



Unleash the Next

MPHASIS LIMITED

ANNUAL REPORT 2014



TRANSFORMATION CONTINUUM

2014
UNLEASH THE NEXT...

2013
PATH OF RELEVANCE

2012
POWER OF CHOICES

2011
BEYOND IDEATION

2010
BEYOND A BILLION

2009
BEYOND

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Dear Shareholder,

Over the past few years we have been on a transformation journey. We started our first wave by selecting focus verticals (Banking and Capital Markets/Insurance) and focus countries to invest in. Our second wave was to further narrow our focus to carefully chosen named accounts. We are now entering our third wave.

The trigger for the third wave is driven by our fundamental belief that the very nature of IT services consumption and provisioning, has been changing and will continue to change even more rapidly in the future. This will challenge the fundamental premise of value creation and it will not be viable for service providers to compete by just focusing on better execution of existing way of working. Earlier offshore companies were required to primarily provide cost arbitrage and offshore-based delivery to provide IT services. The new paradigm calls for a new wave of working.

We aspire to be a positive disruptor in this new world order. By being a positive disruptor our intent is to not disrupt the existing value chain, rather our intent is to inject new value by moving to a new normal – one where cost reduction gets replaced by cost variability, offshore-based delivery finds an important place in the next generation global delivery, IT services lends itself to a services inside model (anything-as-a service).

To support our strategy it is opportune for us to have a refreshed identity that we launched earlier this year at the Annual General Meeting held on 5th February 2014. I am happy to report to you that the new identity has re-energized our global workforce and our customers.

We enter FY15 with significant momentum and are excited about the future we are co-creating with our customers and shareholders. I invite you to read through the Annual Report and stay engaged as we continue our transformation journey...

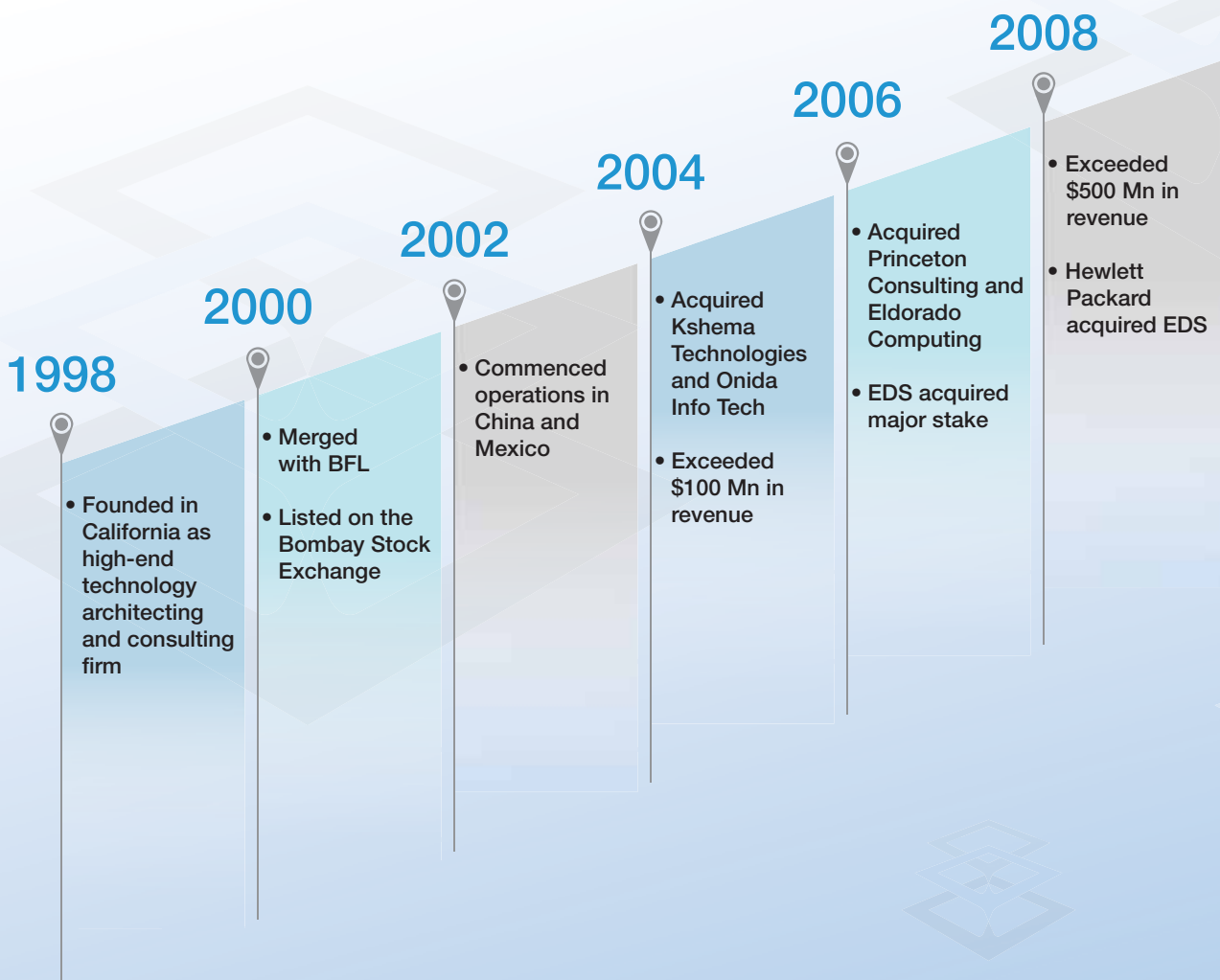


Regards,

A handwritten signature in blue ink that reads "Ganesh Ayyar".

Ganesh Ayyar
Chief Executive Officer

OUR GROWTH STORY



2009

- Acquired AIG Software Solutions
- Ignited growth engine from direct channel

2010

- Exceeded \$1 Bn in revenue: Entered the Billion Dollar Club
- Acquired Fortify (Infrastructure Services)

2011

- Acquired Wyde (Product company in Policy Administration, Claims and Billing Solutions in Insurance)
- Shifted from service lines to vertical service delivery

2012

- Launched Vertical Hyper-specialization

2013

- Acquired Digital Risk LLC (Leader of Risk, Compliance and Transaction Management Solutions for US residential mortgage market)
- Invested in focused account and solution specialization

2014

- Unveiled a refreshed Brand identity, Vision and Mission...



OUR VISION

Redefining the
paradigm for
business success
together.



Mphasis Payment Management Services

Largest and fastest deployer of ATMs under Ministry of Finance Project.

Mphasis had to deploy and manage fourteen thousand new ATMs in two years (2012–2014) under the Ministry of Finance, Financial Inclusion Program in India.

Which meant, **twenty five new ATMs everyday day across six states for twenty six public sector banks.** Mphasis 're-defined the paradigm' by building an ecosystem of unparalleled scale for the largest ever total outsourcing deal in the history of the Indian Banking industry.

Traditionally, this would require a large regional workforce with decentralized operations. Mphasis, 'Unleashed the Next' to run a highly technology-driven and automated operation with a lean workforce. For the first time ever, the Indian ATM industry witnessed:

- **Use of Cloud-based Total Implementation Services Workflow System** which integrates and tracks the entire lifecycle of a site from sourcing to final installation on a real-time basis
- **Geographic Information System** which enables deployment of ATMs in convenient, non-competitive and strategic locations to maximize transactions

Mphasis delivered 8000+ ATMs in little over a year with an unmatched deployment rate of 914 ATMs in March 2014.



Mphasis wins Financial Inclusion ICT Innovation Award for the Ministry of Finance ATM projects, India

OUR MISSION

Be a **specialized enterprise** at the confluence of **people, profit** and **planet.**

Powered by inquisitive minds, we leverage our global talent and innovative blend of services and technology to deliver customer delight.



Specialized Enterprise

Mortgage Analytic Platform: Veritas®



Mitigate Repurchase Risk

Veritas® is the only mortgage analytic platform built on a vast repository of specific borrower, property and local real estate market data which provides multi-dimensional insight into the many facets of risk. The result is the most reliable method for understanding risk at the root cause, thus mitigating repurchase risk going forward.

Practical Applications

Business Decisions

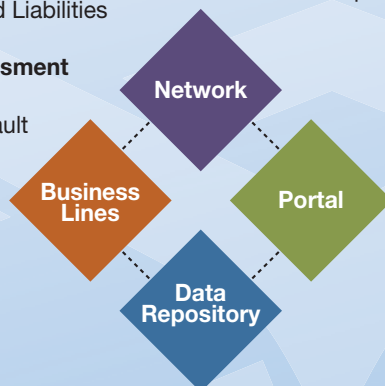
- Repurchase Risk at Loan Level
- Impact of CLTV on Re-default
- Loans Most Responsive to Loan Modifications and Short Sale Risks

Manufacturer Risk Assessment

- Misrepresentations (Fraud)
- Property Valuation Issues
- Material Error
- Borrower's Financial Disposition
- Occupancy Status
- Income
- Assets/Undisclosed Liabilities

Systemic Risk Assessment

- Credit History
- Early Payment Default



LQI – Loan Quality Index

- The Veritas® Index, provides a powerful representation of the loan quality as determined by empirical analysis and expert judgment
- Empirical analysis is established through Digital Risk's database of loan quality findings, the largest database of its kind



DigitalRisk
Making Mortgages Safe

“Manufacturer risk has replaced credit risk as the major safety and soundness challenge for national banks.”

Thomas Curry
U.S. Comptroller American Banker, May 2012

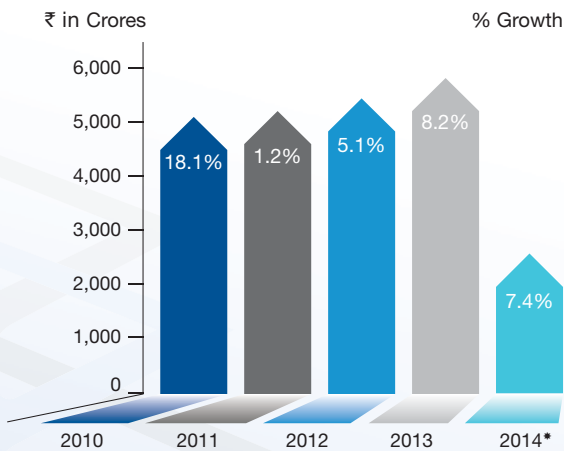


People



Profit

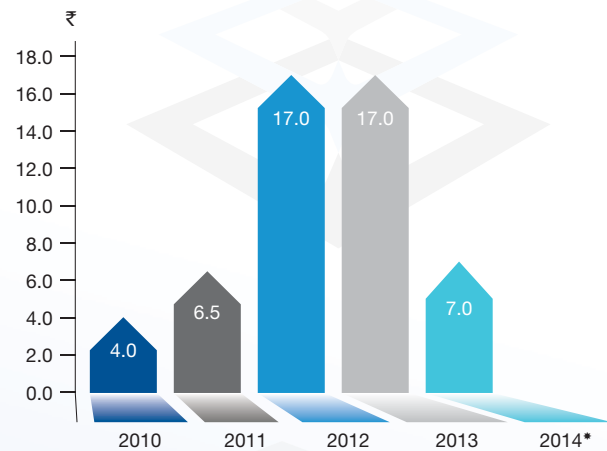
5-year trend: Revenue



* Consequent to change in financial year, revenue represents 5 months of operations ended March 2014.

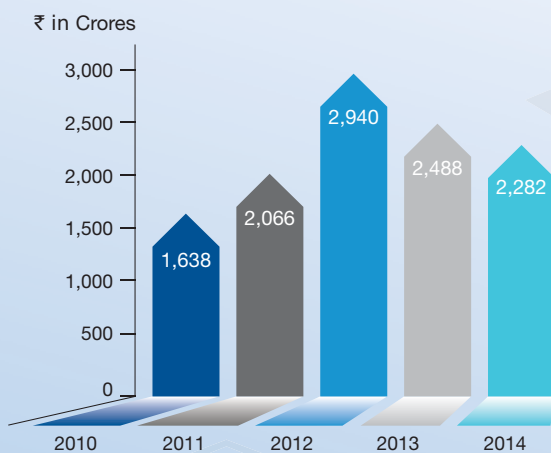
* For computing 2014 growth percentage, results of the year have been normalised from 5 to 12 months for a meaningful comparison.

5-year trend: Dividend Per Share



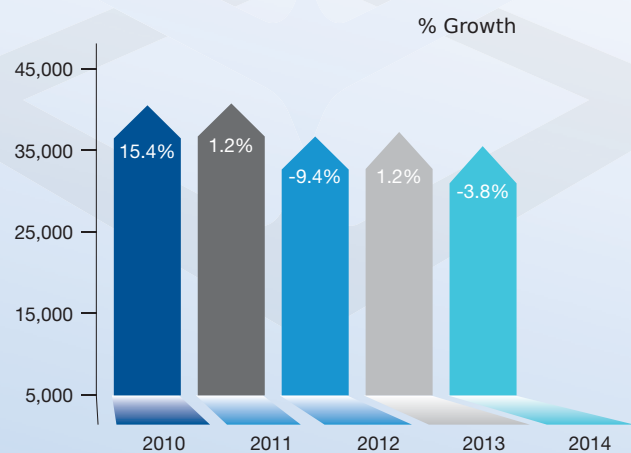
* Dividend declared is for a five-month period ended March 2014.

5-year trend: Cash & Cash Equivalents



Note: Includes both current and non-current investments.

5-year trend: Head Count



Note: Includes billable contractors. Previous years' data has been restated for proper comparison.

Planet

Environment, Health and Safety (EHS)

Mphasis is committed to raise Environment, Health and Safety (EHS) awareness. We aim to ensure that in the course of our business activities we not only eliminate negative impact on the environment, but also look after the health and safety interests of our employees. In addition, we continuously seek opportunities to improve the local environment and the communities we operate in.

In 2014, Mphasis was awarded the Excellence in Environment, Health and Safety by the Confederation of Indian Industry (CII). The CII constituted the award to sensitize, facilitate, motivate, and recognize corporates to adopt innovative practices in EHS. A sound Environment, Health and Safety (EHS) practice is a prerequisite for organizations to be sustainable and scale new heights of productivity.

Mphasis qualified for the award with a star rating of 1 out of 124 entries received for the award.

