 2013

MPHASIC FINSOURCE LIMITED
SPECIAL PURPOSE AUDITOR'S REPORT AND
SPECIAL PURPOSE FINANCIAL STATEMENT
FOR THE PERIOD ENDED 31 MAY 2013





MPHASIS
an HP company

Mphasis Finsource Limited

**Audited Special Purpose Financial Statements
for the period ended 31 May 2013**

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S.R. BATLIBOI & ASSOCIATES LLP

Chartered Accountants

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Fax : +91 80 2210 6000

Independent Auditor's Report

To
The Board of Directors
MphasiS FinsourceE Limited

Report on the Special Purpose Financial Statements of MphasiS FinsourceE Limited

We have audited the attached special purpose financial statements of MphasiS FinsourceE Limited ("the Company"), which comprises of the balance sheet as at 31 May 2013, the statement of profit and loss for the two months period then ended and a summary of significant accounting policies and other explanatory notes annexed thereto.

Management's Responsibility for the Special Purpose Financial Statements

Management is responsible for the preparation of these special purpose financial statements in accordance with the basis of preparation set out in Note 2 of the notes to these special purpose financial statements; this includes the design, implementation and maintenance of internal control relevant to the preparation of the special purpose financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these special purpose financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India ('ICAI'). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the special purpose 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 control relevant to the entity's preparation and fair presentation of the special purpose financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



S.R. BATLIBOI & ASSOCIATES LLP

Chartered Accountants
Emphasis of Matter

We draw attention to Note 3 to the special purpose financial statements regarding expiry of the contract with its sole customer on 30 September 2013. This condition indicates the existence of a material uncertainty that cast significant doubt about the Company's ability to continue as a going concern. The mitigating factors have been more fully discussed in note 3 to the accompanying financial statements, in view of which the accompanying special purpose financial statements have been prepared under the going concern assumption, and consequently, no adjustments have been made to the carrying values or classification of balance sheet accounts. Our opinion is not qualified in respect of this matter.

Opinion

In our opinion, the special purpose financial statements of the Company for the period ended 31 May 2013 are prepared, in all material respects, in accordance with the basis of preparation as set out in Note 2 of the notes to the special purpose financial statements.

Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to Note 2 to the special purpose financial statement, which describes the basis of preparation of special purpose financial statement. The special purpose financial statements are prepared to assist the Company to submit the financial details to the Securities Exchange Board of India ("SEBI") for the purpose as stated in Note 2 to the special purpose financial statement. As a result, the special purpose financial statements may not be suitable for another purpose.

For S.R.BATLIBOI & ASSOCIATES LLP
ICAI Firm registration No.: 101049W
Chartered Accountants



per Adarsh Ranka
Partner
Membership No.: 209567

Place : Bengaluru, India
Date : 06 November 2013



Mphasis Finsource Limited

Balance Sheet as at 31 May 2013

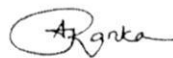
	Notes	₹ 31 May 2013
Equity and Liabilities		
Shareholders' funds		
Share capital	3.1	500,000
Reserves and surplus	3.2	(9,671,269)
		(9,171,269)
Non - current liabilities		
Long-term provisions	3.3	1,874,307
		1,874,307
Current liabilities		
Trade payables	3.4	214,161,320
Other current liabilities	3.5	5,887,621
Short-term provisions	3.3	1,780,557
		221,829,498
TOTAL		214,532,536
Assets		
Non - current assets		
Fixed assets		
Tangible assets	3.6	18,106,254
Intangible assets	3.6	2,713,489
Long-term loans and advances	3.7	30,705,373
		51,525,116
Current assets		
Trade receivables	3.8	18,306,501
Cash and bank balances	3.9	98,565,720
Short-term loans and advances	3.7	14,740,440
Other current assets	3.10	31,394,759
		163,007,420
TOTAL		214,532,536

Summary of significant accounting policies: 2.1

The accompanying notes are an integral part of the special purpose financial statements

As per our report of even date.

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



per Adarsh Ranka
Partner
Membership No. 209567

Bengaluru
06 November 2013



For and on behalf of the Board of Directors


Kishore G R
Director



Bengaluru
06 November 2013



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For Mphasis Finsource Limited


Director

Mphasis Finsource Limited

Statement of profit and loss for the period ended 31 May 2013

	Notes	₹ 31 May 2013
Income		
Revenue from operations		71,487,031
Other income	3.11	1,713,783
Total revenue (I)		73,200,814
Expenses		
Employee benefits expense	3.12	37,150,792
Finance costs	3.13	1,066
Depreciation and amortisation expense	3.6	4,132,657
Other expenses	3.14	35,369,259
Total expenses (II)		76,653,774
Loss before tax (II)-(I)		3,452,960
Tax expenses		
Current tax		-
Deferred tax charge		7,306,000
Total tax expense		7,306,000
Loss for the period		10,758,960
Loss per equity share, [nominal value of shares ₹ 10]		
Basic & Diluted (₹)	3.15	215.18
Weighted average number of equity shares considered		
Basic & Diluted		50,000

Summary of significant accounting policies. 2.1

The accompanying notes are an integral part of the special purpose financial statements.

As per our report of even date

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



per Adarsh Ranka
Partner
Membership No. 209567

Bengaluru
06 November 2013

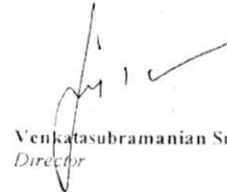


For and on behalf of the Board of Directors



Kishore G R
Director

Bengaluru
06 November 2013



Venkatasubramanian Suryanarayanan
Director



CERTIFIED TRUE COPY
For Mphasis Finsource Limited



Director

Mphasis Finsource Limited

Notes to the Special Purpose Financial Statements

1. Corporate Information

Mphasis Finsource Limited was incorporated on 8 June 2006 to set up and manage call centres and carry out business process outsourcing service to its clients.

The Company is a subsidiary of Mphasis Limited ("ML", the parent company). In terms of a merger agreement executed between Electronic Data Systems Corporation, Hewlett-Packard Company ("HP") and Hawk Merger Corporation, the last named company merged into Electronic Data Systems Corporation on 26 August 2008. As a result of this merger, Electronic Data Systems Corporation became a 100% subsidiary of HP and was renamed as Electronic Data Systems LLC. Prior to the above merger Electronic Data System Corporation was the ultimate holding company, however subsequent to the merger, HP became the ultimate holding company of Mphasis Finsource Limited.

2. Basis of preparation

The special purpose financial statements of Mphasis Finsource Limited ('the Company') have been prepared and presented under the historical cost convention on the accrual basis of accounting and to comply with measurement and recognition principles of applicable Accounting Standards ('AS') prescribed in the Companies (Accounting Standards) Rules, 2006 (as amended) and other pronouncements of the Institute of Chartered Accountants of India ('ICAI') and the relevant provisions of Companies Act, 1956. The management has prepared the financial statement under special purpose framework containing select information and does not contain cash flow statement and comparatives.

The special purpose financial statements for two-months ended 31 May 2013 are prepared to assist the Company to submit the financial details to the Securities Exchange Board of India ("SEBI") for seeking approval under Clause 24(f) of the Listing Agreement on the Scheme of Amalgamation of Mphasis Finsource Limited with Mphasis Limited.

2.1 Summary of significant accounting policies

a. Use of estimates

The preparation of special purpose financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities on the date of the special purpose financial statements and the reported amounts of revenues and expenses. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

b. Revenue recognition

The Company derives its revenues from call centres and business process outsourcing services (BPO). Revenues from BPO services arises from both time-based and unit priced client contracts. Such revenue is recognised on completion of the related service and is billable in accordance with the specific terms of the contracts with clients. 'Unbilled revenues' included in current assets represent revenues in excess of amounts billed as at the balance sheet date. 'Unearned receivables' included in current liabilities represents the billing in excess of revenues recognised as at the balance sheet date. Advances received for services are reported as liabilities until all conditions of revenue recognition are met. Interest on the deployment of funds is recognised using the time-proportion method, based on underlying interest rates.

c. Fixed assets and capital work-in-progress

Fixed assets are stated at the cost of acquisition or construction less accumulated depreciation. Direct costs are capitalised until assets are ready to be put to use. Borrowing costs directly attributable to acquisition or construction of those fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalised. Fixed assets purchased in foreign currency are recorded at cost based on exchange rate on the date of purchase. Acquired intangible assets are capitalised at the acquisition price.

Advances paid towards acquisition of fixed assets are disclosed as capital advance under long term loans and advances and the cost of assets not ready for use as at the balance sheet date are disclosed under capital work-in-progress.