The above prestigious award was a result of the innumerable initiatives by the Mphasis EHS team. To list a few:

- National Energy Conservation Day
- Feel Bengaluru Cycle Day
- Save Paper, Help the Forests
- Paramedical Services at Mphasis



Board of Directors

Dr. Friedrich Froeschl
Chairman

Mr. James Mark Merritt
Vice Chairman

Mr. Balu Ganesh Ayyar
Chief Executive Officer

Mr. Davinder Singh Brar

Mr. Chandrakant D Patel

Mr. Narayanan Kumar

Mr. Lakshmikanth K Ananth

Mr. Shankar Maitra

Mr. Stefan Antonio Lutz

SENIOR VICE PRESIDENT, COMPANY SECRETARY, GENERAL COUNSEL & ETHICS OFFICER

Mr. A Sivaram Nair

AUDITORS

S.R. Batliboi & Associates LLP

'UB City' Canberra Block
12th and 13th Floor
24, Vittal Mallya Road
Bengaluru - 560 001, India

REGISTERED OFFICE

Bagmane World Technology Center
Marathalli Outer Ring Road,
Doddanakhundi Village,
Mahadevapura,
Bengaluru - 560 048, India
Ph : +91 80 6750 5000
Fax : +91 80 6695 9943
website : www.mphasis.com
CIN : L30007KA1992PLC025294

REGISTRAR & SHARE TRANSFER AGENT

Integrated Enterprises (India) Limited,

(Unit : Mphasis Limited)
30, Ramana Residency, 4th Cross
Sampige Road, Malleswaram
Bengaluru - 560 003, India
Ph : +91 80 2346 0815-818
Fax : +91 80 2346 0819
CIN : U65993TN1987PLC014964

Management Discussion and Analysis of Risks and Concerns

The complexity and competitive nature of the IT industry has brought diverse risks and opportunities to businesses. As well managed risks become opportunities, your Company has instituted an Enterprise Risk Management (ERM) program to proactively identify, mitigate, monitor and report risks across the enterprise. Broadly risks are managed under the following categories:

- i) Strategy - These have the potential to impact the entity's mission which arises out of strategic decisions and its long term marketing, resource allocation, delivery models and other activities. These risks are generally non-routine in nature;
- ii) Operational - These have the potential to impact the efficiency and effectiveness of the operations;
- iii) Information Risks – These have the potential to impact information assets and information processing systems;
- iv) Financial & Reporting - These have the potential to impact on statutory financial statements and transmission of timely and accurate information to stakeholders;
- v) Compliance - These have potential to impact on the level of adherence to laws and regulations.

The Risk Governance Committee chaired by the CEO provides the required oversight for the ERM program and tracks the progress on various identified risks and mitigation efforts. The status of the risks faced by the enterprise is presented to the Board. Some of the important risks/concerns and mitigation plans are as follows:

Strategy Risks

Customer/Partner concentration risk

This risk arises when high percentage of revenue is received from very few clients/partners. HP Channel business which stood at 44% of the total revenue last year was identified as one of important partner concentration risks. Your group implemented the 'Go To Market' strategy and focused in getting direct channel business. This has significantly reduced your Company's exposure towards dependency on a single client while continuing to grow at a steady pace. The direct channel business which was at 56% last year (as on Oct 13) stands at 63% of the total revenue as on 31 Mar 2014, thus directionally the risk is getting mitigated.

The Group's intent is to further expand its direct business while continuing to explore partnership opportunities with HP.

Risk of Changing Business Model

The Group's ability to remain competitive depends on the ability to adapt to changing models of business delivery. Over the last 5 months (November '13 to March '14) the Group has focused to grow customer preferred delivery models such as Transaction based and Fixed price models over the traditional Time and Material model.

Operational Risks

Lack of holistic due diligence of SLA terms and conditions

New business models, new service offerings and growing volume of operations, have brought risks related to delivery and adherence of SLA terms and conditions. The Group with its years of experience and complemented by our partnership with HP has implemented a framework to enhance the review and control mechanisms to ensure contractual terms are captured and complied with.

A Solution Risk Review team has been formed to undertake a review of all new deals. This team of experts approves SLA terms and conditions and ensures unlimited liability clauses or penalty clauses with no cap are not accepted. Size variance from solution to execution stage is also closely monitored to mitigate the risk of resource estimation errors.

Risk of Loss of Talent

With economy on a watchful mode and uncertainty over market conditions, customer relationships and high quality service delivery have assumed even greater criticality to sustain performance and growth. Human capital is the differentiator in achieving this. Your Company has ensured continuous improvement in the efficiency of core processes like Hiring, Employee Engagement, Key Talent management and Retention of critical employees to ensure the risk of red projects is well managed.

Management Discussion and Analysis of Risks and Concerns

To manage this risk, your Company is building out a strong employee value proposition. Your Company is certified on PCMM (People Capability, Maturity Model) that has helped build robust people processes. As a result of the above initiatives, we expect to maintain an optimal mix of manpower in terms of experience, knowledge and skill sets to balance quality and cost. The Resource Management and Learning teams of your Company identify the competencies required to deliver services and train employees with the required competencies leading to optimal utilization of manpower. We have increased our investment in Learning and Development and that has helped us continue to improve in this area.

Your organization identifies risk profiles of employees to initiate various steps to curb attrition and manage potential market variables. Assessing risk by categorizing employees into Critical, High Risk and Low Risk profiles and providing mitigation plans like role / project change, onsite assignments, salary increases during increment cycles and promotions have helped in maintaining the right workforce. Over and above this skill enhancement, building focus groups, internal job postings and recognition through various platforms are other initiatives taken by your organization.

Risk of Fraud

Instances of corporate fraud and misconduct remain a constant threat to public trust and confidence in the market. Your Company through various governance structures, internal audits and Whistle Blower mechanisms has built a strong framework to detect and mitigate fraud risk.

Information Risks

Continuity and Disaster Recovery Risk

Increased disruptions due to manmade and natural calamities are posing a risk to the enterprise Information Technology infrastructure. Recovery and availability of enterprise applications and infrastructure post any such disruption has become critical for uninterrupted service delivery. Your Company has identified critical enterprise applications for which Disaster Recovery plans have been formulated. Your Company is certified on ISO 22301 which is an international standard for Business Continuity Management System (BCMS) and provides reasonable assurance of continuity of service.

In the event of disruption of service due to any disaster in the primary site, the data from the backup is restored to the temporary scaled down hardware in the remote site and services are rendered from the Disaster Recovery site.

Data and Information Security Risk

With the advancement of technology and growing cyber threats, the industry is exposed to different types of risks related to information assets and data breaches. To mitigate these risks, your Company has implemented a robust IT Security framework and is also certified on ISO 27001. This is an international standard on Information Security Management System (ISMS). This certification provides reasonable assurance to all concerned stakeholders that data protection and information security measures have been adequately implemented.

Compliance Risks

Non compliance with statutory requirements

With presence across multiple geographies your Group is subjected to multitudes of constantly changing legislations. There is a risk of non compliance or delay in compliance with statutory requirements. The Group uses the services of professional consultants to ensure compliance with domestic and overseas laws and regulations. Your Company has also implemented tools and processes to ensure internal stakeholders of the Company are aware of statutory requirements and maintain required evidences to demonstrate that due care has been taken by your Company to ensure compliance.

Non Compliance with Immigration Laws

The industry has seen increased scrutiny by various governments for non-compliance of Immigration laws. Your Company is equipped with the expertise to handle the complications of immigration laws and has processes to ensure compliance. In addition to a specialist internal team, your Company has enlisted external consultants, wherever necessary, to ensure proper compliance with these laws. Periodic immigration compliance reviews, training and awareness programs are facilitated on immigration requirements.

Independent Auditor's Report

To the Board of Directors of Mphasis Limited

We have audited the accompanying consolidated financial statements of Mphasis Limited ("the Company") and its subsidiaries which comprise the consolidated Balance Sheet as at 31 March 2014, and the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the period then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the 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 and presentation of the consolidated financial statements that give a true and fair view 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 entity'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 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 consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the consolidated Balance Sheet, of the state of affairs of the Company as at 31 March 2014;
- (b) in the case of the consolidated Statement of Profit and Loss, of the profit for the period ended on that date; and
- (c) in the case of the consolidated Cash Flow Statement, of the cash flows for the period ended on that date.

For S.R. BATLIBOI & ASSOCIATES LLP

Chartered Accountants

ICAI Firm Registration Number: 101049W

per Adarsh Ranka

Partner

Membership Number: 209567

Place : San Francisco, U.S.A.

Date : 14 May 2014

Consolidated Balance Sheet as at 31 March 2014

(₹ millions)

	Notes	31 March 2014	31 October 2013
Equity and liabilities			
Shareholders' funds			
Share capital	3	2,101.42	2,101.34
Reserves and surplus	4	49,048.33	47,243.24
		51,149.75	49,344.58
Non-current liabilities			
Long-term borrowings	5	4,313.88	4,981.91
Deferred tax liabilities (net)	6	158.64	56.54
Trade payables	7	67.48	38.99
Other long-term liabilities	8	334.06	755.79
Long-term provisions	9	40.54	275.55
		4,914.60	6,108.78
Current liabilities			
Trade payables	7	6,594.32	6,210.10
Other current liabilities	8	3,587.51	2,634.83
Short-term provisions	9	3,654.34	6,658.34
		13,836.17	15,503.27
TOTAL		69,900.52	70,956.63
Assets			
Non-current assets			
Fixed assets			
Tangible assets	10	1,574.33	1,643.87
Intangible assets	10	603.65	478.10
Capital work-in-progress		1.17	0.69
Intangible assets under development		58.81	262.54
Goodwill on consolidation	11	21,864.75	22,498.70
Non-current investments	12	5,409.10	7,418.26
Deferred tax assets (net)	13	968.12	1,014.60
Long-term loans and advances	14	6,376.51	5,807.33
Trade receivables	17	105.02	408.82
Other non-current assets	15	245.05	158.12
		37,206.51	39,691.03
Current assets			
Current investments	16	12,745.24	11,576.48
Trade receivables	17	7,778.25	6,511.14
Cash and bank balances	18	4,582.66	5,799.19
Short-term loans and advances	14	2,139.35	1,517.92
Other current assets	15	5,448.51	5,860.87
		32,694.01	31,265.60
TOTAL		69,900.52	70,956.63

Summary of significant accounting policies.

1

 The accompanying notes are an integral part of the 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

San Francisco, U.S.A.
 14 May 2014

For and on behalf of the Board of Directors

Balu Ganesh Ayyar
 Chief Executive Officer

Ganesh Murthy
 Executive Vice President &
 Chief Financial Officer

San Francisco, U.S.A.
 14 May 2014

Narayanan Kumar
 Director

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

Consolidated statement of Profit and Loss for the five months ended 31 March 2014

(₹ millions)

	Notes	Five months ended 31 March 2014	Year ended 31 October 2013
Income			
Revenue from operations	19	25,938.30	57,962.97
Other income	20	522.02	1,404.76
Total revenue (I)		26,460.32	59,367.73
Expenses			
Purchase of traded goods	21	-	69.62
Employee benefits expense	22	16,273.99	35,568.36
Finance costs	23	111.38	330.42
Depreciation and amortization expense	10	503.85	1,448.29
Other expenses	24	5,288.55	11,999.25
Total expenses (II)		22,177.77	49,415.94
Profit before tax and exceptional item (III) [(I)-(II)]		4,282.55	9,951.79
Exceptional item (net of tax) (IV) [refer note 2.7]		64.41	-
Profit before tax after exceptional item (III)-(IV)		4,218.14	9,951.79
Tax expenses			
Current tax (refer note 37 and 38)		1,014.75	2,552.94
Deferred tax charge/ (credit)		176.58	(13.36)
Minimum alternative tax credit entitlement (for earlier years)		-	(25.76)
Total tax expense		1,191.33	2,513.82
Profit for the period/ year before exceptional item		3,091.22	7,437.97
Profit for the period/ year after exceptional item		3,026.81	7,437.97
Earnings per equity share before exceptional item [nominal value of shares ₹ 10 (31 October 2013 : ₹ 10)]	30		
Basic (₹)		14.71	35.40
Diluted (₹)		14.69	35.35
Earnings per equity share after exceptional item [nominal value of shares ₹ 10 (31 October 2013 : ₹ 10)]	30		
Basic (₹)		14.40	35.40
Diluted (₹)		14.39	35.35

Summary of significant accounting policies.

1

 The accompanying notes are an integral part of the 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

 San Francisco, U.S.A.
 14 May 2014

For and on behalf of the Board of Directors
Balu Ganesh Ayyar
 Chief Executive Officer

Ganesh Murthy
 Executive Vice President &
 Chief Financial Officer

 San Francisco, U.S.A.
 14 May 2014

Narayanan Kumar
 Director

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

Notes to the Consolidated Financial Statements for the five months ended 31 March 2014

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements of Mphasis Limited ('the Company') and its subsidiaries, collectively referred to as 'the Mphasis Group' or 'the Group', have been prepared and presented under the historical cost convention on the accrual basis of accounting, unless stated otherwise and comply with the mandatory Accounting Standards ('AS') prescribed under the Companies Act, 1956 read with the General Circular 8/2014 dated 04 April 2014 issued by the Ministry of Corporate Affairs and other accounting principles generally accepted in India. The accounting policies adopted in the preparation of financial statements are consistent with those of the previous year.

Use of estimates

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

Basis of consolidation

The consolidated financial statements include the financial statements of Mphasis Limited and all its subsidiaries, which are more than 50% owned or controlled. Refer note 2 for the description of the Group.

The financial statements are prepared in accordance with the principles and procedures for the preparation and presentation of consolidated financial statements as laid down under AS 21, Consolidated Financial Statements prescribed under the Companies Act, 1956 (read with the General Circular 8/2014 dated 04 April 2014 issued by the Ministry of Corporate Affairs).

The financial statements of the parent company and subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances/ transactions and resulting unrealised profits in full. Unrealised losses resulting from intra-group transactions have also been eliminated except to the extent that the recoverable value of related assets are lower than their cost to the Group. The amounts shown in respect of reserves comprise the amount of the relevant reserves as per the balance sheet of the Parent Company and its share in the post-acquisition increase in the relevant reserves of subsidiaries.

Minority interest is the amount of equity attributable to minorities at the date on which investment in a subsidiary is made and its share of movements in the equity since that date.

Consolidated financial statements are prepared using uniform accounting policies across the Group.

Revenue recognition

The Group derives its revenues primarily from software services & projects, call centre & business 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 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.

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.

Revenues from licensing arrangements is recognized on transfer of the title in user licenses, except those contracts where transfer of title is dependent upon rendering of significant implementation services by the Group, in which case revenue is recognized over the implementation period in accordance with the specific terms of the contracts with clients.

Notes to the Consolidated Financial Statements for the five months ended 31 March 2014

Maintenance revenue is recognized rateably over the period of underlying maintenance agreements.

Revenues from sale of goods is recognized on transfer of significant risks and rewards in accordance with the terms of contract. Revenue is shown as net of sales tax, value added tax and applicable discounts.

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' included in the current assets represent revenues in excess of amounts billed to clients as at the balance sheet date. 'Unearned revenue' included in the current liabilities 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 using the time-proportion method, based on underlying interest rates.

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

Fixed assets and capital work-in-progress

Fixed assets 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. 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 the exchange rate on the date of purchase.

Acquired intangible assets are capitalised at the acquisition price. 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 Group. Fixed assets held by foreign subsidiaries are translated into Indian rupees at the closing rate.

Leases under which the Group 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 asset or the present value of the minimum lease payments at the inception of the lease, whichever is lower.

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

Goodwill arising on consolidation

The excess of cost to the Company of its investment in subsidiaries over its portion of equity in the subsidiaries at the respective dates on which those subsidiaries were acquired, is recognized in the financial statements as goodwill. The equity in the subsidiaries is determined on the basis of the value of assets and liabilities as per the financial statements of the subsidiaries as on the date of acquisition.

Depreciation and amortization

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 year. Individual assets costing less than ₹ 5,000 are depreciated in full in the year of purchase. The estimated useful lives of assets are as follows:

For assets used in call center services		For assets used in other services	
	Years		Years
Buildings	10	Buildings	10
Plant and machinery (including telecom equipments)	5	Plant and machinery	4
Computer equipment	5	Computer equipment	2
Office equipment	5	Office equipment	3
Furniture and fixtures	5	Furniture and fixtures	4
Vehicles	3 to 5	Vehicles	3 to 5

Assets used for Unique Identification (UID) services have been depreciated over a period of 2 years.