Mphasis Finsource Limited

Notes to the Special Purpose Financial Statements

d. Depreciation and amortisation

Depreciation on fixed assets is provided using the straight-line method over the estimated useful lives of assets. Depreciation is charged on a proportionate basis for all assets purchased and sold during the period. Individual assets costing ₹ 5,000 or less are depreciated in full in the period of purchase. The estimated useful lives of assets are as follows:

<u>Assets</u>	<u>Years</u>
Plant and machinery (including telecom equipments)	5
Computer equipment	5
Office equipment	5
Furniture and fixtures	5
Vehicles	5

Fixed assets purchased for specific projects are depreciated over the life of the project or estimated useful life, whichever is lower.

Leasehold improvements are amortized over the remaining lease term or 5 years, whichever is shorter. Purchased application software and internally generated software that is an integral part of the Company's computer systems, expected to provide lasting benefits, is capitalised at cost and amortised on the straight-line method over its estimated useful life or 3 years, whichever is shorter.

e. Leases

Lease where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

f. Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that a fixed asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the statement of profit and loss. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

g. Employee benefits

Gratuity which is a defined benefit is accrued based on independent actuarial valuation/best estimate which is done based on project unit credit method as at the balance sheet date. Actuarial gains/losses are immediately taken to statement of profit and loss and are not deferred.

The cost of short term compensated absence is provided for based on estimates. 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. Long term compensated absences cost are provided for based on actuarial valuation which is done based on project unit credit method.

Contributions payable to recognised provident fund, which is a defined contribution scheme, is charged to the statement of profit and loss. The Company's liability is limited to the contribution made to the fund.

h. Foreign currency

Foreign exchange transactions are recorded at the rates of exchange prevailing on the dates of the respective transactions. Exchange differences arising on foreign exchange transactions settled during a period are recognized in the statement of profit and loss of that period.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the exchange rates on that date. The resultant exchange differences are recognized in the statement of profit and loss.



Mphasis Finsource Limited

Notes to the Special Purpose Financial Statements

i. Income taxes

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India. Deferred income taxes reflects the impact of current period timing differences between taxable income and accounting income for the period and reversal of timing differences of earlier periods.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognised only 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. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the period in which the Minimum Alternative tax (MAT) credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the statement of profit and loss and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

j. Provisions and contingent liabilities

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

Provisions for onerous contracts, i.e. contracts where the expected unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it, are recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event, based on a reliable estimate of such obligation. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

k. Earnings per share

The basic earnings per share is computed by dividing the net profit / loss 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 would 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 period, 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 the average market value of the outstanding shares. In computing dilutive earnings per share, only potential equity shares that are dilutive and that either reduce earnings per share or increase loss per share are included.



Mphasis Finsource Limited

Notes to the Special Purpose Financial Statements

3. The Company was setup to provide support services to the State Bank of India ("SBI") by establishing customer contact centers under Build, Operate and Transfer (BOT) Model. As per the BOT arrangement, SBI had an option either to acquire the Vendor, and/or the facilities, and/or the contact centre and contact centre personnel in full or in part (70% or 100%) on or after the completion of the term of the agreement. The term of the agreement expired on 30 September 2013 and SBI has expressed its intention not to exercise the BOT model. In view of the non-exercise of the BOT model by SBI and for administrative convenience, the Board of Directors of the Company in its meeting held on 27 September 2013 had approved the Amalgamation of Mphasis Finsource Limited with its parent company, Mphasis Limited. Management is confident of obtaining the required approvals and using the assets of the Company for alternative business opportunities. Accordingly, the special purpose financial statements have been prepared on the going concern assumption.

	₹
	31 May 2013
3.1 SHARE CAPITAL	
Authorised shares	
200,000 equity shares of ₹ 10 each	2,000,000
Issued, subscribed and paid-up shares	
50,000 equity shares of ₹ 10 each fully paid up	500,000
Total issued, subscribed & fully paid up share capital	500,000

A. Terms and rights attached to the equity shares :

The Company has only one class of equity shares having par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays the dividends in Indian Rupees. The Dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the Company the holders of equity shares will be entitled to receive remaining assets of the Company, after the distribution of all the preferential amounts. The distribution will be in proportion to the number of equity shares held by the share holders.

B. Shares held by the holding company :

	31 May 2013
Mphasis Limited : 49,994 equity shares of ₹ 10 each fully paid	499,940

C. Details of Shareholders holding more than 5% shares in the Company :

	31 May 2013	
	Number	% of holding
Mphasis Limited	49,994	99.99

As per records of the Company, including its register of shareholders/members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

	₹
	31 May 2013
3.2 RESERVES AND SURPLUS	
Surplus/(deficit) in the statement of profit and loss	
Balance as per last financial statements	1,087,691
(Loss) for the period	(10,758,960)
Net (deficit) in the statement of profit and loss	(9,671,269)
Total reserves and surplus	(9,671,269)



Mphasis Finsource Limited

Notes to the Special Purpose Financial Statements

	31 May 2013	
	Current	Non Current
3.3 PROVISIONS		
Provision for employee benefits		
Provision for gratuity	473,739	1,874,307
Provision for leave benefits	1,306,818	-
	<u>1,780,557</u>	<u>1,874,307</u>
3.4 TRADE PAYABLES		
Trade payables	193,308,686	-
Salary related costs	20,852,634	-
	<u>214,161,320</u>	<u>-</u>
3.5 OTHER LIABILITIES		
Statutory dues	5,396,574	-
Rent equalisation reserve	462,997	-
Capital creditors	28,050	-
	<u>5,887,621</u>	<u>-</u>



Mphasis FinsourceE Limited

Notes to the Special Purpose Financial Statements

3.6 Tangible & Intangible Assets

	Tangible Assets							Intangible Asset		Total
	Plant and Machinery	Computer equipment	Office equipment	Furniture and fixtures	Vehicles	Leasehold improvements	Total of Tangible Assets	Computer Software	Total of Intangible Assets	
Cost										
At 01 April 2013	72,379,655	26,956,658	2,389,665	2,471,929	718,686	7,079,749	111,996,341	44,476,767	44,476,767	156,473,108
Additions	-	39,768	3,429	3,553	-	-	46,750	-	-	46,750
Disposals	-	-	-	-	718,686	-	718,686	-	-	718,686
At 31 May 2013	72,379,655	26,996,426	2,393,094	2,475,482	-	7,079,749	111,324,405	44,476,767	44,476,767	155,801,172
Depreciation										
At 01 April 2013	56,648,598	24,763,323	1,790,015	1,769,234	246,913	5,500,579	90,718,661	40,388,838	40,388,838	131,107,499
Charge for the period	1,843,636	211,408	78,075	127,699	11,814	485,585	2,758,217	1,374,440	1,374,440	4,132,657
Disposals	-	-	-	-	258,727	-	258,727	-	-	258,727
At 31 May 2013	58,492,234	24,974,731	1,868,090	1,896,933	-	5,986,164	93,218,151	41,763,278	41,763,278	134,981,429
Net Block										
At 31 May 2013	13,887,421	2,021,695	525,004	578,549	-	1,093,585	18,106,254	2,713,489	2,713,489	20,819,743



MphasiS Finsource Limited

Notes to the Special Purpose Financial Statements

	₹	
	31 May 2013	
	Current	Non Current
3.7 LOANS AND ADVANCES		
Unsecured, considered good		
Security deposits		
Premises	5,055,400	-
Others	123,845	-
Advance recoverable in cash or kind		
Prepaid expenses	8,182,881	-
Advance income tax (net of provision for taxation)	-	30,705,373
Balance with statutory/government authorities	36,008	-
Inter Company:		
Recoverable from group companies	1,342,306	-
	14,740,440	30,705,373
3.8 TRADE RECEIVABLES		
Outstanding for a period exceeding six months from the date they are due for payment, unsecured		
Unsecured		
Considered doubtful	-	45,398
Less: Provision for doubtful receivables	-	(45,398)
Other receivables		
Considered good	18,306,501	-
	18,306,501	-
3.9 CASH AND BANK BALANCES		
Cash and cash equivalents		
Balances with Bank		
On current accounts	13,398,372	-
Deposits with maturity less than 3 months	65,167,348	-
	78,565,720	-
Other bank balances		
Deposits with original maturity for more than 3 months but less than 12 months	20,000,000	-
	98,565,720	-
3.10 OTHER ASSETS		
Unbilled revenues	31,120,182	-
Expense incurred on behalf of customers	274,577	-
	31,394,759	-



Mphasis Finsource Limited

Notes to the Special Purpose Financial Statements

	₹
	Two months ended 31 May 2013
3.11 OTHER INCOME	
Interest income on	
Bank deposits	505,276
Profit on sale of fixed assets, net	35,654
Sublease income	1,172,853
	<u>1,713,783</u>
3.12 EMPLOYEE BENEFIT EXPENSES	
Salary and allowances	30,932,772
Contribution to provident and other funds	2,731,935
Gratuity expense	110,994
Staff welfare expense	3,375,091
	<u>37,150,792</u>
3.13 FINANCE COST	
Interest others	1,066
	<u>1,066</u>
3.14 OTHER EXPENSES	
Travel	734,896
Communication expenses	572,769
Rent	6,068,961
Power and fuel	7,603,205
- Plant and machinery	3,811,533
- Others	1,069,025
Professional charges	1,733,067
Bank charges	154,973
Recruitment expenses	669,689
Sub contractor charges	8,401,023
Security charges	937,481
Software support and annual maintenance charges	2,294,402
Exchange differences (net)	48,250
Miscellaneous expenses	1,269,985
	<u>35,369,259</u>
3.15 LOSS PER SHARE :	
Loss after tax	10,758,960
Number of weighted average shares considered for calculation of basic & diluted loss per share	50,000
Loss per share: Basic & Diluted	<u>215.18</u>




Mphasis Finsource Limited

Notes to the Special Purpose Financial Statements

4. Contingent liabilities and commitments

1. Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for as at 31 May 2013: ₹ Nil.
2. Guarantees outstanding including those furnished to the Department of Telecom as at 31 May 2013: ₹ 55,000.

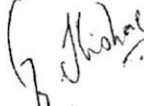
For S.R. BATLIBOI & ASSOCIATES LLP
Firm registration number: 101049W
Chartered Accountants

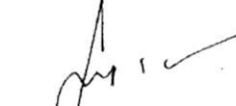

per Adarsh Ranka
Partner
Membership No. 209567

Bengaluru
06 November 2013



For and on behalf of the Board of Directors


Kishore G R
Director

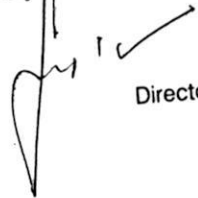

Venkatasubramanian Suryanarayanan
Director

Bengaluru
06 November 2013



CERTIFIED TRUE COPY

For Mphasis Finsource Limited


Director



Mphasis Limited
Regd. Office
Bajmangalwar Towers, 2nd Floor
Mangalwar Dufferin Road
Boddanahundi V. Nagar
Manipal
Bangalore - 560 048 India
Ph: +91 080 3352 0900
Fax: +91 080 6696 9500

The General Manager,
Department of Corporate Services,
BSE Limited,
P.J. Towers, Dalal Street,
Mumbai - 400 001.

Scrip Code: 526299 ISIN: INE356A01018

Dear Sir/Madam,

Kind Attention : Smita Khare/Jayesh Ashtekar

Sub: Application for approval under Clause 24(f) of the Listing Agreement for the proposed amalgamation of Mphasis Finsource Limited (The "Transferor Company") Wholly owned subsidiary with Mphasis Limited (The "Transferee Company").

In connection with the above application, we hereby confirm that:

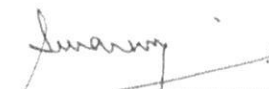
- a) The proposed scheme of amalgamation/ arrangement does not in any way violate or override or circumscribe the provisions of the SEBI Act, 1992, the Securities Contracts (Regulation) Act, 1956, the Depositories Act, 1996, the Companies Act, 1956, the rules, regulations and guidelines made under these Acts, and the provisions as explained in clause 24(g) of the Listing agreement or the requirements of BSE Limited.
- b) ~~In the explanatory statement to be forwarded by the company to the shareholders u/s 393 or accompanying a proposed resolution to be passed u/s 100 of the Companies Act, it shall disclose:~~
 - i) ~~the pre and post amalgamation shareholding pattern and~~
 - ii) ~~the "fairness opinion" obtained from an Independent merchant banker on valuation of assets of the Transferor Company.~~
 - iii) ~~The Complaint report as per Annexure III.~~
 - iv) ~~The observation letter issued by the stock exchange~~

Not Applicable . The Company has provided an undertaking which is now certified by the Chartered Accountant under Para 5.16(a) of SEBI Circular dated 21 May 2013 stating the non applicability of all the prescribed conditions under Para 5,16 (a) with reasons. Therefore , in terms of Para 5.16(b) of the SEBI Circular dated 21 May 2013 , the requirements stated at 5.16(a) shall not be applicable to the Company and hence, there is no requirement for holding meeting of the shareholders. Also, the requirement to send notice to such shareholders does not arise.



- c) The draft scheme of amalgamation/ arrangement together with all documents mentioned in amended SEBI Circular no. CIR/CFD/DIL/5/2013 dated February 4, 2013 has been disseminated on company's website as per Website link given hereunder:
www.mphasis.com
- d) The company shall disclose the observation letter of the stock exchange on its website within 24 hours of receiving the same.
- e) ~~The company shall obtain shareholders' approval by way of special resolution passed through postal ballot/ e-voting. Further, the company shall proceed with the draft scheme only if the vote cast by the public shareholders in favor of the proposal is more than the number of votes cast by public shareholders against it.~~ Not Applicable for reasons stated under pt. b.
- f) The documents filed by the Company with the Exchange are same/ similar/ identical in all respect, which have been filled by the Company with Registrar of Companies/SEBI/Reserve Bank of India, wherever applicable.
- g) There will be no alteration in the Share Capital of the unlisted transferor company from the one given in the draft scheme of amalgamation/ arrangement.

For Mphasis Limited



A Sivaram Nair
SVP, Company Secretary,
General Counsel & Ethics Officer

Date: 4 November 2013





Mphasis Limited
Company Secretary
Bangalore

Annexure II

RECONCILIATION OF PAID UP CAPITAL FOR THE PERIOD 1 APRIL 2013 TO 30 SEPTEMBER 2013
Face Value per share : Rs 10/- each

Sl.No.	Date of Issue	Particulars	Total Shares issued	Total Paid Up Capital (in Rs.)
1		Paid Up Capital as on the appointed date viz. 1 April 2013		2,101,249,970
2	20-May-13	Add: Allotment of shares against exercise of stock options	1,402	
3	31-May-13	Add: Release of bonus shares from abeyance	700	
Total Paid Up Capital as on 30 September 2013			2,102	2,101,270,990

for Mphasis Limited


A Sivaram Nair

SVP, Company Secretary, General Counsel & Ethics Officer



MPHISIS LIMITED

CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER AND NINE
MONTHS ENDED JULY 31 13



**Audited Condensed Financial Statements
for the quarter and nine months ended 31 July 2013**

	Page
Auditors' Report	- 1
Condensed Balance Sheet	2
Condensed Statement of Profit and Loss	3
Explanatory Notes to the Condensed Financial Statements	4
Condensed Cash Flow Statement	7

S.R. BATLIBOI & ASSOCIATES LLP
Chartered Accountants

12th & 13th Floor
"UB City" Canberra Block
No. 24, Vittal Mallya Road
Bengaluru-560 001, India
Tel : +91 80 4027 5000
Fax : +91 80 2210 6000

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Mphasis Limited

We have audited the accompanying interim condensed financial statements of Mphasis Limited ("the Company"), which comprise the interim condensed Balance Sheet as at 31 July 2013, and the interim condensed Statement of Profit and Loss for the quarter and nine-months then ended and interim condensed Cash Flow Statement for the nine-months then ended, and a summary of select explanatory notes.

Management's Responsibility for the Interim Condensed Financial Statements

Management is responsible for the preparation of these interim condensed financial statements in accordance with the requirements of Accounting Standard (AS) 25 referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the interim condensed financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these interim condensed financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the interim condensed financial statements are free from material misstatement.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the accompanying interim condensed financial statements have been prepared, in all material respects, in accordance with the requirements of AS 25 referred to in sub-section (3C) of section 211 of the Act.

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



per Adarsh Ranka
Partner
Membership No.: 209567

Place: Bengaluru
Date: 29 August 2013



Mphasis Limited

Condensed Balance Sheet as at 31 July 2013

	(₹ millions)	
	31 July 2013	31 October 2012
Equity and liabilities		
Shareholders' funds		
Share capital	2,101.34	2,101.14
Reserves and surplus	37,678.40	34,220.05
	39,779.74	36,321.19
Non-current liabilities		
Trade payables	21.75	-
Other long-term liabilities	0.40	21.55
Long-term provisions	367.94	127.90
	392.09	149.45
Current liabilities		
Short-term borrowing	3,020.25	2,690.25
Trade payables	5,716.58	5,825.50
Other current liabilities	516.76	522.08
Short-term provisions	1,775.00	5,414.38
	11,028.59	14,452.21
Total	51,200.42	50,922.85
Assets		
Non-current assets		
Fixed assets		
Tangible assets	701.46	1,103.37
Intangible assets	116.80	103.66
Capital work-in-progress	-	0.02
Intangible assets under development	6.03	119.25
Non-current investments [refer note 2.5]	22,332.90	8,602.82
Deferred tax assets (net)	703.79	833.91
Long-term loans and advances	4,285.70	2,883.28
Other non-current assets	101.83	171.87
	28,248.51	13,818.18
Current assets		
Current investments [refer note 2.5]	9,661.81	21,181.75
Trade receivables	6,140.59	6,212.85
Cash and bank balances	2,176.74	1,562.97
Short-term loans and advances	2,007.84	4,039.41
Other current assets	2,964.93	4,107.69
	22,951.91	37,104.67
Total	51,200.42	50,922.85


Explanatory notes annexed
The explanatory notes form an integral part of these condensed financial statements
As per our report of even date.