Freehold land is not depreciated. Leasehold improvements are amortized over the remaining lease term or 3 years (5 years for Call center services), whichever is shorter. Significant purchased application software and internally generated software that is an integral

Notes to the Consolidated Financial Statements for the five months ended 31 March 2014

part of the Group's computer systems and expected to provide lasting benefits, is capitalised at cost and amortized on the straight-line method over its estimated useful life or 3 years, whichever is shorter. Internally generated software for sale expected to provide lasting benefits is amortized on the straight-line method over its estimated life or 7 years, whichever is shorter.

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 recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

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.

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/ year they occur.

Impairment of assets

The Group assesses at each balance sheet date whether there is any indication that a fixed asset, including goodwill, may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using the pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the assets. 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 recognized in the statement of profit and loss. If at the balance sheet date there is an indication that 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. In respect of goodwill, the impairment loss will be reversed only when it was caused by specific external events and their effects have been reversed by subsequent external events.

Investments

Investments that are readily realisable and intended to be held for not more than a year, are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis.

Long-term investments are carried at cost. Provision for diminution in the value of investments is made if the impairment is not temporary in nature.

Employee benefits

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

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 Group 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 Group's liability is limited to contribution made to the fund.

Notes to the Consolidated Financial Statements for the five months ended 31 March 2014

Effective 03 July 2013, Mphasis Limited and Mphasis Finsource Limited have 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. The Group will meet the shortfall in the returns, if any, based on actuarial valuation, as per Projected Unit Credit Method, as at the date of balance sheet. Also refer note 32 (b).

Stock-based compensation (Equity settled)

Measurement and disclosure of the employee share-based payment plans is done in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India. The Group measures compensation cost relating to employee stock options using the intrinsic value method except for RSU Plan 2010, RSU Plan 2011 and ESOP 2012 Plan wherein compensation cost is measured based on fair valuation. Compensation expense is amortized over the vesting period of the option on a straight line basis.

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 the year are recognized in the statement of profit and loss of that period/ year.

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. Non-monetary items which are carried in terms of historical cost denominated in foreign currency are reported using the exchange rate as at the date of the transaction.

The financial statements of an integral foreign operation are translated as if the transactions of the foreign operation have been those of the Company itself.

The financial statements of foreign subsidiaries being non-integral operations in terms of para 24 of AS 11, Accounting for the Effects of Changes in Foreign Exchange Rates, are translated into Indian rupees as follows:

- a) Income and expense items are translated at the average exchange rates.
- b) Assets (including goodwill) and liabilities, both monetary and non-monetary are translated at the closing rate.
- c) All resulting exchange differences are accumulated in a foreign currency translation reserve which is reflected under Reserves and surplus until the disposal of the net investment.
- d) Contingent liabilities are translated at the closing rate.

Forward contracts are entered into, to hedge the foreign currency risk of the underlying outstanding at the balance sheet date and also to hedge the foreign currency risk of firm commitment or highly probable forecast transactions. The premium or discount on forward contracts that are entered into to hedge the foreign currency risk of the underlying outstanding at the balance sheet date arising at the inception of each contract, is amortized as income or expense over the life of the contract. Any profit or loss arising on the cancellation or renewal of forward contracts is recognized as income or as expense for the period/ year.

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. The exchange difference on such a forward exchange contract is calculated as the difference between the foreign currency amount of the contract translated at the exchange rate at the reporting date or the settlement date where the transaction is settled during the reporting period/ year, and the corresponding foreign currency amount translated at the later of the date of inception of the forward exchange contract and the last reporting date. Such exchange differences are recognized in the statement of profit and loss in the reporting period/ year in which the exchange rates change.

The Group has adopted the principles of AS 30 "Financial Instruments: Recognition and Measurement" in respect of its derivative financial instruments (excluding embedded derivatives) that are not covered by AS 11 "Accounting for the Effects of Changes in Foreign Exchange Rates" and that relate to a firm commitment or a highly probable forecast transaction. In accordance with AS 30, such derivative financial instruments, which qualify for cash flow hedge accounting and where the Group has met all the conditions of AS 30, are fair valued at the balance sheet date and the resultant gain/ loss is credited/ debited to the hedging reserve included in the Reserves and Surplus. This gain/ loss is recorded in the statement of profit and loss when the underlying transactions affect earnings. Other derivative instruments that relate to a firm commitment or a highly probable forecast transaction and that do not qualify for hedge accounting, have been recorded at fair value at the reporting date and the resultant gain/ loss has been credited/ debited to statement of profit and loss for the period/ year.

Notes to the Consolidated Financial Statements for the five months ended 31 March 2014

Income taxes

The current charge for income taxes is calculated in accordance with the relevant tax regulations. Minimum Alternative Tax ('MAT') paid in accordance with the tax laws, which gives rise to future economic benefits in the form of adjustments of future income tax liability, is considered as an asset if there is convincing evidence that the Group will pay normal tax after the tax holiday period. MAT credit entitlement can be carried forward and utilised for a period as specified in the tax laws of the respective countries.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to timing differences that result between taxable profits and accounting profits. Deferred tax in respect of timing differences which originate during the tax holiday period but reverse after the tax holiday period, is recognized in the period in which the timing differences originate. For this purpose, the timing difference which originates first is considered to reverse first. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. The effect on deferred tax assets and liabilities of change in tax rates is recognized in the period that includes the enactment date. Deferred tax assets on timing differences are recognized only if there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. However, deferred tax assets on the timing differences when unabsorbed depreciation and losses carried forward exist, are recognized only to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets are reassessed for the appropriateness of their respective carrying values at each balance sheet date. The legal entities within the Group offsets, on a year on year basis, the current and deferred tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

Provisions and contingent liabilities

A provision is recognized when an enterprise has a present obligation as result of past event and it is probable that an outflow of resources will be required to settle a reliably estimable obligation. Provisions are not discounted to present value and are determined based on best estimate required to settle each obligation at each balance sheet date.

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. Provisions are not discounted to their present value and are determined based on best estimate required to settle the obligation at each balance sheet date.

Earnings per share

The basic earnings per share is computed by dividing the net profit attributable to equity shareholders for the period/ year by the weighted average number of equity shares outstanding during the period/ year. 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 year, 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 direct materials and related direct expenses. 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.

Cash and cash equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

Notes to the Consolidated Financial Statements for the five months ended 31 March 2014

2. 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 & knowledge 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

% of holding

Subsidiaries	Country of incorporation and other particulars	31 March 2014	31 October 2013
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 Finsource Limited [refer note 2.5]	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 2.4]	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 2.2]	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. (formerly Seine Acquisition Inc.)	a subsidiary of Mphasis UK Limited, organised under the laws of Delaware, USA	100	100
Mphasis Philippines Inc.	a subsidiary of Mphasis Pte Ltd, 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
Wyde Corporation Inc.	a subsidiary of Mphasis Wyde Inc., organised under the laws of Delaware, USA	100	100
Mphasis Wyde SASU (formerly Mphasis Wyde SAS)	a subsidiary of Wyde Corporation Inc., organised under the laws of France	100	100
Wyde Solutions Canada Inc.	a subsidiary of Wyde Corporation Inc., organised under the laws of Quebec, Canada	100	100
Wyde Tunisie SARL	a subsidiary of Mphasis Wyde SASU, organised under the laws of Tunisia	100	100
Digital Risk, LLC. [refer note 2.3]	a subsidiary of Mphasis Wyde Inc., organised under the laws of Delaware, USA	100	100
Digital Risk Mortgage Services, LLC. [refer note 2.3]	a subsidiary of Digital Risk, LLC., organised under the laws of Delaware, USA	100	100

Notes to the Consolidated Financial Statements for the five months ended 31 March 2014

List of subsidiaries with percentage holding		% of holding	
Subsidiaries	Country of incorporation and other particulars	31 March 2014	31 October 2013
Digital Risk Compliance Services, LLC. [refer note 2.3]	a subsidiary of Digital Risk, LLC., organised under the laws of Delaware, USA	100	100
Digital Risk Analytics, LLC. [refer note 2.3]	a subsidiary of Digital Risk, LLC., organised under the laws of Delaware, USA	100	100
Investor Services, LLC. [refer note 2.3]	a subsidiary of Digital Risk, LLC., organised under the laws of Delaware, USA	100	100
Digital Risk Valuation Services, LLC. [refer note 2.3]	a subsidiary of Digital Risk, LLC., organised under the laws of Delaware, USA	100	100
Digital Risk Europe, OOD. [refer note 2.3]	a subsidiary of Digital Risk, LLC., organised under the laws of Bulgaria	100	100
Digital Risk Mortgage Services, Corp. [refer note 2.3]	a subsidiary of Digital Risk Mortgage Services, LLC., organised under the laws of Delaware, USA	100	100
Msource India BPO Private Limited [refer Note 2.6]	a subsidiary of Msource (India) Private Limited, organised under the laws of India	-	100

All the above subsidiaries are under the same management.

- 2.1 The Company acquired control of Kshema Technologies Limited ("Kshema") on 01 June 2004. Kshema has been amalgamated with Mphasis Limited with effect from 01 April 2005.

The balance consideration payable to the erstwhile shareholders amounting to ₹ 17.06 millions (31 October 2013: ₹ 17.06 millions) is carried as a liability which will be paid after necessary regulatory approvals are obtained (refer note 8).

- 2.2 Mphasis Corporation, a subsidiary of the Company, acquired Mphasis Infrastructure Services Inc. (formerly Fortify Infrastructure Services Inc.) along with its subsidiaries effective 01 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 year ended 31 October 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 (₹ 67.52 millions) has been adjusted with goodwill.

- 2.3 During the year ended 31 October 2013, Mphasis Wyde Inc. acquired USA based Digital Risk LLC, 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 (₹ 1,467.99 millions) payable in five tranches over next 30 months ending 31 July 2015. Accordingly, the financial statements of Digital Risk LLC and its subsidiaries has been consolidated into the consolidated financial statements effective 11 February 2013 resulting in goodwill of ₹ 10,169.54 millions on acquisition. During the year ended 31 October 2013, USD 5.4 millions (₹ 332.13 millions) has been paid towards first tranche of earn-out liability.

- 2.4 On 22 July 2013 the Board of Directors of Mphasis Lanka (Private) Limited, a wholly owned subsidiary of Mphasis Limited, resolved to close down its operations.

- 2.5 Mphasis Finsource Limited is being merged with its Holding Company, Mphasis Limited effective 01 April 2013. The petition for amalgamation of Mphasis Finsource Limited with the Company has been filed with The Hon'ble High Court of Karnataka upon obtaining the approval from the Bombay Stock Exchange and the National Stock Exchange of India Limited.

- 2.6 Msource India BPO Private Limited has been dissolved and the name has been struck off from the register of Registrar of Companies effective 21 November 2013.

- 2.7 On 13 February 2014, the Group entered into a definitive agreement subject to fulfilment of certain conditions for sale of a business division on a slump sale basis. Accordingly, the expected loss of ₹ 64.41 millions (net of tax of ₹ 33.17 millions) on such sale of business has been provided for and disclosed as an exceptional item.

Notes to the Consolidated Financial Statements for the five months ended 31 March 2014

(₹ millions)

	31 March 2014	31 October 2013
3. SHARE CAPITAL		
Authorised shares		
245,000,000 (31 October 2013: 245,000,000) equity shares of ₹ 10 each	2,450.00	2,450.00
Issued, subscribed and fully paid-up shares		
210,134,821 (31 October 2013: 210,127,099) equity shares of ₹ 10 each fully paid-up	2,101.35	2,101.27
Add: Amount originally paid-up on forfeited shares	0.07	0.07
Total issued, subscribed and fully paid-up share capital	2,101.42	2,101.34

(a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

	31 March 2014		31 October 2013	
	Number	₹ millions	Number	₹ millions
At the beginning of the year	210,127,099	2,101.27	210,106,857	2,101.07
Issued during the period/ year-Bonus issue	-	-	700	0.01
Issued during the period/ year-Employee stock option plans	7,722	0.08	19,542	0.19
Outstanding at the end of the year	210,134,821	2,101.35	210,127,099	2,101.27

(b) Terms/ rights attached to 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 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.

During the five months ended 31 March 2014, the amount of per share dividend recognized as distributions to equity shareholders is ₹ 7.00 (31 October 2013: ₹ 17.00).

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

(c) Shares held by holding/ ultimate holding company and/ or their subsidiaries/ associates

(₹ millions)

	31 March 2014	31 October 2013
EDS Asia Pacific Holdings, Mauritius (Subsidiary of the ultimate holding company)	830.02	830.02
83,002,201 (31 October 2013: 83,002,201) equity shares of ₹ 10 each fully paid		
EDS World Corporation (Far East) (Subsidiary of the ultimate holding company)	441.04	441.04
44,104,064 (31 October 2013: 44,104,064) equity shares of ₹ 10 each fully paid		
EDS World Corporation (Netherlands) LLC (Subsidiary of the ultimate holding company)	0.00	0.00
1 (31 October 2013: 1) equity share of ₹ 10 each fully paid		

The ultimate holding company is Hewlett-Packard Company, USA.

(d) Aggregate number of bonus shares issued and shares issued for consideration other than cash during the period of five years immediately preceding the reporting date:

	31 March 2014	31 October 2013
Equity shares allotted as fully paid bonus shares by capitalization of securities premium/ statement of profit and loss	4,600	6,000

In addition, the Company has issued total 559,400 shares (31 October 2013: 1,197,935) during the period of five years immediately preceding the reporting date on exercise of options granted under the employee stock option plan (ESOP) wherein part consideration was received in form of employee services.

Notes to the Consolidated Financial Statements for the five months ended 31 March 2014

(e) Details of shareholders holding more than 5% shares in the Company

Name of the shareholder	31 March 2014	
	Number	% of holding
EDS Asia Pacific Holdings, Mauritius	83,002,201	39.50
EDS World Corporation (Far East)	44,104,064	20.99
Aberdeen Asset Managers Limited A/C Aberdeen Global Indian Equity (Mauritius) Limited	18,500,000	8.80

Name of the shareholder	31 October 2013	
	Number	% of holding
EDS Asia Pacific Holdings, Mauritius	83,002,201	39.50
EDS World Corporation (Far East)	44,104,064	20.99
Aberdeen Asset Managers Limited A/C Aberdeen Global Indian Equity (Mauritius) Limited	18,500,000	8.80

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.

(f) Shares reserved for issue under options

For details of shares reserved for issue under the ESOP plan of the Company, refer note 4.