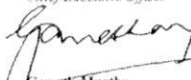
For S.R. BATLIBOI & ASSOCIATES LLP For and on behalf of the Board of Directors
ICAI Firm registration number: 101049W
Chartered Accountants


per Adarsh Ranka
Partner
Membership No. 209557



Bengaluru
29 August 2013


Balu Ganesh Ayyar
Chief Executive Officer

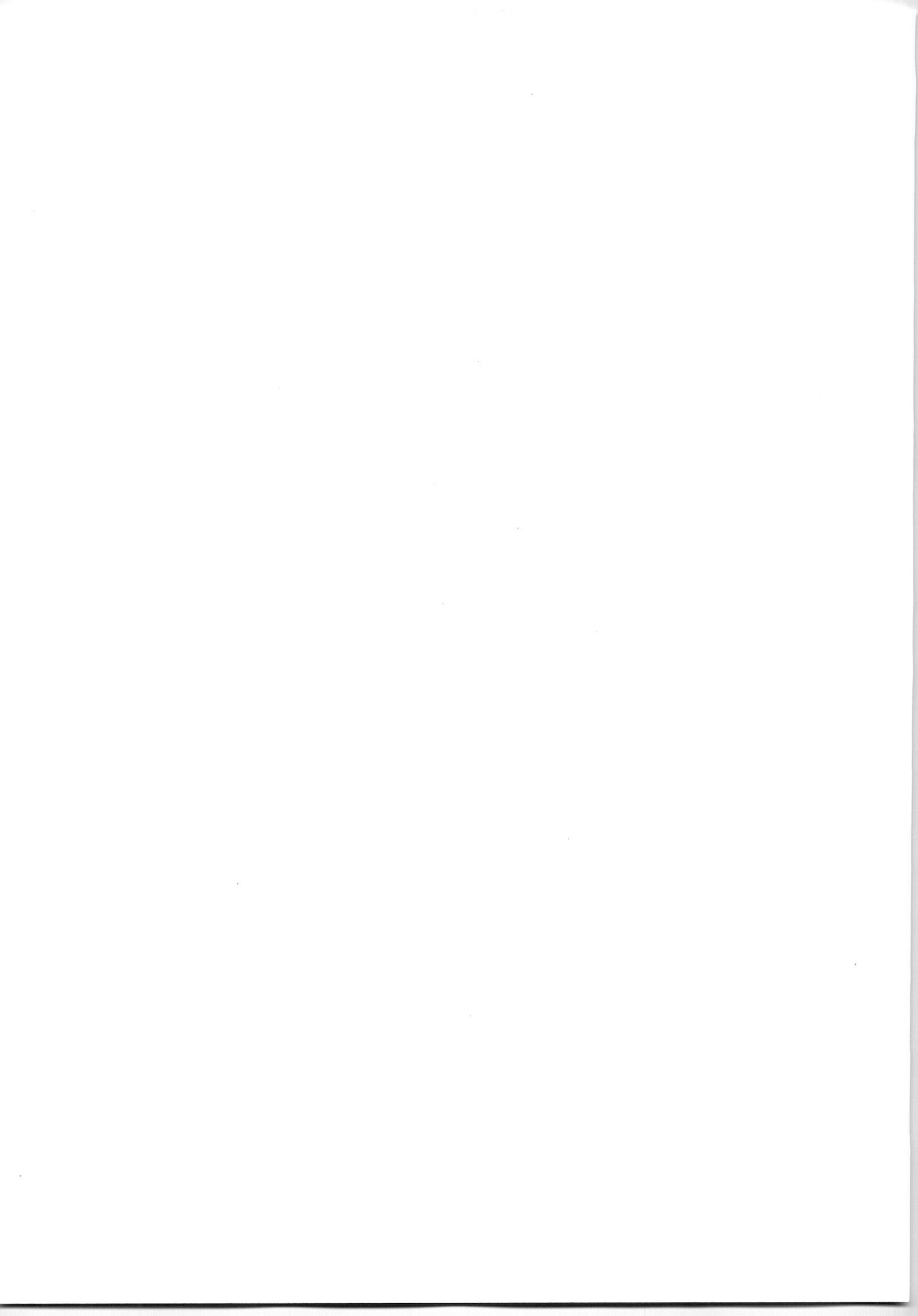

Ganesh Murthy
Executive Vice President &
Chief Financial Officer

Bengaluru
29 August 2013


Narayanan Kumar
Director


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





Mphasis Limited

Condensed Statement of Profit and Loss for the quarter and nine months ended 31 July 2013

(₹ millions)


	Quarter ended 31 July 2013	Quarter ended 31 July 2012	Nine months ended 31 July 2013	Nine months ended 31 July 2012
Income				
Revenue from operations [refer note 2.2(b)]	8,261.34	8,591.20	25,119.21	25,932.20
Other income	247.18	422.59	918.61	1,097.12
Total revenue (I)	8,508.52	9,013.79	26,037.82	27,029.32
Expenses [refer note 2.2(b)]				
Purchase of traded goods	-	34.35	-	461.52
(Increase)/decrease in inventories	-	59.66	-	-
Employee benefits expense	3,865.06	3,819.32	11,409.33	11,706.36
Finance costs	37.18	34.19	50.85	110.05
Depreciation and amortization expense	193.18	284.18	643.87	882.03
Other expenses	2,618.29	2,894.31	8,337.37	8,461.85
Total expenses (II)	6,713.71	7,126.01	20,441.42	21,621.81
Profit before tax (I) - (II)	1,794.81	1,887.78	5,596.40	5,407.51
Tax expenses				
Current tax [refer note 2.2(b) & 2.4]	510.62	433.53	1,338.30	1,050.51
Deferred tax charge / (credit)	(10.57)	(100.93)	130.11	(94.68)
Minimum alternative tax credit entitlement (for earlier years)	-	-	(25.76)	(26.90)
Total tax expense	520.05	332.60	1,442.65	928.93
Profit for the period	1,274.76	1,555.18	4,153.75	4,478.58

Earnings per equity share [nominal value of shares ₹ 10 (31 July 2012 : ₹ 10)]

Basic (₹)	6.07	7.40	19.77	21.32
Diluted (₹)	6.06	7.39	19.74	21.28
Weighted average number of shares - Basic	210,126,809	210,102,566	210,120,373	210,079,814
Weighted average number of shares - Diluted	210,425,665	210,464,287	210,432,888	210,478,587

Explanatory notes annexed.
The explanatory notes form an integral part of these condensed financial statements.
As per our report of even date.

For S.R. BATLIBOI & ASSOCIATES LLP For and on behalf of the Board of Directors
ICAI Firm registration number: 101049W
Chartered Accountants


per Adarsh Rauka
Partner
Membership No. 209567



Bengaluru
29 August 2013


Balu Ganesh Ayyar
Chief Executive Officer

Ganesh Murthy
Executive Vice President &
Chief Financial Officer

Bengaluru
29 August 2013


Narayanan Kumar
Director

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



Mphasis Limited

Explanatory Notes to the Condensed Financial Statements for the quarter and nine months ended 31 July 2013

1 BASIS OF PREPARATION

The accompanying interim condensed financial statements of Mphasis Limited ('the Company') for the quarter and nine months ended 31 July 2013 has been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with generally accepted accounting principles in India. The Company has followed Accounting Standards prescribed by Companies (Accounting Standards) Rules, 2006, (as amended) for the purpose of these condensed financial statements.

2 EXPLANATORY NOTES

2.1 The Company has followed the same accounting policies in preparation of the condensed financial statements as those followed in preparation of the annual financial statements as at and for the year ended 31 October 2012. These interim condensed financial statements should be read in conjunction with the audited financial statements and the related notes for the year ended 31 October 2012.

2.2 (a) Loans and advances include service tax input credit receivable, (net) of ₹ 1,667.81 millions (31 October 2012: ₹ 1,941.02 millions). Based on legal opinion obtained by the Company, service tax liability on imported services under "Import of Services Rules" have been discharged using accumulated balance available in CENVAT Credit Account for the period 1 December 2010 to 31 March 2011. Effective 1 April 2011 such position is reversed and service tax liability on select imported services under "Import of Services Rules" have been discharged in cash. Further, the Company has obtained legal opinions in support of its position on non applicability of service tax under 'Import of Services Rules' on onsite services provided by foreign vendors (including group companies).