(₹ millions)

	31 March 2014	31 October 2013
4. RESERVES & SURPLUS		
Capital reserve		
Balance as per last financial statements	361.39	361.39
Closing Balance	361.39	361.39
Capital redemption reserve	4.75	4.75
Securities premium account		
Balance as per last financial statements	1,555.22	1,553.36
Add: Premium on issue of shares	0.75	1.70
Add: Transferred from stock options outstanding	0.11	0.16
Closing Balance	1,556.08	1,555.22
Employee stock options outstanding (refer note 39)		
Balance as per last financial statements	86.75	115.33
Less: Transferred to securities premium on exercise of options	0.11	0.16
Less: Exercise of options	1.05	20.27
Less: Reversal on forfeiture/ lapse of options granted	2.06	8.15
	83.53	86.75
Less: Deferred employee stock compensation expense		
Balance as per last financial statements	4.57	31.21
Less: Expense for the period/ year	2.51	18.49
Less: Reversal on forfeiture/ lapse of options granted	2.06	8.15
	-	4.57
Closing Balance	83.53	82.18
General reserve		
Balance as per last financial statements	4,721.10	4,181.59
Add: Amount transferred from surplus balance in the statement of profit and loss	223.08	539.51
Closing Balance	4,944.18	4,721.10

Notes to the Consolidated Financial Statements for the five months ended 31 March 2014

(₹ millions)

	31 March 2014	31 October 2013
4. RESERVES & SURPLUS (Contd...)		
Hedging reserve		
Balance as per last financial statements	(1,092.15)	(654.34)
Add/ (Less): Transaction during the period/ year	527.14	(1,515.98)
Add/ (Less): Transfer to revenue	387.72	1,078.17
Closing Balance	(177.29)	(1,092.15)
Foreign currency translation reserve		
Balance as per last financial statements	3,902.65	1,425.90
Add/ (Less): Movement during the period/ year	(463.39)	2,476.75
Closing Balance	3,439.26	3,902.65
Surplus in the statement of profit and loss		
Balance as per last financial statements	37,708.10	34,989.42
Profit for the period/ year	3,026.81	7,437.97
Less: Appropriations		
Final dividend for earlier years	0.37	0.45
Proposed final equity dividend (amount per share ₹ 7.00 (31 October 2013: ₹ 17.00))	1,470.94	3,572.16
Tax on equity dividend	250.05	607.16
Issue of bonus shares	-	0.01
Reversal of provisions pertaining to earlier acquisition	(45.96)	-
Transfer to general reserve	223.08	539.51
Total appropriations	1,898.48	4,719.29
Net surplus in the statement of profit and loss	38,836.43	37,708.10
Total reserves and surplus	49,048.33	47,243.24

Employee Stock Option Plans ('ESOP')-Equity settled

All the ESOPs are in respect of the Company's shares where each stock option is equivalent to one share. In accordance with the Guidance Note on "Accounting for Employee Share-based Payments" issued by the ICAI with effect from 1 April 2005, the necessary disclosures have been made for the five months ended 31 March 2014 and year ended 31 October 2013 for grants outstanding on and made on or after that date for each of the plans described below (Also refer note 31).

Employees Stock Option Plan-1998 (the 1998 Plan): The Company instituted the 1998 Plan for all eligible employees in pursuance of the special resolution approved by the shareholders in the Annual General Meeting held on 31 July 1998. The 1998 Plan provides for the issuance of 3,720,000 options to eligible employees as recommended by the ESOP Committee constituted for this purpose.

In accordance with the 1998 Plan, the Committee has formulated 1998 Plan-(Version I) and 1998 Plan-(Version II) during the years 1998-1999 and 1999-2000 respectively.

1998 Plan-(Version I): Each option, granted under the 1998 Plan-(Version I), entitles the holder thereof with an option to apply for and be issued one equity share of the Company at an exercise price of ₹ 34.38 per share. The equity shares covered under these options vest at various dates over a period ranging from six to sixty-six months from the date of grant based on the length of service completed by the employee to the date of grant. The options are exercisable any time after their vesting period.

Notes to the Consolidated Financial Statements for the five months ended 31 March 2014

The movements in the options granted under the 1998 Plan-(Version I) for the five months ended 31 March 2014 and the year ended 31 October 2013 are set out below:

	Five months ended 31 March 2014		Year ended 31 October 2013	
	No. of Options	Weighted Average Exercise Price (₹)	No. of Options	Weighted Average Exercise Price (₹)
Options outstanding at the beginning	47,000	34.38	48,288	34.38
Granted	-	-	-	-
Forfeited	-	-	-	-
Lapsed	-	-	-	-
Exercised	-	-	1,288	34.38
Options outstanding at the end	47,000	34.38	47,000	34.38
Exercisable at the end	47,000	34.38	47,000	34.38

The weighted average share price as at the date of exercise for stock options was ₹ Nil (31 October 2013: ₹ 368.35). The options outstanding as at 31 March 2014 has an exercise price of ₹ 34.38 (31 October 2013: ₹ 34.38).

1998 Plan-(Version II): Commencing January 2000, the Company decided to grant all future options at the market price immediately preceding the date of grant. The equity shares covered under these options vest at various dates over a period ranging from twelve to forty-eight months from the date of grant based on the grade of the employee. However, in the case of options granted to the then Managing Director or Chief Executive Officer, the vesting period of the options, subject to a minimum period of one year from the date of grant, is determined by the ESOP Committee and approved by the Board. The options are to be exercised within a period of ten years from their date of vesting.

The movements in the options granted under the 1998 Plan-(Version II) for the five months ended 31 March 2014 and the year ended 31 October 2013 are set out below:

	Five months ended 31 March 2014		Year ended 31 October 2013	
	No. of Options	Weighted Average Exercise Price (₹)	No. of Options	Weighted Average Exercise Price (₹)
Options outstanding at the beginning	311,688	84.70	394,642	84.88
Granted	-	-	-	-
Forfeited	-	-	-	-
Lapsed	93,648	71.50	66,102	81.84
Exercised	4,408	99.54	16,852	100.13
Options outstanding at the end	213,632	90.18	311,688	84.70
Exercisable at the end	213,632	90.18	311,688	84.70

The weighted average share price as at the date of exercise for stock options was ₹ 386.35 (31 October 2013: ₹ 375.98). The options outstanding as at 31 March 2014 has an exercise price ranging from ₹ 23.21 to ₹ 130.60 (31 October 2013: ₹ 23.21 to ₹ 258.00) and weighted average remaining contractual life of 1.51 years (31 October 2013: 1.37 years).

Employees Stock Option Plan-2004 (the 2004 Plan): At the Extraordinary General Meeting on 12 May 2004, the shareholders approved a new Employee Stock Option Plan. The 2004 Plan provides for the issuance of equity shares to employees and directors of the Company and its subsidiaries and for the exchange of outstanding stock options of Msource Corporation as on 20 September 2004, pursuant to its merger with Mphasis Corporation and the assumption of the Msource stock options by the Company.

The 2004 Plan is administered through the ESOP Committee appointed by the Board and comprises two programs. Under Program A, outstanding options of Msource Corporation were exchanged for options in the Company on the agreed exchange ratio of 0.14028 stock options with underlying equity shares of the Company for each stock option in the Msource 2001 plan, the exercise price being the equivalent amount payable by the option holder under the Msource 2001 plan. The equity shares underlying these options vest over a period up to forty-eight months from the date of assumption by the Company and shall be exercisable within a period of ten years from the original date of grant under the Msource 2001 plan.

Notes to the Consolidated Financial Statements for the five months ended 31 March 2014

Options under Program B represent fresh grants and will be issued to employees at an exercise price which shall be equal to the fair value of the underlying shares at the date of grant. The equity shares covered under these options vest over a period ranging from twelve to forty-eight months from the date of grant. The exercise period is two years from the date of vesting.

The movements in the options under the 2004 Plan for the five months ended 31 March 2014 and the year ended 31 October 2013 are set out below:

	Five months ended 31 March 2014		Year ended 31 October 2013	
	No. of Options	Weighted Average Exercise Price (₹)	No. of Options	Weighted Average Exercise Price (₹)
Options outstanding at the beginning	10,956	117.98	12,358	117.91
Granted	-	-	-	-
Forfeited	-	-	-	-
Lapsed	-	-	-	-
Exercised	3,314	117.36	1,402	117.36
Options outstanding at the end	7,642	118.24	10,956	117.98
Exercisable at the end	7,642	118.24	10,956	117.98

The weighted average share price as at the date of exercise for stock options was ₹ 380.75 (31 October 2013: ₹ 447.90). The options outstanding as at 31 March 2014 has an exercise price ranging from ₹ 50.34 to ₹ 148.07 (31 October 2013: ₹ 50.34 to ₹ 148.07) and weighted average remaining contractual life of 2.75 years (31 October 2013: 3.02 years).

Employees Stock Option Plan-2012 (the 2012 Plan): Effective 14 March 2012, the Company instituted the 2012 Plan. The Board and the shareholders of the Company approved the 2012 plan on 20 January 2012. The 2012 plan provides for the issue of restricted options to certain employees of the Company and its subsidiaries.

The 2012 plan is administered by the Mphasis Employees Benefit Trust which is created for this purpose. Each option, granted under this plan, entitles the holder thereof with an option to apply for and be issued one equity share of the Company at an exercise price of ₹ 410.25 per share. The equity shares covered under these options vest over a period ranging from twelve to twenty-four months from the date of grant. The exercise period is three years from the date of vesting.

The movements in the options under the 2012 plan for the five months ended 31 March 2014 and the year ended 31 October 2013 are set out below:

	Five months ended 31 March 2014		Year ended 31 October 2013	
	No. of Options	Weighted Average Exercise Price (₹)	No. of Options	Weighted Average Exercise Price (₹)
Options outstanding at the beginning	456,800	410.25	500,750	410.25
Granted	-	-	-	-
Forfeited	15,050	410.25	41,425	410.25
Lapsed	5,150	410.25	175	410.25
Exercised	-	-	2,350	410.25
Options outstanding at the end	436,600	410.25	456,800	410.25
Exercisable at the end	436,600	410.25	230,425	410.25

The weighted average share price as at the date of exercise of stock option was ₹ Nil (31 October 2013: ₹ 463.75). The options outstanding as at 31 March 2014 has an exercise price ₹ 410.25 (31 October 2013: ₹ 410.25) and weighted average remaining contractual life of 2.36 years (31 October 2013: 2.84 years).

Total Employee Compensation Cost pertaining to 2012 plan during the period is ₹ 2.51 millions (31 October 2013: ₹ 17.33 millions).

Notes to the Consolidated Financial Statements for the five months ended 31 March 2014

Restricted Stock Units

EDS, the Holding Company, had issued Restricted Stock Units ('RSU') to certain employees of the Group. These have been replaced by RSUs of HP, pursuant to the merger. Subsequent to the merger, HP had also issued RSUs to certain employees of the Group. The total cost reversed towards RSUs for the five months ended 31 March 2014 amounted to ₹ Nil (31 October 2013: ₹ 1.48 millions). However, the cost has been borne by HP and accordingly this has not been accounted as an expense or income by the Group.

Restricted Stock Unit Plan-2010 ('RSU Plan-2010')

Effective 01 August 2010, the Company instituted the Restricted Stock Unit Plan-2010. The Board and the shareholders of the Company approved RSU Plan-2010 on 29 June 2010 and 17 August 2010 respectively. The RSU Plan-2010 provides for the issue of restricted options to employees and directors of the Company and its subsidiaries.

The RSU Plan-2010 is administered by the Mphasis Employees Benefit Trust which was created for this purpose. Each option, granted under the RSU Plan-2010, entitles the holder thereof with an option to apply for and be issued one equity share of the Company at an exercise price of ₹ 10.00 per share. The equity shares covered under these options vest over a period ranging from twelve to twenty-four months from the date of grant. The exercise period is one to three years from the date of vesting.

The movements in the options under the RSU Plan-2010 for the five months ended 31 March 2014 and the year ended 31 October 2013 are set out below:

	Five months ended 31 March 2014		Year ended 31 October 2013	
	No. of Options	Weighted Average Exercise Price (₹)	No. of Options	Weighted Average Exercise Price (₹)
Options outstanding at the beginning	39,650	10.00	92,100	10.00
Granted	-	-	-	-
Forfeited	-	-	4,125	10.00
Lapsed	-	-	3,200	10.00
Exercised	2,350	10.00	45,125	10.00
Options outstanding at the end	37,300	10.00	39,650	10.00
Exercisable at the end	37,300	10.00	39,650	10.00

The weighted average share price as at the date of exercise of stock option was ₹ 428.33 (31 October 2013: ₹ 391.71). The options outstanding on 31 March 2014 has an exercise price of ₹ 10.00 (31 October 2013: ₹ 10.00) and the weighted average remaining contractual life of 1.33 years (31 October 2013: 1.84 years).

Total Employee Compensation Cost pertaining to RSU Plan-2010 during the period is ₹ Nil millions (31 October 2013: ₹ 1.16 millions).

The Group has advanced an amount of ₹ 139.88 millions (31 October 2013: ₹ 140.96 millions) to the Mphasis Employees Benefit Trust. The shares held by Mphasis Employee Benefit Trust will be used for allotment of shares to employees against exercise of outstanding RSU 2010 and ESOP 2012 plan options and in case of any short fall on the date of exercise, will be allotted by the Company.

Notes to the Consolidated Financial Statements for the five months ended 31 March 2014

(₹ millions)

	Non Current		Current	
	31 March 2014	31 October 2013	31 March 2014	31 October 2013
5. LONG-TERM BORROWINGS				
Other loans	4,313.88	4,981.91	1,082.28	560.95
Amount disclosed under the head "Other current liabilities"	-	-	(1,082.28)	(560.95)
	4,313.88	4,981.91	-	-

Other loans carry interest @ LIBOR plus 2.77% (31 October 2013: LIBOR plus 2.77%) p.a and is repayable over a period of 5 years in 16 quarterly instalments. 100% equity interests of Digital Risk LLC has been pledged against the loan.

	31 March 2014	31 October 2013
6. DEFERRED TAX LIABILITIES (NET)		
Depreciation and amortization expense: Difference between tax depreciation and depreciation/ amortization as per statement of profit and loss	111.27	120.19
Provision for doubtful debts and advances	(0.36)	(5.90)
Provision for employee benefits	(39.19)	(52.28)
Others	86.92	(5.47)
	158.64	56.54

	Non Current		Current	
	31 March 2014	31 October 2013	31 March 2014	31 October 2013
7. TRADE PAYABLES				
Trade payables	-	-	4,512.32	4,197.12
Salary related costs	67.48	38.99	2,082.00	2,012.98
	67.48	38.99	6,594.32	6,210.10

The Group has amounts due to Micro and Small Enterprises under The Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act) as at 31 March 2014 and 31 October 2013. The details in respect of such dues are as follows:

Particulars	31 March 2014	31 October 2013
The principal amount remaining unpaid to any supplier.	14.32	11.52
The amount of interest due and remaining unpaid to any supplier.	9.85	8.44
The amount of interest paid by the Group along with the amount of the payments made to the supplier beyond the appointed day.	Nil	Nil
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the period/ year).	0.39	1.40
The amount of interest accrued and remaining unpaid at the end of the year.	Nil	Nil
The amount of further interest remaining due and payable for the earlier years.	8.44	6.48

Notes to the Consolidated Financial Statements for the five months ended 31 March 2014

(₹ millions)

	Non Current		Current	
	31 March 2014	31 October 2013	31 March 2014	31 October 2013
8. OTHER LIABILITIES				
Advances from clients	-	-	59.81	83.76
Unearned revenue	-	-	447.17	331.02
Interest on long term loans payable	-	-	0.45	14.85
Rent equalisation reserve	-	91.02	59.38	63.97
Statutory dues	-	-	588.65	537.89
Capital creditors	-	-	95.16	43.15
Other payables*	334.06	664.77	1,246.85	993.26
Unpaid dividend**	-	-	7.76	5.98
Current maturities of long-term borrowings	-	-	1,082.28	560.95
	334.06	755.79	3,587.51	2,634.83

* The above amount includes ₹ 17.06 millions (31 October 2013: ₹ 17.06 millions) which represents the remaining consideration payable for the acquisition of Kshema Technologies Limited [refer note 2.1], ₹ Nil [31 October 2013: ₹ 69.50 millions (USD 1.13 millions)] which represents the earnout payable to the erstwhile share holders of Fortify Infrastructure Services Inc. [refer note 2.2] and ₹ 1,294.16 (USD 21.60 millions) [31 October 2013: ₹ 1,328.51 (USD 21.60 millions)] which represents the earnout payable to the erstwhile share holders of Digital Risk LLC. [refer note 2.3].

** Investor Protection and Education Fund shall be credited for unclaimed dividends amount when due.

	Non Current		Current	
	31 March 2014	31 October 2013	31 March 2014	31 October 2013
9. PROVISIONS				
Provision for employee benefits				
Provision for gratuity [refer note 32 (a)]	-	-	441.72	372.83
Provision for employee compensated absences	-	-	499.29	530.58
	-	-	941.01	903.41
Other provisions				
Proposed equity dividend	-	-	1,470.94	3,572.16
Provision for tax on proposed equity dividend	-	-	249.99	607.09
Provision for taxation	-	-	736.82	758.22
Provision for mark to market losses on derivative contracts	40.54	275.55	255.58	817.46
	40.54	275.55	2,713.33	5,754.93
	40.54	275.55	3,654.34	6,658.34

Notes to the Consolidated Financial Statements for the five months ended 31 March 2014

10. TANGIBLE AND INTANGIBLE ASSETS

(₹ millions)

	Tangible Assets						Intangible Assets			
	Freehold Land	Plant and equipment	Computer equipment	Office equipment	Furniture and fixtures	Vehicles	Leasehold improvements	Total of Tangible Assets	Computer software	Total of Intangible Assets
Cost or valuation										
At 1 November 2012	27.38	2,862.25	3,073.36	1,334.71	673.40	126.62	1,669.42	9,767.14	1,633.99	11,401.13
Additions	-	230.43	304.61	91.71	138.46	35.94	73.51	874.66	274.50	1,149.16
Disposals	-	(95.38)	(1,017.08)	(76.78)	(89.68)	(30.49)	(140.15)	(1,449.56)	(623.40)	(2,072.96)
Exchange differences	-	111.16	108.83	14.20	25.07	0.78	9.87	269.91	144.98	414.89
At 31 October 2013	27.38	3,108.46	2,489.72	1,363.84	747.25	132.85	1,612.65	9,462.15	1,430.07	10,892.22
Additions	-	79.58	168.67	13.43	11.54	15.93	39.41	328.56	284.68	613.24
Disposals	-	(91.06)	(105.12)	(176.49)	(26.80)	(7.00)	(29.43)	(435.90)	(54.41)	(490.31)
Exchange differences	-	(36.69)	(17.98)	(2.63)	(6.16)	(0.05)	(1.97)	(65.48)	(37.65)	(103.13)
At 31 March 2014	27.38	3,060.29	2,515.29	1,198.15	725.83	141.73	1,620.66	9,289.33	1,622.69	10,912.02
Depreciation										
At 1 November 2012	-	2,147.84	2,669.21	1,174.85	560.30	37.58	1,241.34	7,831.12	1,209.75	9,040.87
Charge for the year	-	364.02	405.17	132.46	76.57	25.25	194.89	1,198.36	249.93	1,448.29
Disposals	-	(78.99)	(1,010.56)	(62.89)	(85.37)	(13.34)	(137.25)	(1,388.40)	(607.32)	(1,995.72)
Exchange differences	-	64.14	85.69	9.42	11.47	0.57	5.91	177.20	99.61	276.81
At 31 October 2013	-	2,497.01	2,149.51	1,253.84	562.97	50.06	1,304.89	7,818.28	951.97	8,770.25
Charge for the period	-	135.73	71.94	37.57	32.64	11.27	69.94	359.09	144.76	503.85
Disposals	-	(87.33)	(103.84)	(174.69)	(25.57)	(1.76)	(27.45)	(420.64)	(54.33)	(474.97)
Exchange differences	-	(23.91)	(12.55)	(1.62)	(2.92)	(0.02)	(0.71)	(41.73)	(23.36)	(65.09)
At 31 March 2014	-	2,521.50	2,105.06	1,115.10	567.12	59.55	1,346.67	7,715.00	1,019.04	8,734.04
Net block										
At 31 October 2013	27.38	611.45	320.21	110.00	184.28	82.79	307.76	1,643.87	478.10	2,121.97
At 31 March 2014	27.38	538.79	410.23	83.05	158.71	82.18	273.99	1,574.33	603.65	2,177.98

Notes to the Consolidated Financial Statements for the five months ended 31 March 2014

(₹ millions)

	31 March 2014	31 October 2013
11. GOODWILL ON CONSOLIDATION		
Balance brought forward	22,498.70	9,612.47
Add: On acquisition of Digital Risk LLC. (refer note 2.3)	-	10,169.54
Less: On acquisition of Mphasis Infrastructure Services Inc. (refer note 2.2)	(67.52)	-
Add/ (Less): Movement on account of exchange rate fluctuation	(566.43)	2,716.69
	21,864.75	22,498.70

	31 March 2014	31 October 2013
12. NON-CURRENT INVESTMENTS*		
Unquoted mutual funds		
Birla Sun Life Dynamic Bond Fund-Retail Plan	2,498.98	2,498.98
238,885,199 units at ₹ 10.4610 (31 October 2013: 238,885,199 units at ₹ 10.4610)		
Kotak Bond Scheme Plan A-Dividend	361.27	973.59
34,529,446 units at ₹ 10.4627 (31 October 2013: 93,053,157 units at ₹ 10.4627)		
HDFC Income Fund-Dividend	968.04	968.04
85,598,006 units at ₹ 11.3091 (31 October 2013: 85,598,006 units at ₹ 11.3091)		
Reliance Dynamic Bond Fund	980.81	980.81
94,518,133 units at ₹ 10.3770 (31 October 2013: 94,518,133 units at ₹ 10.3770)		
Birla Fixed Term Plan-Series KX	200.00	-
20,000,000 units at ₹ 10.0000 (31 October 2013: Nil units)		
IDFC Fixed Term Plan Series 86 Direct Plan	200.00	-
20,000,000 units at ₹ 10.0000 (31 October 2013: Nil units)		
ICICI Prudential FMP Series 73	200.00	-
20,000,000 units at ₹ 10.0000 (31 October 2013: Nil units)		
IDFC-Dynamic Bond Fund	-	501.34
Nil units (31 October 2013: 49,021,826 units at ₹ 10.2268)		
ICICI Prudential Short term-Regular Plan	-	1,495.50
Nil units (31 October 2013: 125,184,619 units at ₹ 11.9464)		
	5,409.10	7,418.26

* Effective 01 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 were classified as non-current investments on the said date at lower of cost and fair value. Subsequently investments aggregating to ₹ 2,452.67 millions have been sold during the year ended 31 October 2013.

	31 March 2014	31 October 2013
13. DEFERRED TAX ASSET (NET)		
Depreciation and amortization expense: Difference between tax depreciation and depreciation/ amortization as per statement of profit and loss	707.57	693.00
Provision for doubtful debts and advances	150.87	122.54
Provision for employee benefits	54.20	48.38
Deferred tax liability on rent equalisation reserve	(84.70)	(31.32)
Others	140.18	182.00
	968.12	1,014.60

Notes to the Consolidated Financial Statements for the five months ended 31 March 2014

(₹ millions)

	Non Current		Current	
	31 March 2014	31 October 2013	31 March 2014	31 October 2013
14. LOANS AND ADVANCES				
Unsecured-considered good				
Capital advances	2.11	3.13	-	-
Deposits				
- Premises	773.93	790.33	26.47	34.28
- With government authorities	22.92	22.83	-	-
- Others	866.90	598.38	3.23	3.23
Loans to employees	-	-	4.78	7.42
Loan to ESOP trust (refer note 39)	-	-	139.88	140.96
Advances recoverable in cash or kind				
- Prepaid expenses	74.61	87.60	433.47	465.25
- Employee advances	-	-	117.25	98.63
- Advance to supplier/ others	-	-	700.83	96.97
Balance with statutory/ government authorities *	1,475.33	1,437.18	462.14	358.17
Advance income-tax (net of provision for taxation)	2,449.83	2,000.72	-	-
MAT credit entitlement **	710.88	867.16	251.30	313.01
	6,376.51	5,807.33	2,139.35	1,517.92

* Balances with statutory/ government authorities include service tax input credit receivable net of ₹ 1,881.83 millions (31 October 2013: ₹ 1,743.83 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 opinion, is confident that the legal positions taken by the Group are tenable and defensible under law.

** net of MAT credit utilisation of ₹ 217.99 millions (31 October 2013: ₹ 130.96 millions).

	Non Current		Current	
	31 March 2014	31 October 2013	31 March 2014	31 October 2013
15. OTHER ASSETS				
Non-current bank balances (refer note 18)	87.17	87.14	-	-
Unbilled revenue	-	-	5,084.08	5,661.47
Accrued interest	-	-	29.51	57.32
Restatement of forward cover	-	-	146.28	16.94
Rent equalisation reserve	152.46	70.12	-	-
Mark to market gains on forward cover	5.42	0.86	113.41	-
Expense incurred on behalf of customers	-	-	75.23	125.14
	245.05	158.12	5,448.51	5,860.87

Notes to the Consolidated Financial Statements for the five months ended 31 March 2014

(₹ millions)

	31 March 2014	31 October 2013
16. CURRENT INVESTMENTS*		
Unquoted mutual funds		
Birla Sun Life Cash Plus	2,478.44	2,407.82
24,736,137 units at ₹ 100.1950 (31 October 2013: 24,031,330 units at ₹ 100.1950)		
ICICI Prudential Liquid-Direct Plan	1,863.53	2,006.42
18,625,243 units at ₹ 100.0540 (31 October 2013: 20,053,355 units at ₹ 100.0540)		
IDFC Money Manager Fund-Invest Plan	717.75	697.51
71,398,367 units at ₹ 10.0528 (31 October 2013: 69,385,028 units at ₹ 10.0528)		
L&T Liquid Fund Direct Plan	4,349.62	-
4,298,265 units at ₹ 1011.9470 (31 October 2013: Nil units)		
Reliance Liquid Fund-Treasury Plan	803.90	-
525,856 units at ₹ 1,528.7400 (31 October 2013: Nil units)		
ICICI Prudential Interval Fund IV Quarterly Interval Plan B	200.00	-
19,995,001 units at ₹ 10.0025 (31 October 2013: Nil units)		
ICICI Prudential Interval Fund II Quarterly Interval Plan F	200.00	-
19,973,834 units at ₹ 10.0131 (31 October 2013: Nil units)		
Reliance Interval Fund-Quarterly Plan-Series I-Direct	400.00	-
39,915,379 units at ₹ 10.0212 (31 October 2013: Nil units)		
IDFC Fixed Term Plan Series 73 Direct Plan	300.00	-
30,000,000 units at ₹ 10.0000 (31 October 2013: Nil units)		
Reliance Qly Interval fund-Series II	200.00	-
19,972,438 units at ₹ 10.0138 (31 October 2013: Nil units)		
ICICI Prudential FMP Series 72	402.00	-
40,200,000 units at ₹ 10.0000 (31 October 2013: Nil units)		
Kotak FMP Series 136 Direct-Growth	180.00	-
18,000,000 units at ₹ 10.0000 (31 October 2013: Nil units)		
IDFC Fixed Term Plan Series 67 Direct Plan-Growth	250.00	-
25,000,000 units at ₹ 10.0000 (31 October 2013: Nil units)		
Reliance Fixed Horizon Fund-XXV Series 32 Direct Plan Growth	400.00	-
40,000,000 units at ₹ 10.0000 (31 October 2013: Nil units)		
ICICI Prudential Interval Fund II Quarterly Interval Plan B	-	300.00
Nil units (31 October 2013: 29,989,504 units at ₹ 10.0035)		
UTI Treasury Advance Fund-Institutional Plan	-	5,694.73
Nil units (31 October 2013: 5,681,355 units at ₹ 1,002.3539)		
HDFC 90D August 2013 (1) Series 27-Regular	-	470.00
Nil units (31 October 2013: 47,000,000 units at ₹ 10.0000)		
	12,745.24	11,576.48

* valued at lower of cost and fair value.

	Non Current		Current	
	31 March 2014	31 October 2013	31 March 2014	31 October 2013
17. TRADE RECEIVABLES				
Outstanding for a period exceeding six months from the date they are due for payment, unsecured				
- Considered good	-	-	210.86	-
- Considered doubtful	439.89	375.94	-	-
Less: Provision for doubtful receivables	(439.89)	(375.94)	-	-
Other receivables				
- Considered good	105.02	408.82	7,567.39	6,511.14
	105.02	408.82	7,778.25	6,511.14

Notes to the Consolidated Financial Statements for the five months ended 31 March 2014

(₹ millions)

	Non Current		Current	
	31 March 2014	31 October 2013	31 March 2014	31 October 2013
18. CASH AND BANK BALANCES				
Cash and cash equivalents				
Cash on hand	-	-	0.04	0.14
<i>Balances with banks:</i>				
- On current accounts	-	-	2,642.22	2,011.53
- Deposits with original maturity less than 3 months	-	-	882.06	1,580.96
- Unclaimed dividend	-	-	7.76	5.98
	-	-	3,532.08	3,598.61
Other bank balances *				
- Deposits with original maturity for more than 12 months	87.17	87.14	1,000.05	0.05
- Deposits with original maturity for more than 3 months but less than 12 months	-	-	50.53	2,200.53
	87.17	87.14	1,050.58	2,200.58
Amount disclosed under non-current assets (refer note 15)	(87.17)	(87.14)	-	-
	-	-	1,050.58	2,200.58
	-	-	4,582.66	5,799.19

* includes restricted deposits of ₹ 10.73 millions as at 31 March 2014 (31 October 2013: ₹ 10.73 millions).