The management, per the legal opinions, is confident that the legal positions taken by the Company are tenable and defensible under law.

(b) The Company is eligible for tax benefit in respect of profits generated from special economic zones ('SEZ') under Section 10AA of the Income Tax Act, 1961 ('Act'). The management has relied on the explanations provided in the Act and consultant's advice regarding formation of SEZ units and inter unit costs while considering revenue and profits arising from SEZ units for the tax financial year 2012-13. Further, pursuant to introduction of domestic transfer pricing regulation, effective 1 April 2012, the Company has undertaken a transfer pricing study and analysis of its domestic transactions between the related parties. As a result, revenue of ₹ 733.00 millions with corresponding cost of ₹ 666.00 millions relating to the period 1 April 2012 to 31 January 2013, has been accounted during the quarter ended 30 April 2013, which was initially cross charged by the Company to domestic related parties by crediting the cost. On the above matters, an incremental tax liability of ₹ 121.91 millions has been provided during the previous quarter ended 30 April 2013. The management is confident that the provision made in respect of aforementioned matters is adequate.

2.3 On 22 July 2013, the Board of Directors of Mphasis Lanka (Private) Limited, a wholly owned subsidiary of the Company, resolved to close the operations by September 2013. Accordingly, an amount of ₹ 62.33 millions towards investment and inter-company receivables has been provided for in the financial statement of the Company.

2.4 Current tax for the quarter and nine months ended 31 July 2013 include provision for earlier years amounting to ₹ 91.33 millions and ₹ 91.33 millions respectively (quarter and nine months ended 31 July 2012 is net of reversal of provision for earlier years amounting to ₹ Nil and ₹ 180.90 millions respectively).

2.5 Effective 1 July 2013, the Company has re-assessed its intention to hold certain investments in mutual funds held as current to a period more than twelve months and accordingly, investments aggregating to ₹ 8,163.89 millions have been transferred to non-current investments at lower of cost or market value as on the said date.

2.6 Contingent liabilities and commitments

(a) The Company has received assessment orders for the financial years ended 31 March 2004, 31 March 2005, 31 March 2006, 31 March 2007, 31 March 2008 and 31 March 2009, 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 ₹ 1,761.68 millions (31 October 2012: ₹ 1,503.02 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 amount to ₹ 3,126.57 millions (31 October 2012: ₹ 1,110.80 millions) net of bank guarantees aggregating to ₹ 3,345.75 millions (31 October 2012: ₹ Nil). The management, basis legal opinion is of the view that these demands are not tenable.

(b) Other outstanding bank guarantees as at 31 July 2013: ₹ 531.06 millions (31 October 2012: ₹ 619.30 millions), including those furnished on account of jointly controlled operations ₹ 108.70 millions (31 October 2012: ₹ 235.74 millions).

(c) The Company has issued performance guarantee on behalf of its subsidiaries for any future liabilities which may arise out of contracts and to certain clients for executed contracts.



Mphasis Limited

Explanatory Notes to the Condensed Financial Statements for the quarter and nine months ended 31 July 2013

2.7 Segment reporting

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

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'.

Primary segment information

	(₹ millions)			
	Quarter ended 31 July 2013	Quarter ended 31 July 2012	Nine months ended 31 July 2013	Nine months ended 31 July 2012
Segment revenue				
Banking and Capital Market	1,847.45	1,701.46	5,501.85	5,202.15
Insurance	1,259.33	1,092.30	3,489.18	3,128.16
Information Technology, Communication and Entertainment	1,824.05	2,628.77	6,125.38	7,697.00
Emerging Industries	3,534.27	3,645.26	10,611.04	10,859.45
Unallocated - Hedge	(203.76)	(476.59)	(608.24)	(954.56)
	8,261.34	8,591.20	25,119.21	25,932.20
Segment profit				
Banking and Capital Market	330.59	455.24	1,125.22	1,243.28
Insurance	378.19	339.52	958.43	885.38
Information Technology, Communication and Entertainment	444.21	643.66	1,633.33	1,874.16
Emerging Industries	1,276.45	1,134.60	3,308.61	3,122.73
Unallocated - Hedge	(203.76)	(476.59)	(608.24)	(954.56)
	2,225.68	2,096.43	6,417.35	6,170.99
Interest income	4.32	14.14	15.68	36.97
Finance costs	(37.18)	(34.19)	(50.85)	(110.05)
Other income	242.86	408.45	902.93	1,060.15
Other unallocable expenditure	(640.87)	(597.05)	(1,688.71)	(1,750.55)
Profit before taxation	1,794.81	1,887.78	5,596.40	5,407.51
Income taxes	520.05	332.60	1,442.65	928.93
Profit after taxation	1,274.76	1,555.18	4,153.75	4,478.58



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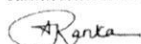
Mphasis Limited

Explanatory Notes to the Condensed Financial Statements for the quarter and nine months ended 31 July 2013

	(₹ millions)	
	31 July 2013	31 October 2012
Segment assets		
Banking and Capital Market	2,689.02	2,661.78
Insurance	1,209.22	1,478.21
Information Technology, Communication and Entertainment	3,210.87	4,676.38
Emerging Industries	4,887.19	5,449.69
Unallocated	39,204.12	36,656.79
	51,200.42	50,922.85
Segment liabilities		
Banking and Capital Market	1,540.97	1,205.56
Insurance	913.97	912.69
Information Technology, Communication and Entertainment	1,564.51	1,793.24
Emerging Industries	2,600.41	2,706.36
Unallocated	4,800.82	7,983.81
	11,420.68	14,601.66
Capital Employed		
Banking and Capital Market	1,148.05	1,456.22
Insurance	295.25	565.52
Information Technology, Communication and Entertainment	1,646.36	2,883.14
Emerging Industries	2,286.78	2,743.33
Unallocated	34,403.30	28,672.98
	39,779.74	36,321.19

2.8 These condensed financial statements have been presented in accordance with revised Schedule VI notified under the Companies Act, 1956 and adopted by the Company for the financial year ended 31 October 2012. Therefore, the figures of the previous periods have been regrouped/reclassified wherever necessary to conform to current period's classification.

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



per Adarsh Ranka
Partner
Membership No. 209567

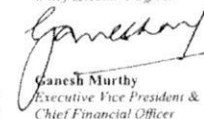


Bengaluru
29 August 2013

For and on behalf of the Board of Directors



Balu Ganesh Ayyar
Chief Executive Officer



Ganesh Murthy
Executive Vice President &
Chief Financial Officer

Bengaluru
29 August 2013



Narayanan Kumar
Director



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



Mphasis Limited

Condensed Cash flow statement for nine months ended 31 July 2013

	(₹ millions)	
	Nine months ended 31 July 2013	Nine months ended 31 July 2012
Cash flows generated by operating activities	6,419.75	4,681.04
Cash flows used in investing activities	(1,544.94)	(3,184.87)
Cash flows used in financing activities	(4,240.17)	(1,036.70)
Net increase in cash and cash equivalents	634.64	459.47
Cash and cash equivalents at beginning of the period	1,502.30	776.86
Cash and cash equivalents at end of the period	2,136.94	1,236.33
Cash in hand	-	0.03
Balance with banks	2,136.94	1,236.30
Total cash and cash equivalents	2,136.94	1,236.33


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

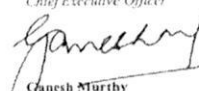

per Adarsh Ranka
Partner
Membership No. 209567

Bengaluru
29 August 2013



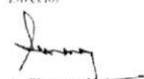
For and on behalf of the Board of Directors