	Five months ended 31 March 2014	Year ended 31 October 2013
19. REVENUE FROM OPERATIONS		
Sale of services	26,326.02	58,970.11
Sale of traded products	-	71.03
Loss on cashflow hedges	(387.72)	(1,078.17)
	25,938.30	57,962.97
19.1 Details of services rendered:		
Application maintenance & other services	7,345.95	18,505.23
Application development	5,660.84	13,020.87
Infrastructure management services	4,763.53	11,455.34
Knowledge processing services	4,810.17	7,622.59
Other services	3,745.53	8,366.08
	26,326.02	58,970.11
19.2 DETAILS OF PRODUCT SOLD:		
Biometric devices	-	71.03
	-	71.03

Notes to the Consolidated Financial Statements for the five months ended 31 March 2014

(₹ millions)

	Five months ended 31 March 2014	Year ended 31 October 2013
20. OTHER INCOME		
Interest income on		
Bank deposits	84.86	89.15
Others	0.18	17.56
Dividend income on investments	457.66	1,249.48
Foreign exchange gain/ (loss), (net)	(24.77)	34.22
Profit on sale of fixed assets, (net)	2.75	6.12
Miscellaneous income	1.34	8.23
	522.02	1,404.76
21. PURCHASE OF TRADED GOODS		
Biometric devices	-	69.62
	-	69.62
22. EMPLOYEE BENEFITS EXPENSE		
Salaries and bonus	15,036.53	32,648.43
Contribution to provident and other funds	1,012.48	2,209.30
Employee stock option compensation cost (net)	2.51	18.49
Gratuity expense [refer note 32 (a)]	69.03	211.85
Staff welfare expenses	153.44	480.29
	16,273.99	35,568.36
23. FINANCE COST		
Interest	111.38	223.10
Exchange difference to the extent considered as an adjustment to borrowing costs	-	107.32
	111.38	330.42
24. OTHER EXPENSES		
Travel	749.04	1,360.26
Recruitment expenses	120.65	324.74
Communication expenses	261.83	619.19
Rent	1,101.68	1,982.31
Professional charges	780.36	1,659.77
Provision for doubtful debts	86.67	226.43
Software development expenses	948.15	2,979.20
Power and fuel	213.65	539.12
Software support & annual maintenance charges	351.32	979.02
Insurance	63.48	78.69
Rates & taxes*	(77.55)	127.49
Repairs & maintenance		
- Plant & machinery	2.21	5.58
- Building	6.12	6.49
- Others	6.89	8.37
Loss/ (gain) on sale/ revaluation of investments	20.55	10.76
Miscellaneous expenses	653.50	1,091.83
	5,288.55	11,999.25

* net of reversal of certain provisions which are no longer required amounts to ₹ 106.87 (31 October 2013: ₹ Nil).

Notes to the Consolidated Financial Statements for the five months ended 31 March 2014

25. The Group's software development centres and call centres in India include 100% Export Oriented Units ('EOU'), Special Economic Zone ('SEZ') under Special Economic Zone Ordinance and Software Technology Park ('STP') Units under the Software Technology Park guidelines issued by the Government of India. They are exempted from customs and central excise duties and levies on imported and indigenous capital goods and stores and spares. The Group has executed legal undertakings to pay customs duty, central excise duty, levies and liquidated damages payable, if any, in respect of imported and indigenous capital goods and stores and spares consumed duty free, in the event that certain terms and conditions are not fulfilled. Bank guarantees aggregating to ₹ 51.26 millions as at 31 March 2014 (31 October 2013: ₹ 51.26 millions) have been furnished to the Customs authorities in this regard.

26. 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, 31 March 2009 and 31 March 2010, 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 ₹ 1,927.10 millions (31 October 2013: ₹ 1,928.99 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 ₹ 2,261.17 millions (31 October 2013: ₹ 3,718.47 millions) net of bank guarantees aggregating to ₹ 4,841.14 millions (31 October 2013: ₹ 4,910.28). The management, basis internal evaluation and legal opinion is of the view that these demands are not tenable.

- (b) Other outstanding bank guarantees as at 31 March 2014: ₹ 802.25 millions (31 October 2013: ₹ 754.63 millions) including those furnished on account of jointly controlled operations ₹ 99.35 millions (31 October 2013: ₹ 108.70 millions).
- (c) Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for as at 31 March 2014: ₹ 101.05 millions (31 October 2013: ₹ 160.04 millions).
- (d) The Group 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.
- (e) Forward contracts outstanding against receivables/ highly probable forecast transactions as at 31 March 2014 and 31 October 2013 are as below:

Currency	31 March 2014		31 October 2013	
	Amount (millions)	Amount in ₹ (millions)	Amount (millions)	Amount in ₹ (millions)
USD	234.64	14,058.46	271.20	16,680.16
GBP	10.39	1,036.56	13.15	1,295.90
CAD	4.44	240.97	4.18	245.96
AUD	4.37	241.65	-	-
EUR	13.09	1,082.34	12.82	1,077.26

Forward contracts outstanding against payables as at 31 March 2014 and 31 October 2013 are as below:

Currency	31 March 2014		31 October 2013	
	Amount (millions)	Amount in ₹ (millions)	Amount (millions)	Amount in ₹ (millions)
SGD	3.33	158.45	3.80	188.67

The foreign exchange exposure of the Group has been hedged by forward contracts disclosed above.

Unamortized premium as at 31 March 2014 on forward exchange contracts to hedge the foreign currency risk of the underlying outstanding at the balance sheet date is ₹ 74.39 millions (31 October 2013: ₹ 59.91 millions). Net foreign currency exposure of the Group that is not hedged by a derivative instrument or otherwise as at 31 March 2014: ₹ 17,579.30 millions (31 October 2013: ₹ 20,563.55 millions).

- (f) The Group has issued performance guarantees to certain clients for executed contracts.

Notes to the Consolidated Financial Statements for the five months ended 31 March 2014

27. Operating Leases

The Group is obligated under non-cancellable leases for equipments, office and residential space that are renewable on a periodic basis at the option of the lessor and the lessee. Total rental expense under non-cancellable operating leases amounted to ₹ 587.23 millions for the five months ended 31 March 2014 (year ended 31 October 2013: ₹ 625.87 millions).

Future minimum lease payments under non-cancellable operating leases as at 31 March 2014 are as follows:

Period	(₹ millions)	
	31 March 2014	31 October 2013
Not later than 1 year	1,785.99	1,138.72
Later than 1 year and not later than 5 years	1,509.68	1,218.92
More than 5 years	-	1.84
	3,295.67	2,359.48

The Group has also occupied office facilities and residential facilities under cancellable operating lease agreements. The Group intends to renew such leases in the normal course of its business. Total rental expense under cancellable operating leases for the five months ended 31 March 2014 amounted to ₹ 514.45 millions (year ended 31 October 2013: ₹ 1,356.44 millions).

Office Premises are obtained on operating lease for terms ranging from 1 to 7 years and are renewable at the option of the Group/lessor.

28. Related Party Transactions

(a) Entities where control exists:

- Hewlett-Packard Company, USA (ultimate holding company)
- Hewlett-Packard Eagle Corporation, USA (100% subsidiary of Hewlett-Packard Company, USA)
- Electronic Data Systems LLC, USA (formerly Electronic Data Systems Corporation, USA), (100% subsidiary of Hewlett-Packard Eagle Corporation, USA)*

* EDS Asia Pacific Holdings, Mauritius (formerly TH Holding, Mauritius), EDS World Corporation (Far East) and EDS World Corporation (Netherlands) LLC, the subsidiaries of Electronic Data Systems LLC, USA (formerly Electronic Data Systems Corporation, USA) hold 60.49% (31 October 2013: 60.49%) of the equity capital of the Company.

The related parties where control exists also include BFL Employees Equity Reward Trust, Kshema Employees Welfare Trust and Mphasis Employee Benefit Trust.

(b) Key management personnel:

The key management personnel of the Group are as mentioned below:

Executive key management personnel represented on the Board of the Company

- Balu Ganesh Ayyar Chief Executive Officer

Non-executive/ independent directors on the Board of the Company

- Friedrich Froeschl Director-Non Executive Chairman of the Board
- James Mark Merritt Director-Appointed as Vice Chairman w.e.f. 13 March 2014
- Chandrakant D Patel Director-Appointed w.e.f. 05 December 2012
- Davinder Singh Brar Director
- Narayanan Kumar Director-Appointed w.e.f. 15 February 2013
- Lakshmikanth K Ananth Director-Appointed w.e.f. 28 February 2013
- Shankar Maitra Director-Appointed w.e.f. 05 December 2013
- Stefan Antonio Lutz Additional Director-Appointed w.e.f. 12 February 2014
- Nawshir H Mirza Director-Retired w.e.f. 01 February 2013
- Antonio Neri Director-Resigned w.e.f. 05 December 2013
- V Ravichandran Director-Resigned w.e.f. 12 February 2014
- Francesco Serafini Director & Vice Chairman-Resigned w.e.f. 14 February 2013
- Balu Doraisamy Director-Resigned w.e.f. 14 February 2013
- Gerard Brossard Director-Resigned w.e.f. 06 December 2012

Notes to the Consolidated Financial Statements for the five months ended 31 March 2014

(c) Direct or indirect subsidiaries of ultimate holding company with which transactions have taken place:

- Global E-Business Operations Private Ltd
- Hewlett-Packard Company
- Hewlett-Packard Gulf SAS
- Hewlett-Packard India Sales Private Limited
- Hewlett-Packard Servicios Espania, S.L.
- Hewlett-Packard (Canada) Co.
- Hewlett-Packard (K) Limited Liability Partnership
- Hewlett-Packard (Schweiz) GmbH
- Hewlett-Packard (Thailand) Ltd
- Hewlett-Packard AP (Hong Kong) Limited
- Hewlett-Packard Aps
- Hewlett-Packard Asia Pacific Pte Ltd
- Hewlett-Packard Australia Pty Limited
- Hewlett-Packard Belgium B.V.B.A/S.P.R.L
- Hewlett-Packard Brasil Ltd
- Hewlett-Packard CDS Limited
- Hewlett-Packard Enterprises LLC
- Hewlett-Packard Financial Services (India) Private Ltd
- Hewlett-Packard France SAS, France
- Hewlett-Packard FS France SAS
- Hewlett-Packard Galway Ltd
- Hewlett-Packard Gesellschaft m.b.H
- Hewlett-Packard Global Investments B.V
- Hewlett-Packard Globalsoft Limited
- Hewlett-Packard GmbH
- Hewlett-Packard International Sa'rl
- Hewlett-Packard International Trade B.V.
- Hewlett-Packard Japan Limited
- Hewlett-Packard Korea Limited
- Hewlett-Packard Ltd
- HP India Software Operation Pvt Ltd
- HP Services (Singapore) Pte Ltd
- Hewlett-Packard de Mexico S. De R.L. De CV
- P.T. Hewlett-Packard Berca Servisindo
- Hewlett-Packard Multimedia SDN BHD
- P.T. Hewlett-Packard Berca Servisindo
- Hewlett-Packard Nederland B.V.
- Hewlett-Packard New Zealand
- Hewlett-Packard Norge A/S
- Hewlett-Packard OY
- Hewlett-Packard Pakistan (Private) Limited
- Hewlett-Packard Philippines Incorporation
- Hewlett-Packard Services Kuwait Company W.L.L
- Hewlett-Packard Servizi ICT S.r.l.
- Hewlett-Packard Singapore (Sales) Pte. Ltd
- Hewlett-Packard Slovakia, s.r.o.
- Hewlett-Packard South Africa (Proprietary) Limited
- Hewlett-Packard State & Local Enterprise Services, Inc.
- Shanghai Hewlett-Packard Co, Ltd
- Hewlett-Packard Technology (Shanghai) Co., Ltd
- HP Centre de Competence France SAS
- HP Enterprise Services (Hong Kong) Ltd
- HP Enterprise Services Australia Pty Ltd
- HP Enterprise Services BPA Pty Ltd
- HP Enterprise Services Italia S.r.l
- HP Enterprise Services UK Ltd
- HP Enterprise Services Energy Italia S.r.l
- HP Enterprise Services, LLC
- HP Facilities Services (Malaysia) Sdn Bhd
- HP Financial Services (Australia) Pty Ltd
- HP Financial Services (New Zealand)
- HP Financial Services GmbH
- Hewlett-Packard Ireland, Ltd.
- HP Financial Services SPRL
- HP Information Security UK Ltd
- HP Software, LLC
- Hewlett-Packard UK Enterprise (I) Ltd.

(d) The following is the summary of significant transactions with related parties by the Group:

	(₹ millions)	
	Five months ended 31 March 2014	Year ended 31 October 2013
Rendering of services to entities where control exists	945.93	2,420.31
- Hewlett-Packard Company	945.93	2,420.31
Rendering of services to other related parties	8,752.84	23,631.59
- HP Enterprise Services, LLC	5,173.09	14,241.84
- Others	3,579.75	9,389.75
Purchase of fixed assets from other related parties	25.55	16.79
- Hewlett-Packard India Sales Private Limited	7.06	2.23
- Hewlett-Packard Singapore (Sales) Pte. Limited	18.49	14.56

Notes to the Consolidated Financial Statements for the five months ended 31 March 2014

(₹ millions)

	Five months ended 31 March 2014	Year ended 31 October 2013
Lease rentals to other related parties	13.86	63.98
- Hewlett-Packard Financial Services (India) Private Limited	13.86	63.98
Communication charges to other related parties	-	2.43
- HP Services (Singapore) Pte Limited	-	2.43
Software development charges to other related parties	4.06	6.89
- HP Services (Singapore) Pte Limited	4.06	6.89
Software support and annual maintenance charges to other related parties	246.03	776.75
- HP Services (Singapore) Pte Limited	246.03	776.75
Other expenses paid to other related parties	0.03	0.05
- HP Services (Singapore) Pte Limited	0.03	0.05
Dividend paid (on cash basis)	2,160.81	2,160.81
- EDS Asia Pacific Holdings, Mauritius	1,411.04	1,411.04
- EDS World Corporation (Far East)	749.77	749.77
Remuneration to executive key management personnel	44.39	69.51
- Balu Ganesh Ayyar	44.39	69.51
Commission to non-executive directors *	5.78	11.90
- Davinder Singh Brar	1.45	3.28
- Nawshir H Mirza	-	0.91
- Friedrich Froeschl	2.67	5.02
- Narayanan Kumar	1.66	2.69
Interest on loan to entities where control exists	-	13.84
- Hewlett-Packard Company	-	13.84
Loan repaid to Hewlett-Packard Company	-	615.05
Advance adjusted against issue of RSU Mphasis Employee Benefit Trust	1.05	20.27
Loan refunded by Mphasis Employee Benefit Trust	0.03	1.42

* This does not include remuneration paid to certain non-executive directors by the ultimate parent company and its affiliates as they are employees of the said companies.

(e) The balances receivable from and payable to related parties are as follows:

	31 March 2014	31 October 2013
Advance/ Loan to Mphasis Employees Benefit Trust	139.88	140.96
Trade receivables and unbilled revenue-entities where control exists	452.56	499.60
- Hewlett-Packard Company	452.56	499.60
Trade receivables and unbilled revenue-other related parties	4,269.45	4,316.68
- HP Enterprise Services, LLC	2,211.81	2,394.72
- HP Enterprise Services UK Ltd	485.75	407.05
- Others	1,571.89	1,514.91
Trade payable - other related parties	812.67	1,024.83
- HP Services (Singapore) Pte Limited	724.49	1,020.38
- Others	88.18	4.45
Remuneration payable to executive key management personnel	4.37	1.33
-Balu Ganesh Ayyar	4.37	1.33
Commission payable to non-executive directors	5.78	6.80
-Davinder Singh Brar	1.45	1.77
-Narayanan Kumar	1.66	1.94
-Friedrich Froeschl	2.67	3.09

Notes to the Consolidated Financial Statements for the five months ended 31 March 2014

29. Segment reporting

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

The accounting policies consistently used in the preparation of 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'.

Client relationships are driven based on client domicile. The geographical segments include United States of America (USA), India, Asia Pacific (APAC) and Europe, Middle East & Africa (EMEA).

Primary segment information

	(₹ millions)	
	Five months ended 31 March 2014	Year ended 31 October 2013
Segment revenue		
Banking and Capital Market	10,906.80	21,308.41
Insurance	3,304.12	6,985.33
Information Technology, Communication and Entertainment	4,255.58	11,591.89
Emerging Industries	7,859.52	19,155.51
Unallocated-Hedge	(387.72)	(1,078.17)
	25,938.30	57,962.97
Segment profit *		
Banking and Capital Market	2,669.25	5,341.62
Insurance	799.34	1,736.83
Information Technology, Communication and Entertainment	1,089.17	2,599.52
Emerging Industries	2,649.22	5,967.29
Unallocated-Hedge	(387.72)	(1,078.17)
	6,819.26	14,567.09
Interest income	85.04	106.71
Finance costs	(111.38)	(330.42)
Other income	436.98	1,298.05
Other unallocable expenditure	(3,011.76)	(5,689.64)
Profit before taxation *	4,218.14	9,951.79
Income taxes	1,191.33	2,513.82
Profit after taxation	3,026.81	7,437.97

* Includes exceptional items (refer note 2.7)

	31 March 2014	31 October 2013
Segment assets		
Banking and Capital Market	7,795.07	6,338.69
Insurance	2,212.36	1,875.84
Information Technology, Communication and Entertainment	3,475.15	3,790.90
Emerging Industries	5,179.13	5,358.64
Unallocated	51,238.81	53,592.56
	69,900.52	70,956.63

Notes to the Consolidated Financial Statements for the five months ended 31 March 2014

	(₹ millions)	
	31 March 2014	31 October 2013
Segment liabilities		
Banking and Capital Market	5,017.19	4,372.70
Insurance	1,381.74	1,154.93
Information Technology, Communication and Entertainment	1,421.87	1,676.64
Emerging Industries	2,446.15	2,526.99
Unallocated	8,483.82	11,880.79
	18,750.77	21,612.05
Capital employed		
Banking and Capital Market	2,777.88	1,965.99
Insurance	830.62	720.91
Information Technology, Communication and Entertainment	2,053.28	2,114.26
Emerging Industries	2,732.98	2,831.65
Unallocated	42,754.99	41,711.77
	51,149.75	49,344.58
	Five months ended 31 March 2014	Year ended 31 October 2013
Capital expenditure		
Banking and Capital Market	169.43	908.40
Insurance	51.33	66.14
Information Technology, Communication and Entertainment	66.11	109.76
Emerging Industries	122.10	181.39
	408.97	1,265.69
Depreciation		
Banking and Capital Market	183.51	394.82
Insurance	29.98	95.35
Information Technology, Communication and Entertainment	180.82	412.63
Emerging Industries	109.54	545.49
	503.85	1,448.29
Secondary segment information (revenues)		
Region		
USA	19,476.26	42,228.70
India	1,972.21	4,872.11
APAC	1,496.58	4,045.50
EMEA	3,380.97	7,894.83
Unallocated-Hedge	(387.72)	(1,078.17)
	25,938.30	57,962.97

Revenues by geographic area are based on the geographical location of the client.

Notes to the Consolidated Financial Statements for the five months ended 31 March 2014

(₹ millions)

	31 March 2014	31 October 2013
Secondary segment information (assets)		
Region		
USA	32,551.57	32,608.83
India	32,788.30	34,157.00
APAC	1,366.60	1,543.77
EMEA	3,194.05	2,647.03
	69,900.52	70,956.63

	Five months ended 31 March 2014	Year ended 31 October 2013
Secondary segment information (capital expenditure)		
Region		
USA	129.55	1,010.93
India	266.82	237.05
APAC	6.41	2.66
EMEA	6.19	15.05
	408.97	1,265.69

30. Earnings Per Share ('EPS')

Reconciliation of basic and diluted shares used in computing earnings per share:

	Five months ended 31 March 2014	Year ended 31 October 2013
Profit before exceptional item (₹ in millions)	3,091.22	7,437.97
Profit after exceptional item (₹ in millions)	3,026.81	7,437.97
Number of weighted average shares considered for calculation of basic earnings per share	210,130,113	210,122,068
Add: Dilutive effect of stock options	245,021	309,679
Number of weighted average shares considered for calculation of diluted earnings per share	210,375,134	210,431,747

The above does not include 21,000 (31 October 2013: 21,000) bonus shares held in abeyance by the Company.

Notes to the Consolidated Financial Statements for the five months ended 31 March 2014

31. Stock Based Compensation

The Group uses the intrinsic value method of accounting for its employee stock options except for RSU Plan 2010, RSU Plan 2011 and ESOP 2012 plan wherein compensation cost is measured based on fair value method. The Group, has therefore adopted the pro-forma disclosure provisions as required by the Guidance Note on "Accounting for Employee Share-based Payments" issued by the ICAI with effect from 01 April 2005.

Had the compensation cost been determined in a manner consistent with the fair value approach described in the aforesaid Guidance Note, the Group's net profit and EPS as reported would have been adjusted to the pro-forma amounts indicated below:

(₹ millions)

	Five months ended 31 March 2014	Year ended 31 October 2013
Net profit as reported (before exceptional item)	3,091.22	7,437.97
Add: Stock based employee compensation expense determined under the intrinsic value method	-	-
Add: Stock based employee compensation income determined under the fair value method.	-	-
Pro-forma net profit	3,091.22	7,437.97
Earning per share: Basic		
As reported	14.71	35.40
Pro-forma	14.71	35.40
Earning per share: Diluted		
As reported	14.69	35.35
Pro-forma	14.69	35.35
Net profit as reported (after exceptional item)	3,026.81	7,437.97
Add: Stock based employee compensation expense determined under the intrinsic value method	-	-
Add: Stock based employee compensation income determined under the fair value method	-	-
Pro-forma net profit	3,026.81	7,437.97
Earning per share: Basic		
As reported	14.40	35.40
Pro-forma	14.40	35.40
Earning per share: Diluted		
As reported	14.39	35.35
Pro-forma	14.39	35.35

The fair value of each stock option has been estimated by management on the respective grant date using the Black-Scholes option pricing model with the following assumptions:

Dividend yield %	1.44% to 1.98%
Expected life	1 to 4 years
Risk free interest rates	5.78% to 8.00%
Expected volatility (annualised) *	67.12% to 69.48%

* Expected volatility (annualised) is computed based on historical share price movement since April 2001.

Notes to the Consolidated Financial Statements for the five months ended 31 March 2014

32. Employee Benefits

a. Gratuity Plan

The following tables set out the status of the gratuity plan as required under revised AS 15.

Reconciliation of the projected benefit obligations

(₹ millions)

	31 March 2014	31 October 2013
Change in projected benefit obligation		
Obligations at year beginning	774.31	616.83
Service cost	43.91	194.95
Interest cost	27.44	48.51
Benefits paid	(46.57)	(92.33)
Actuarial loss/ (gain)	10.73	6.35
Obligations at year end	809.82	774.31
Change in plan assets		
Plan assets at year beginning, at fair value	401.48	455.85
Expected return on plan assets (estimated)	14.29	36.72
Actuarial gain/ (loss)	(1.24)	1.24
Contributions	0.14	-
Benefits paid	(46.57)	(92.33)
Plan assets at year end, at fair value	368.10	401.48
Reconciliation of present value of obligation and fair value of plan assets		
Fair value of plan assets at the end of the year	368.10	401.48
Present value of defined benefit obligation at the end of the year	809.82	774.31
Liability recognized in the balance sheet	(441.72)	(372.83)
	Five months ended	Year ended
	31 March 2014	31 October 2013
Assumptions		
Interest rate	8.50%	8.50%
Discount rate	8.78%	8.50%
Expected rate of return on plan assets	8.00%	8.00%
Actual rate of return on plan assets	8.85%	9.40%
Attrition rate	20%-30%	20%-30%
Expected contribution over next one year	441.72	372.83
	Five months ended	Year ended
	31 March 2014	31 October 2013
Gratuity cost for the period/ year		
Service cost	43.91	194.95
Interest cost	27.44	48.51
Expected return on plan assets	(14.29)	(36.72)
Actuarial loss/ (gain)	11.97	5.11
Net gratuity cost	69.03	211.85

The estimates of future salary increases considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market. Expected return on plan assets is computed based on prevailing market rate.

Notes to the Consolidated Financial Statements for the five months ended 31 March 2014

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	31 March 2014	31 October 2013
Investments with insurer	100%	100%

Amounts for the current and previous four periods are as follows:

	Five months ended 31 March 2014	Year ended 31 October 2013	Year ended 31 October 2012	Year ended 31 October 2011	Year ended 31 October 2010
Fair value of plan assets at the end of the year	368.10	401.48	455.85	451.94	305.35
Present value of defined benefit obligation at the end of the year	809.82	774.31	616.83	501.97	415.19
Liability recognized in the balance sheet	(441.72)	(372.83)	(160.98)	(50.03)	(109.84)
Experience adjustment					
Experience gain/ (loss) adjustment on plan liability	(10.73)	(6.35)	1.02	2.12	4.32
Experience gain/ (loss) adjustment on plan asset	(1.24)	1.24	0.32	1.10	0.90

b. Provident Fund

The Group contributed ₹ 219.44 millions during the five months ended 31 March 2014 (year ended 31 October 2013: ₹ 571.31 millions). Effective 03 July 2013, the Group has established a Mphasis Provident Fund Trust ('the Trust') to which contributions towards provident fund are made each month which have been invested in Government bonds with average returns more than guaranteed return. On 23 April 2014, an amount of ₹ 5,052.27 millions which was held by Regional Provident Fund Commissioner has been transferred from Recognised Provident Fund to the Mphasis Provident Fund Trust effective 01 April 2014. The Group has not carried out actuarial valuation as at the date of Balance Sheet since the transfer of fund was not completed as of 31 March 2014. Further, the Group does not expect any shortfall.

33. The Group paid an amount of USD 0.40 millions (₹ 17.53 millions) against a claim received from a client in respect of alleged identity theft pertaining to customer bank accounts involving the Group's employees and ex-employees. Liquid assets and properties worth USD 0.23 millions (₹ 10.06 millions) of the alleged offenders have been frozen by the authorities and legal action has been instituted against them. Under a separate deed of assignment, the client has assigned any amount recoverable from the aforesaid frozen assets of the alleged offenders to the Group. During the quarter ended 31 December 2005, the Group reached settlements for USD 0.18 millions (₹ 7.65 millions) with the insurance companies. The amount has since been received in cash.

During July 2007, the Group has received from the client, who was given this amount by the Court to be held in trust, an amount of ₹ 10.73 millions including interest from the aforesaid frozen assets. The said amount has been assigned by the client to the Group and has been kept in Fixed Deposit, until such time the Court in a final, non-appealable written order holds that the amounts may be appropriated by the Group or the client.

34. The movement in provisions during the period/ year is as below:

Claims	31 March 2014	31 October 2013
Opening balance	48.03	48.03
Additions	-	-
Amounts used	-	-
Closing balance	48.03	48.03

Notes to the Consolidated Financial Statements for the five months ended 31 March 2014

(₹ millions)

	31 March 2014	31 October 2013
Contingent consideration payable to erstwhile shareholders of a subsidiary (refer note 2.2 and 2.3)		
Opening balance	1,398.01	349.73
Additions*	(36.33)	1,676.40
Amounts reversed/ used	67.52	628.12
Closing balance	1,294.16	1,398.01

* Additions during the five months ended 31 March 2014 include ₹ (36.33) millions (year ended 31 October 2013: ₹ 208.41 millions), pertaining to re-statement of balances.

35. The effect of acquisition in subsidiary companies consolidated with effect from 11 February 2013 on the consolidated financial statements for the previous year ended 31 October 2013 is as follows:

(₹ millions)

Name of Subsidiary	Year ended 31 October 2013	
	Effect on Consolidated Profit/ (Loss)	Effect on Net Assets
Digital Risk LLC.	801.84	2,194.48

36. The details in respect of the jointly controlled operations entered into by the Group as on 31 March 2014 are as follows:

Sl. No.	Name of Joint Ventures	Nature of Project	Capital Commitments
1	TechSmart India Private Limited	The principal activity of this project is setting up enrolment stations, supply/ installation of hardware, maintenance, and biometric data entry for National Population Register project of India.	Mphasis Group is committed to procure the required fixed assets to service the customers and also provide performance bank guarantees/ earnest money deposits, wherever required.
2	Swathy Smart Cards Hi-tech Private Limited		
3	Swathy Smart Cards Hi-tech Private Limited	The principal activity of this project is to deploy equipment/ manpower, and give technology support for collection of door to door data entry for Social Economic Caste Census project in India.	
4	JMK Infosoft Limited		
5	E-Governance Private Limited	The principal activity of this project is to supply equipment conduct enrollment operations and collect demographic data for issuance of Unique Identification cards in India.	
6	Strategic Outsourcing Services Private Limited		
7	CSS Techenergy Limited		

In respect of the above activities, the Group has advanced ₹ 10.00 millions (31 October 2013: ₹ 37.52 millions) to the said joint venturers.

37. 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 had been provided during the year ended 31 October 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.
38. Current tax for the five months ended 31 March 2014 include reversal of provision of ₹ 134.17 millions pertaining to earlier years (Year ended 31 October 2013 include provision for earlier years ₹ 84.14 millions) and Deferred tax charge for five months ended 31 March 2014 include ₹ 94.82 millions pertaining to earlier years (Year ended 31 October 2013: ₹ Nil). On account of said adjustments, the net impact of prior period tax expense reversal is ₹ 39.35 millions (Year ended 31 October 2013 include provision for earlier years ₹ 84.14 millions).

Notes to the Consolidated Financial Statements for the five months ended 31 March 2014

39. The ESOP Schemes (“RSU 2010”, “RSU 2011” and “ESOP 2012”) of Mphasis Limited are administrated through the Mphasis Employee Benefit trust (“MEBT”) and all other ESOP schemes are administrated by BFL Equity Reward Trust (“BERT”). Clause 22A.1 of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 states that in case of ESOS/ ESOS administrated through a Trust, the accounts of the Group shall be prepared as if the Group itself is administrating the ESOS/ ESOS. As per the Trust deeds, MEBT and BERT are constituted as irrevocable trusts. In this regard, basis legal advice obtained, the management is of the view that the Company has no right to the assets of MEBT and BERT, hence, the Group has not consolidated the financial statements of MEBT and BERT in the consolidated financial statements of the Group.
40. These consolidated financial statements have been prepared for the five months ended 31 March 2014 due to change in accounting year-end from October to March. The comparatives presented are for the year ended 31 October 2013 and hence, not comparable to the current five month period ended 31 March 2014. Previous year’s figures have been reclassified to conform to current period’s classification, wherever applicable.