Balu Ganesh Ayyar
Chief Executive Officer


Ganesh Murthy
Executive Vice President &
Chief Financial Officer

Bengaluru
29 August 2013


Narayanan Kumar
Director


A. Sivaram Murthy
Senior Vice President, Company
Secretary General Counsel &
Ethics Officer



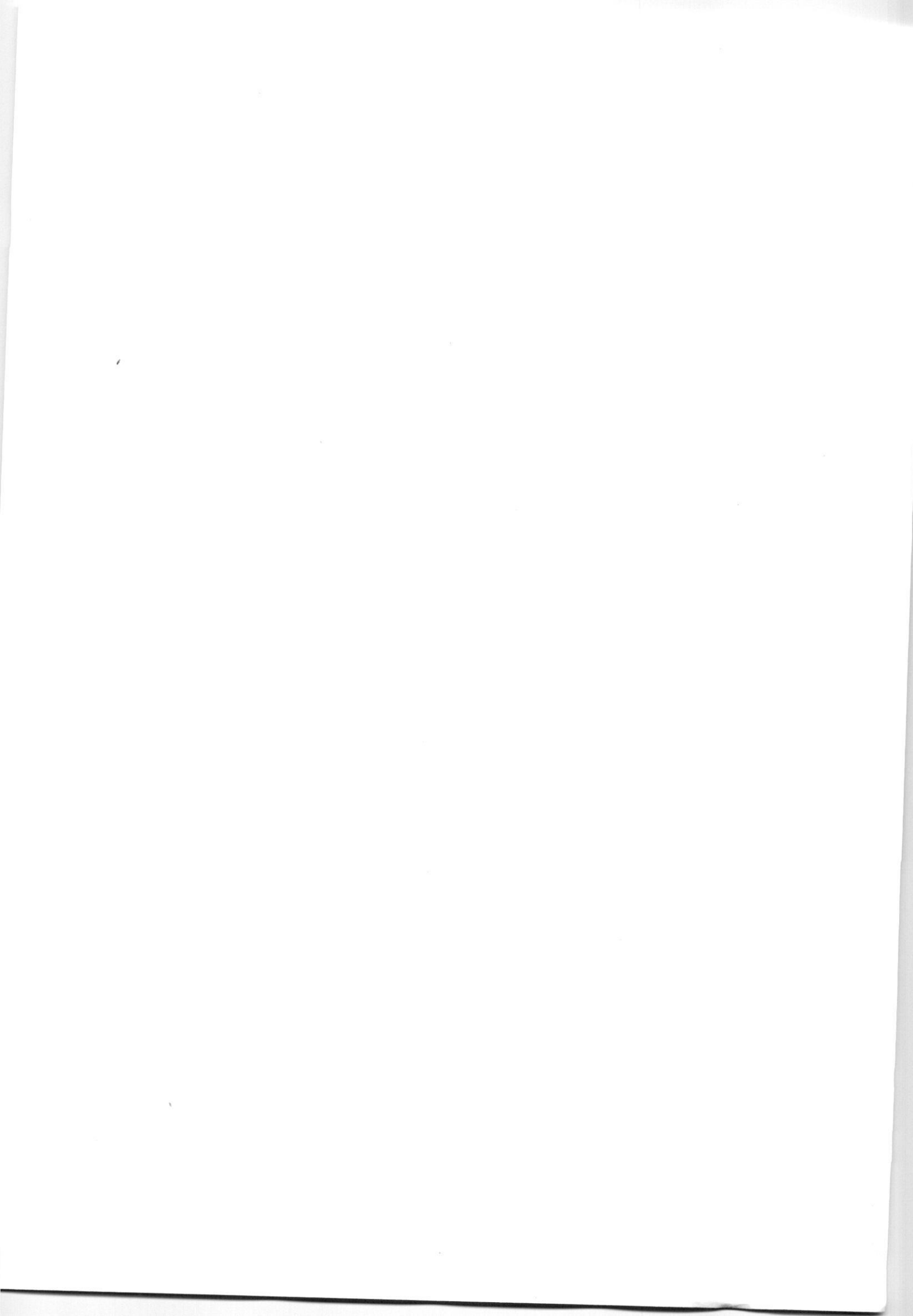
MPHISIS GROUP

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
QUARTER AND NINE MONTHS ENDED JULY 31, 2013



**Audited Condensed Consolidated Financial Statements
for the quarter and nine months ended 31 July 2013**

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Condensed Consolidated Statement of Profit and Loss	3
Explanatory Notes to the Condensed Consolidated Financial Statements	4
Condensed Consolidated Cash Flow Statement	9



S.R. BATLIBOI & ASSOCIATES LLP

Chartered Accountants

12th & 13th Floor
"UB City" Canberra Block
No. 24, Vittal Mallya Road
Bengaluru-560 001, India
Tel : +91 80 4027 5000
Fax : +91 80 2210 6000

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of MphasiS Limited

We have audited the accompanying interim condensed consolidated financial statements of MphasiS Limited ("the Company") and its subsidiaries (collectively the "Group"), which comprise the interim condensed consolidated Balance Sheet as at 31 July 2013, and the interim condensed consolidated Statement of Profit and Loss for the quarter and nine-months then ended and interim condensed consolidated Cash Flow Statement for the nine-months then ended, and a summary of select explanatory notes.

Management's Responsibility for the Interim Condensed Consolidated Financial Statements

Management is responsible for the preparation of these interim condensed consolidated financial statements in accordance with the requirements of Accounting Standard (AS) 25 referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the interim condensed consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

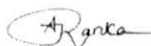
Our responsibility is to express an opinion on these interim condensed consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the interim condensed financial statements are free from material misstatement.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the accompanying interim condensed consolidated financial statements have been prepared, in all material respects, in accordance with the requirements of AS 25 referred to in sub-section (3C) of section 211 of the Act.

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


per Adarsh Ranka
Partner
Membership No.: 209567

Place: Bengaluru
Date: 29 August 2013



Mphasis Group
Condensed Consolidated Balance Sheet as at 31 July 2013

	(₹ millions)	
	31 July 2013	31 October 2012
Equity and liabilities		
Shareholders' funds		
Share capital	2,101.34	2,101.14
Reserves and surplus	48,723.44	41,946.19
	50,824.78	44,047.33
Non-current liabilities		
Long-term borrowings	5,164.63	-
Deferred tax liabilities (net)	58.36	71.00
Trade payables	23.75	-
Other long-term liabilities	719.68	72.93
Long-term provisions	367.94	124.98
	6,354.36	268.91
Current liabilities		
Short-term borrowings	3,020.25	2,690.25
Trade payables	7,057.84	6,248.21
Other current liabilities	3,534.52	2,239.94
Short-term provisions	2,512.45	5,903.07
	16,125.06	17,081.47
Total	73,304.20	61,397.71
Assets		
Non-current assets		
Fixed assets		
Tangible assets	1,830.75	1,936.02
Intangible assets	538.17	424.24
Capital work-in-progress	-	0.02
Intangible assets under development	190.71	119.25
Goodwill on consolidation	22,070.09	9,612.47
Non-current investments [refer note 2.10]	9,870.93	-
Deferred tax assets (net)	1,011.56	1,014.62
Long-term loans and advances	5,338.72	3,723.62
Other non-current assets	102.58	172.16
	40,953.51	17,002.40
Current assets		
Current investments [refer note 2.10]	12,501.53	25,192.30
Trade receivables	8,280.03	6,357.52
Cash and bank balances	4,418.16	4,124.40
Short-term loans and advances	1,618.31	2,735.21
Other current assets	5,532.66	5,985.88
	32,350.69	44,395.31
Total	73,304.20	61,397.71

Explanatory notes annexed.
 The explanatory notes form an integral part of these condensed consolidated financial statements.
 As per our report of even date.


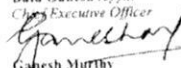
For S.R. BATLIBOI & ASSOCIATES LLP
 ICAI Firm registration number: 101049W
 Chartered Accountants


 per Adarsh Ranka
 Partner
 Membership No. 209567


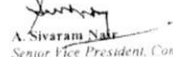


Bengaluru
 29 August 2013

For and on behalf of the Board of Directors


 Balu Ganesh Ayyar
 Chief Executive Officer

 Ganesh Murthy
 Executive Vice President &
 Chief Financial Officer

Bengaluru
 29 August 2013


 Narayanan Kumar
 Director

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



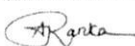
Mphasis Group

Condensed Consolidated Statement of Profit and Loss for the quarter and nine months ended 31 July 2013

	(₹ millions)			
	Quarter ended 31 July 2013	Quarter ended 31 July 2012	Nine months ended 31 July 2013	Nine months ended 31 July 2012
Income				
Revenue from operations	15,397.67	13,551.20	42,022.70	40,511.71
Other income	294.87	493.82	1,083.29	1,278.49
Total revenue (I)	15,692.54	14,045.02	43,105.99	41,790.20
Expenses				
Purchase of traded goods	-	34.35	69.62	461.52
(Increase) / decrease in inventories	-	59.66	-	-
Employee benefits expense	9,684.77	7,958.25	25,585.38	23,773.03
Finance costs	100.73	42.48	176.00	131.99
Depreciation and amortization expense	365.59	414.71	1,094.64	1,337.51
Other expenses	2,913.70	2,834.47	8,821.61	8,493.94
Total expenses (II)	13,064.79	11,343.92	35,747.25	34,197.99
Profit before tax (I)-(II)	2,627.75	2,701.10	7,358.74	7,592.21
Tax expenses				
Current tax [refer note 2.8(b) and 2.9]	708.48	671.61	1,864.53	1,725.82
Deferred tax charge / (credit)	(7.16)	(57.92)	(15.84)	63.16
Minimum alternative tax credit entitlement (for earlier years)	-	-	(25.76)	(26.90)
Total tax expense	701.32	613.69	1,822.93	1,762.08
Profit for the period	1,926.43	2,087.41	5,535.81	5,830.13
Earnings per equity share [nominal value of shares ₹ 10 (31 July 2012: ₹ 10)]				
Basic (₹)	9.17	9.94	26.35	27.75
Diluted (₹)	9.15	9.92	26.31	27.70
Weighted average number of shares - Basic	210,126,809	210,102,566	210,120,373	210,079,814
Weighted average number of shares - Diluted	210,425,665	210,464,287	210,432,888	210,478,587


Explanatory notes annexed
The explanatory notes form an integral part of these condensed consolidated financial statements
As per our report of even date

For S.R. BATLIBOI & ASSOCIATES LLP For and on behalf of the Board of Directors
[CAI Firm registration number: 101049W]
Chartered Accountants


per Adarsh Ranka
Partner
Membership No. 209567




Bengaluru
29 August 2013


Balu Ganesh Ayyar
Chief Executive Officer


Ganesh Murthy
Executive Vice President &
Chief Financial Officer

Bengaluru
29 August 2013


Narayanan Kumar
Director


A. Sivaram
Senior Vice President, Company Secretary
General Counsel & Ethics Officer



Mphasis Group

Explanatory Notes to the Condensed Consolidated Financial Statements for the quarter and nine months ended 31 July 2013

1 BASIS OF PREPARATION

The accompanying interim condensed consolidated financial statements of Mphasis Limited ('the Company') and its subsidiaries, collectively referred to as 'the Mphasis Group' or 'the Group' for the quarter and nine months ended 31 July 2013, have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with generally accepted accounting principles in India. The Group has followed Accounting Standards prescribed by Companies (Accounting Standards) Rules, 2006, (as amended) for the purpose of these condensed consolidated financial statements.

2. EXPLANATORY NOTES

2.1 Description of the Group

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

Mphasis Limited is registered under the Indian Companies Act, 1956 with its registered office in Bengaluru. This is the flagship Company of the Group and is listed on the principal stock exchanges of India.

List of subsidiaries with percentage holding

Subsidiaries	Country of incorporation and other particulars	% of holding	
		31 July 2013	31 October 2012
Mphasis Corporation	a company organised under the laws of Delaware, USA	100	100
Mphasis Deutschland GmbH	a company organised under the laws of Germany	91	91
Mphasis Australia Pty Limited	a company organised under the laws of Australia	100	100
Mphasis (Shanghai) Software & Services Company Limited	a company organised under the laws of The People's Republic of China	100	100
Mphasis Consulting Limited	a company organised under the laws of United Kingdom	100	100
Mphasis Fsource Limited	a company organised under the laws of India	100	100
Mphasis Ireland Limited	a company organised under the laws of Ireland	100	100
Mphasis Belgium BVBA	a company organised under the laws of Belgium	100	100
Mphasis Lanka (Private) Limited [refer note 2.6]	a company organised under the laws of Sri Lanka	100	100
Mphasis Poland s p z o.o.	a company organised under the laws of Poland	100	100
PT. Mphasis Indonesia	a company organised under the laws of Indonesia	100	100
Mphasis Europe BV	a subsidiary of Mphasis Corporation, organised under the laws of The Netherlands	100	100
Mphasis Infrastructure Services Inc. [refer note 2.3]	a subsidiary of Mphasis Corporation, organised under the laws of Delaware, USA	100	100
Mphasis Pte Limited	a subsidiary of Mphasis Europe BV, organised under the laws of Singapore	100	100
Mphasis UK Limited	a subsidiary of Mphasis Europe BV, organised under the laws of United Kingdom	100	100
Mphasis Software and Services (India) Private Limited	a subsidiary of Mphasis Europe BV, organised under the laws of India	100	100
Msource Mauritius Inc.	a subsidiary of Mphasis Europe BV, organised under the laws of Mauritius	100	100
Mphasis Wyde Inc.	a subsidiary of Mphasis UK Limited, organised under the laws of Delaware, USA	100	100
Mphasis Philippines Inc. [refer note 2.4]	a subsidiary of Mphasis Pte Limited, organised under the laws of Republic of Philippines	100	100
Msource (India) Private Limited	a subsidiary of Msource Mauritius Inc., organised under the laws of India	100	100



Mphasis Group

Explanatory Notes to the Condensed Consolidated Financial Statements for the quarter and nine months ended 31 July 2013

Subsidiaries	Country of incorporation and other particulars	% of holding	
		31 July 2013	31 October 2012
Wyde Corporation	a subsidiary of Mphasis Wyde Inc., organised under the laws of Delaware, USA	100	100
Mphasis Wyde SAS	a subsidiary of Wyde Corporation, organised under the laws of France	100	100
Wyde Solutions Canada Inc.	a subsidiary of Wyde Corporation, organised under the laws of Quebec, Canada	100	100
Wyde Tunisie SARL	a subsidiary of Mphasis Wyde SAS, organised under the laws of Tunisia	100	100
Digital Risk, L.L.C. [refer note 2.5]	a subsidiary of Mphasis Wyde Inc., organised under the laws of Delaware, USA	100	-
Digital Risk Mortgage Services, L.L.C. [refer note 2.5]	a subsidiary of Digital Risk, L.L.C., organised under the laws of Delaware, USA	100	-
Digital Risk Compliance Services, L.L.C. [refer note 2.5]	a subsidiary of Digital Risk, L.L.C., organised under the laws of Delaware, USA	100	-
Digital Risk Analytics, L.L.C. [refer note 2.5]	a subsidiary of Digital Risk, L.L.C., organised under the laws of Delaware, USA	100	-
Investor Services, L.L.C. [refer note 2.5]	a subsidiary of Digital Risk, L.L.C., organised under the laws of Delaware, USA	100	-
Digital Risk Valuation Services, L.L.C. [refer note 2.5]	a subsidiary of Digital Risk, L.L.C., organised under the laws of Delaware, USA	100	-
Digital Risk Europe, OOD [refer note 2.5]	a subsidiary of Digital Risk, L.L.C., organised under the laws of Bulgaria	100	-
Digital Risk Mortgage Services, Corp. [refer note 2.5]	a subsidiary of Digital Risk Mortgage Services, L.L.C., organised under the laws of Delaware, USA	100	-
Msource India BPO Private Limited [refer Note 2.7]	a subsidiary of Msource (India) Private Limited, organised under the laws of India	100	100

2.2 The Group has followed the same accounting policies in preparation of the condensed consolidated financial statements as those followed in preparation of the annual consolidated financial statements as at and for the year ended 31 October 2012. These interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the related notes for the year ended 31 October 2012.

2.3 Mphasis Corporation, a subsidiary of the Company, acquired Mphasis Infrastructure Services Inc. (formerly Fortify Infrastructure Services Inc.) along with its subsidiaries effective 1 May 2010 for an aggregate consideration of USD 27.74 millions (₹ 1,230.43 millions) including USD 12.50 millions payable in two tranches of USD 6.00 millions and USD 6.50 millions respectively upto the financial year ended 31 October 2012 on the basis of the fulfillment of certain revenue/earnings obligations.

As per the addendum to the Share Purchase Agreement, the date of fulfillment of revenue/earnings obligations was revised to 31 January 2013.

During the year ended 31 October 2012, Mphasis Corporation paid USD 5.89 millions (₹ 310.66 millions) as first tranche and balance USD 0.11 millions (₹ 5.75 millions) was adjusted with goodwill.

During the quarter ended 30 April 2013, Mphasis Corporation paid USD 4.30 millions (₹ 231.36 millions) as second tranche settlement and a second addendum was executed to settle the balance USD 2.20 millions (₹ 132.89 millions) as third tranche by 12 July 2013. Of the balance, USD 1.07 millions (₹ 64.63 millions) has been paid on 16 August 2013 and USD 1.13 millions (₹ 68.26 millions) is pending settlement.

2.4 Mphasis Philippines Inc. was incorporated as a subsidiary of Mphasis Pte Ltd. on 20 July 2012.

2.5 During the quarter ended 31 January 2013, Mphasis Wyde Inc. signed a definitive agreement to acquire USA based Digital Risk L.L.C. on a cash free debt free basis for USD 175 millions (₹ 9,514.75 millions) with an additional maximum earn-out component of USD 27 millions (₹ 1,452.74 millions) payable in five tranches over next 30 months ending 31 July 2015. The transaction was completed during the quarter ended 30 April 2013. Accordingly, the financial statements of Digital Risk L.L.C. and its subsidiaries has been consolidated into the condensed consolidated financial statements effective 11 February 2013 resulting in goodwill of ₹ 10,169.54 millions on acquisition.

2.6 On 22 July 2013 the Board of Directors of Mphasis Lanka (Private) Limited, a wholly owned subsidiary of Mphasis Limited, resolved to close the operations by September 2013.





Mphasis Group

Explanatory Notes to the Condensed Consolidated Financial Statements for the quarter and nine months ended 31 July 2013

- 2.7 Msource India BPO Private Limited had filed an application under Section 560 of the Companies Act, 1956, for striking its name off the register with the Registrar of Companies, Ministry of Corporate Affairs under Fast Track Exit (FTE) mode which is under progress with Ministry of Corporate Affairs.
- 2.8 (a) Loans and advances include service tax input credit receivable, (net) of ₹ 1,792.46 millions (31 October 2012: ₹ 2,018.01 millions). Based on legal opinion obtained by the Group, service tax liability on imported services under "Import of Services Rules" have been discharged using accumulated balance available in CENVAT Credit Account for the period 1 December 2010 to 31 March 2011. Effective 1 April 2011 such position is reversed and service tax liability on select imported services under "Import of Services Rules" have been discharged in cash. Further, the Group has obtained legal opinions in support of its position on non applicability of service tax under 'Import of Services Rules' on onsite services provided by foreign vendors (including group companies).
The management, per the legal opinions, is confident that the legal positions taken by the Group are tenable and defensible under law.
- (b) The Group is eligible for tax benefit in respect of profits generated from special economic zones ('SEZ') under Section 10AA of the Income Tax Act, 1961 ('Act'). The management has relied on the explanations provided in the Act and consultant's advice regarding formation of SEZ units and inter unit costs while considering revenue and profits arising from SEZ units for the tax financial year 2012-13. Further, pursuant to introduction of domestic transfer pricing regulation, effective 1 April, 2012, the Group has undertaken a transfer pricing study and analysis of its domestic transactions between the related parties. As a result of above matters, an incremental tax liability of ₹ 86.63 million has been provided during the previous quarter ended 30 April 2013 relating to the period 1 April 2012 to 31 January 2013. The management is confident that the provision made in respect of aforementioned matters is adequate.
- 2.9 Current tax for the quarter and nine months ended 31 July 2013 include provision for earlier years amounting to ₹ 91.33 millions and ₹ 91.33 millions respectively (quarter and nine months ended 31 July 2012 is net of reversal of provision for earlier years amounting to ₹ Nil and ₹ 180.00 millions respectively).
- 2.10 Effective 1 July 2013, the Group has re-assessed its intention to hold certain investments in mutual funds held as current to a period more than twelve months and accordingly, investments aggregating to ₹ 9,870.93 millions have been transferred to non-current investments at lower of cost or market value as on the said date.
- 2.11 **Contingent liabilities and commitments**
- (a) The Group has received assessment orders for the financial years ended 31 March 2004, 31 March 2005, 31 March 2006, 31 March 2007, 31 March 2008 and 31 March 2009, 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 ₹ 2,153.70 millions (31 October 2012: ₹ 1,777.49 millions) have been raised on the Group. The above demands are disputed by the management and the Group 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 Group not acknowledged as debts amounting to ₹ 3,143.14 millions (31 October 2012: ₹ 1,208.33 millions) net of bank guarantees aggregating to ₹ 3,345.75 millions (31 October 2012: ₹ Nil). The management, basis legal opinion is of the view that these demands are not tenable.
- (b) Other outstanding bank guarantees as at 31 July 2013 ₹ 620.90 millions (31 October 2012: ₹ 711.55 millions) including those furnished on account of jointly controlled operations ₹ 108.70 millions (31 October 2012: ₹ 235.74 millions).
- (c) The Group has issued performance guarantees to certain clients for executed contracts.
- 2.12 **Segment reporting**
- The Group has identified Banking and Capital Market, Insurance, Information Technology, Communication and Entertainment and Emerging Industries as primary business segments.
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 Group, 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 Group

Explanatory Notes to the Condensed Consolidated Financial Statements for the quarter and nine months ended 31 July 2013

Primary segment information	(₹ millions)			
	Quarter ended 31 July 2013	Quarter ended 31 July 2012	Nine months ended 31 July 2013	Nine months ended 31 July 2012
Segment revenue				
Banking and Capital Market	6,186.92	3,637.78	14,452.03	10,648.54
Insurance	1,792.93	1,610.80	4,991.95	4,729.97
Information Technology, Communication and Entertainment	2,781.52	3,770.02	8,934.68	11,047.04
Emerging Industries	4,840.66	5,034.75	14,255.06	15,085.04
Unallocated - Hedge	(204.36)	(502.15)	(611.02)	(998.88)
	15,397.67	13,551.20	42,022.70	40,511.71
Segment profit				
Banking and Capital Market	1,371.15	1,276.10	3,576.94	3,302.03
Insurance	404.86	448.45	1,208.51	1,240.53
Information Technology, Communication and Entertainment	643.46	860.20	2,116.85	2,505.57
Emerging Industries	1,700.07	1,479.55	4,260.63	4,147.56
Unallocated - Hedge	(204.36)	(502.15)	(611.02)	(998.88)
	3,915.18	3,562.15	10,551.91	10,196.81
Interest income	20.53	16.61	37.15	45.14
Finance costs	(100.73)	(42.48)	(176.00)	(131.99)
Other income	274.34	477.21	1,046.14	1,233.35
Other unallocable expenditure	(1,481.57)	(1,312.39)	(4,100.46)	(3,751.10)
Profit before taxation	2,627.75	2,701.10	7,358.74	7,592.21
Income taxes	701.32	613.69	1,822.93	1,762.08
Profit after taxation	1,926.43	2,087.41	5,535.81	5,830.13
			31 July 2013	31 October 2012
Segment assets				
Banking and Capital Market			5,979.70	3,665.86
Insurance			1,857.55	1,624.01
Information Technology, Communication and Entertainment			4,257.20	4,919.78
Emerging Industries			6,147.12	6,050.97
Unallocated			55,062.63	45,137.09
			73,304.20	61,397.71
Segment liabilities				
Banking and Capital Market			4,978.44	1,964.89
Insurance			1,264.80	1,127.51
Information Technology, Communication and Entertainment			1,972.36	2,262.73
Emerging Industries			2,841.87	2,913.45
Unallocated			11,421.95	9,081.80
			22,479.42	17,350.38
Capital employed				
Banking and Capital Market			1,001.26	1,700.97
Insurance			592.75	496.50
Information Technology, Communication and Entertainment			2,284.84	2,657.05
Emerging Industries			3,305.25	3,137.52
Unallocated			43,640.68	36,055.29
			50,824.78	44,047.33



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Mphasis Group

Explanatory Notes to the Condensed Consolidated Financial Statements for the quarter and nine months ended 31 July 2013

2.13 These condensed consolidated financial statements have been presented in accordance with revised Schedule VI notified under the Companies Act, 1956 and adopted by the Group for the financial year ended 31 October 2012. Therefore, the figures of the previous periods have been regrouped/reclassified wherever necessary to conform to current period's classification.

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



per Adarsh Ranka
Partner
Membership No. 209567

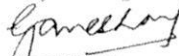


Bengaluru
29 August 2013

For and on behalf of the Board of Directors



Balu Ganesh Ayyar
Chief Executive Officer


Ganesh Murthy
Executive Vice President &
Chief Financial Officer

Bengaluru
29 August 2013



Narayanan Kumar
Director


A. Sivaram Nar
Senior Vice President, Company Secretary
General Counsel & Ethics Officer



Mphasis Group

Condensed Consolidated Cashflow statement for the nine months ended 31 July 2013

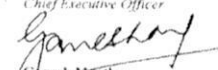
	(₹ millions)	
	Nine months ended 31 July 2013	Nine months ended 31 July 2012
Cash flows generated by operating activities	5,821.78	6,341.68
Cash flows used in investing activities	(6,247.27)	(4,425.26)
Cash flows generated from / (used in) financing activities	513.55	(1,036.89)
Net increase in cash and cash equivalents	88.06	879.53
Effect of exchange rate changes	206.94	(4.84)
Cash and cash equivalents at beginning of the period	4,052.63	2,691.34
Cash and cash equivalents at end of the period	4,347.63	3,566.03
Cash in hand	0.10	0.06
Balance with banks	4,347.53	3,565.97
Total cash and cash equivalents	4,347.63	3,566.03

For S.R. BATLIBOJ & ASSOCIATES LLP For and on behalf of the Board of Directors
ICAI Firm registration number: 101049W
Chartered Accountants




per Adarsh Ranka
Partner
Membership No. 209567



Bengaluru
29 August 2013


Balu Ganesh Ayyar
Chief Executive Officer

Ganesh Murthy
Executive Vice President &
Chief Financial Officer

Bengaluru
29 August 2013


Narayanan Kumar
Director

S. Sivaram Nair
Senior Vice President, Company Secretary
General Counsel & Ethics Officer