For S.R. BATLIBOI & ASSOCIATES LLP

ICAI Firm registration number: 101049W
Chartered Accountants

per Adarsh Ranka

Partner

Membership No. 209567

San Francisco, U.S.A
14 May 2014

For and on behalf of the Board of Directors

Balu Ganesh Ayyar

Chief Executive Officer

Ganesh Murthy

*Executive Vice President &
Chief Financial Officer*

San Francisco, U.S.A
14 May 2014

Narayanan Kumar

Director

A. Sivaram Nair

*Senior Vice President, Company Secretary
General Counsel & Ethics Officer*

Cash Flow Statement for the five months ended 31 March 2014

(₹ millions)

	Five months ended 31 March 2014	Year ended 31 October 2013
Cash flow from operating activities		
Profit before tax and exceptional item	4,282.55	9,951.79
Non-Cash adjustment to reconcile profit before tax to net cash flows:		
Depreciation/ amortization	503.85	1,448.29
Profit on sale of fixed assets	(2.75)	(6.12)
Employee stock compensation expense	2.51	18.49
Provision for bad and doubtful debts	86.67	226.43
Interest expense (excluding exchange difference considered as adjustment to borrowing cost)	111.38	223.10
Interest income	(85.04)	(106.71)
Dividend income	(457.66)	(1,249.48)
Loss on sale/ revaluation of investments	20.55	10.76
Effect of exchange rate changes (gain)/ loss	25.75	(38.21)
Operating profit before working capital changes	4,487.81	10,478.34
Increase/ (decrease) in trade payables	468.90	(985.38)
Increase/ (decrease) in provisions	86.02	307.18
Increase/ (decrease) in other liabilities	67.53	(487.55)
Decrease/ (increase) in trade receivables	(1,183.20)	654.44
Decrease/ (increase) in loans and advances	(1,015.48)	(49.33)
Decrease/ (increase) in other assets	363.91	388.90
Cash used in operations	(1,212.32)	(171.74)
Direct taxes paid (net of refunds)	(1,300.44)	(2,750.25)
Net cash flow from operating activities (A)	1,975.05	7,556.35
Cash flow from investing activities:		
Purchase of fixed assets, including intangible assets, CWIP and capital advances	(356.97)	(744.17)
Proceeds from sale of fixed assets	18.09	83.36
Purchase of investments	(41,645.05)	(55,000.42)
Sale of investments	42,796.89	61,954.65
Interest received	112.85	40.56
Dividends received	457.66	1,249.48
Re-investment of dividend	(331.99)	(767.43)
Investments in bank deposits	(1,000.03)	(2,244.04)
Redemption/ maturity of bank deposits	2,150.00	114.77
Payment of earnout liability relating to acquisition of subsidiaries	-	(628.12)
Payment for subsidiary acquisition, net of cash acquired	-	(9,486.16)
Net cash flow from/ (used) in investing activities (B)	2,201.45	(5,427.52)

Cash Flow Statement for the five months ended 31 March 2014

(₹ millions)

	Five months ended 31 March 2014	Year ended 31 October 2013
Cash flow from financing activities		
Proceeds from issue of share capital	0.08	0.19
Proceeds of premium from issue of share capital	0.75	1.70
Availment of other loan	-	4,893.30
Payment of capital lease obligation	(3.59)	(2.96)
Repayment of unsecured loans (including exchange differences)	-	(11,952.19)
Availment of unsecured loans	-	8,349.25
Interest paid	(106.58)	(314.61)
Dividends paid (including tax on dividend)	(4,177.90)	(4,150.12)
Net cash flow used in financing activities (C)	(4,287.24)	(3,175.44)
Net decrease in cash and cash equivalents (A+B+C)	(110.74)	(1,046.61)
Effect of exchange rate changes	44.21	592.59
Cash and cash equivalents at the beginning of the year	3,598.61	4,052.63
Cash and cash equivalents at the end of the year	3,532.08	3,598.61
Components of cash and cash equivalents		
Cash on hand	0.04	0.14
Balance with banks		
- on current account	2,642.22	2,011.53
- on deposit account	882.06	1,580.96
- unclaimed dividend	7.76	5.98
Total cash and cash equivalents (note 18)	3,532.08	3,598.61

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

San Francisco, U.S.A.

14 May 2014

For and on behalf of the Board of Directors

Balu Ganesh Ayyar

Chief Executive Officer

Ganesh Murthy

Executive Vice President &

Chief Financial Officer

San Francisco, U.S.A.

14 May 2014

Narayanan Kumar

Director

A. Sivaram Nair

Senior Vice President, Company Secretary

General Counsel & Ethics Officer

Management's Discussion and Analysis of financial Condition and Results of Operations

Safe Harbor

Certain statements in this document may be forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties like regulatory changes, local political or economic developments, and many other factors that could cause our actual results to differ materially from those contemplated by the relevant forward-looking statements. Mphasis will not be in any way responsible for any action taken based on such statements and undertakes no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances.

The following discussion and analysis should be read in conjunction with the Company's Indian GAAP Audited Consolidated financial statements and the notes thereon. All comparisons for the purpose of this discussion and analysis are with reference to the audited financials for the year ended 31 March 2014 and 31 October 2013.

Note: The Company changed its financial year from 31 October to 31 March, and consequently, the results for the year ending 31 March 2014 represents results of 5 months of operations.

For computing growth percentages mentioned herein, results of the year have been normalised from 5 to 12 months for a meaningful comparison. While care has been taken in this normalisation, it needs to be noted that the comparison is between two unequal periods and hence to that extent the percentages are approximate in nature.

Overview

Mphasis is a global IT services Company head quartered in Bangalore, India. It was formed in the year 2000 through the merger of two IT companies. In June 2006, Electronics Data Systems Corporation (EDS) acquired a majority holding in the equity capital of the Company. In August 2008 EDS was acquired by the Hewlett-Packard Company; consequently, the Company is now a subsidiary of Hewlett-Packard (HP).

We continue to focus on the strategy of accelerating the Direct business as outlined by the Management and Board of Directors in 2011 with focus in Banking and Capital markets and Insurance and grow beyond HP Enterprise Services. We have been successful in this and the results of this strategy is part of the below discussion.

Revenues

2014 is a transition year covering 5 months of operations upto 31 March 2014. The Company changed its accounting year end from 31 October to 31 March.

2014 (Transition Year) has been a period where performance across the industry is generally affected by seasonality on account of client shutdowns, roll-over of customer decisions to new financial year etc. Our performance for the 5 months ending March 2014 has also been impacted by these factors.

The gross revenues for the 5 months period ended March 2014 grew by 7.0% on a normalised basis to ₹ 26,326 million over the financial year ended October 2013. Total Direct channel revenue for the period ended March 2014 is ₹16,628 million representing a normalised growth of 21.0% over previous financial year. During this period, we have further mitigated our client concentration risk by increasing the Direct channel revenues to 63% from 56% in FY13. HP channel continues to decline on account of ramp down by HP customers.

(₹ Millions)

Segment	5 months ended		Year ended	
	31 Mar 2014	%	31 Oct 2013	%
HP channel	9,698	37%	26,052	44%
Mature Market – Direct channel	15,028	57%	28,931	49%
Emerging Market – Direct channel	1,600	6%	4,058	7%
Total	26,326	100%	59,041	100%

Management's Discussion and Analysis of financial Condition and Results of Operations

Client concentration based on ultimate customer

Given below is the analysis of Client Concentration.

	5 months ended 31 Mar 2014	Year ended 31 Oct 2013
Revenues from Top Client	10%	9%
Revenues from Top 5 Clients	34%	30%
Revenues from Top 10 Clients	47%	45%
Clients Contributing more than:		
\$ 1 million Revenues	112	117
\$ 5 million Revenues	43	41
\$ 10 million Revenues	19	21
\$ 20 million Revenues	11	11

Note: Client Concentration is based on Trailing Twelve Months (TTM)

During the period ended March 2014, we won significant deals around our products and platforms (Wynsure and MOATIS) and in our focussed portfolios of Testing and International BPO. Among the 19 new clients added during the period, 14 were in Direct channel.

A segment analysis of revenues for the 5 months ended March 2014 is given below:

(₹ Millions)

Segment	5 months ended	%	Year ended	%
	31 Mar 2014		31 Oct 2013	
Banking and Capital Market	10,906	41%	21,308	36%
Insurance	3,304	13%	6,985	12%
Information Technology, Communication & Entertainment	4,256	16%	11,592	20%
Emerging Industries	7,860	30%	19,156	32%
Total	26,326	100%	59,041	100%

Banking and Capital Markets, which is one of the focus areas has grown by 22.8% on a normalised basis and the contribution to revenue has increased from 36% during the financial year 2013 to 41% of the aggregate revenues for the period ended March 2014 mainly on account of the acquisition of Digital Risk in 2013. Insurance segment has grown by 13.5% on a normalised basis during the financial year as we continue to focus on increasing wallet share from existing key clients.

Information Technology, Communication and Entertainment segment has declined during the 5 months ended March 2014 largely because a very significant portion of revenues from HP-based business which are classified in this segment was impacted on account of furlough in December 2013. The decline in Emerging Industries is largely driven by the Company's decision to exit the India Government business where the collection timelines are putting a strain on the Company's cash-flows and profitability.

Revenues by Geography

(₹ Millions)

Regions	5 months ended	%	Year ended	%
	31 Mar 2014		31 Oct 2013	
AMERICAS	19,476	74%	42,230	72%
EMEA	3,382	13%	7,895	13%
INDIA	1,973	7%	4,871	8%
ROW	1,495	6%	4,045	7%
Total	26,326	100%	59,041	100%

The acquisition of Digital Risk has increased our presence in the US market and this is reflected in the increase in share of Americas revenue. The Company has decided to exit from the India Government business owing to long collection timeline involved, which was impacting our cash-flows and profitability.

Management Discussion and Analysis of Financial Condition and Results of Operations

Revenues by Service Type

(₹ Millions)

Service Type	5 months ended		Year ended	
	31 Mar 2014	%	31 Oct 2013	%
Application Maintenance & Other Services	7,347	28%	18,505	31%
Application Development	5,661	22%	13,021	22%
Customer Service	1,311	5%	3,105	5%
Service / Technical Help Desk	875	3%	2,025	3%
Transaction Processing Service	1,376	5%	2,857	5%
Infrastructure Management Services	4,764	18%	11,527	20%
Knowledge Processes	4,810	18%	7,622	13%
License Income	182	1%	379	1%
Total	26,326	100%	59,041	100%

Application Maintenance involves maintenance of existing customer software and is mostly undertaken on annuity terms.

Application Development refers to customised software development services based on the requirements and specifications given by customers and documented in a Statement of Work.

Customer Services includes receivables collection support, product support, enrolment etc. provided to clients through BPO operations.

Service/Technical Help Desk comprise of inbound and outbound customer interaction programs including technical product support, customer care and allied services.

Transaction Processing includes claims and mortgage processing, account opening and maintenance, data processing and management.

Infrastructure Management Services include end-to-end managed mobility solutions covering workplace management & other support services, hosting services which comprise of mainframe or midrange, application & web hosting services and data centre services focused on migration, automation & other software services.

Knowledge Processes refer to the outsourcing of relatively high-level processes of the customer such as HR processes or mortgage origination processes for banks and financial institutions.

License Income pertains to the income from license sale in the health care space of the Company's product, Javelina, and from Wynsure, a product of Wyde Corporation, acquired by the Company in 2011 in the Insurance space.

Revenues by Delivery Location

The following tables give the composition of revenues based on the location where services are performed.

(₹ Millions)

Delivery Location	5 months ended		Year ended	
	31 Mar 2014	%	31 Oct 2013	%
Onsite	12,235	46%	24,896	42%
Offshore	14,091	54%	34,145	58%
Total	26,326	100%	59,041	100%

The increase in onsite revenue is on account of acquisition of Digital Risk which is currently based entirely in the US.

Management Discussion and Analysis of Financial Condition and Results of Operations

Headcount * and Utilization

Management has continued its focus upon delivering quality at lower cost. Our utilisation rates are one of the highest in the Industry. We continue to maintain high utilisation rates and deliver value to the customers. The tables below clearly depicts this strategic action.

Headcount *	5 months ended 31 Mar 2014	Year ended 31 Oct 2013
Onsite		
- Application Services	2,296	2,397
- ITO Services	212	244
- BPO Services	1,813	1,909
Offshore		
- Application Services	8,422	8,868
- ITO Services	6,327	6,631
- BPO Services	15,098	15,525
Sales and Marketing	376	363
General and Administration	1,122	1,119
Total	35,666	37,056

* Note: Including billable contractors

The decrease in headcount is primarily on account of the ramp down seen in HP channel. We continue to increase our sales strength and have added 13 people during the year including some key senior leadership talent.

Utilization Rates	5 months ended 31 Mar 2014	Year ended 31 Oct 2013
Excluding Trainees		
Onsite		
- Application Services	91%	93%
- ITO Services	83%	94%
Offshore		
- Application Services	85%	87%
- ITO Services	93%	92%
- BPO Services	77%	73%
Blended		
- Application Services	86%	88%
- ITO Services	92%	92%
- BPO Services	77%	73%
Including Trainees		
Onsite		
- Application Services	91%	93%
- ITO Services	83%	94%
Offshore		
- Application Services	83%	85%
- ITO Services	89%	89%
- BPO Services	65%	62%
Blended		
- Application Services	84%	86%
- ITO Services	89%	89%
- BPO Services	65%	62%

Management Discussion and Analysis of Financial Condition and Results of Operations

Revenues by Project Type

(₹ Millions)

Project Type	5 months ended	%	Year ended	%
	31 Mar 2014		31 Oct 2013	
Time and Material	22,819	87%	51,230	87%
Fixed Price	3,507	13%	7,811	13%
Total	26,326	100%	59,041	100%

Significant revenues are generated principally from services provided on time-and-material basis (T&M) which are recognised in the period that services are performed.

Cost of Revenues

Cost of revenues primarily comprise of direct costs to revenues and includes direct manpower, travel, facility expenses, network and technology costs.

The consolidated cost of revenues of the Company is ₹ 19,056 million for the period ended March 2014. Cost of revenues were 73.5% of revenues compared to 74.9% for the period ended October 2013. The decrease in % is driven by benefits of higher revenue and other operating efficiencies.

Selling Expenses

Selling expenses were at ₹ 1,616 million for the 5 months ended March 2014. Selling expenses stood at 6.2% of revenues compared to 5.3% for the financial year ended October 2013. As part of the go to market strategy focussed on direct channel growth, we have strengthened the sales team and increased our overall sales investments. We also refreshed our corporate brand identity during the year.

General and Administrative Expenses

General and administrative expenses were at ₹ 1,288 million for the 5 months ended March 2014. General and administrative expenses for the current period stood at 5.0% of revenues compared to 4.1% for the financial year ended October 2013. The increase is mainly on account of higher incentive payout.

Operating Profit

Operating Profit for the 5 months ended March 2014 on a normalised basis witnessed a growth of 5.1% over the period ended October 2013 amounting to ₹ 3,893 million. While the strategy to focus on sales growth in key accounts and on quality of revenue along with our decision to exit the India Government business resulted in gross margins improving by 140 bps during the current period, increased investments in sales and increase in general and administrative expenses resulted in a 30 basis points decline in Operating margins over financial year ended October 2013.

Other Income

Other income for the 5 months ended March 2014 was ₹ 525 million as against ₹ 1360 for the financial year ended October 2013. The reduction in investible surplus for the current period on account of dividend pay-out resulted in a drop in investment income. The loss on foreign exchange for the 5 months ended March 2014 was ₹ 25 million as against a gain of ₹ 34 million for the financial year ended October 2013.

Interest expenses

Interest expense for the 5 months ended March 2014 was ₹ 111 million as against ₹ 330 million for the financial year ended October 2013 as the Company repaid some of its loans.

Management Discussion and Analysis of Financial Condition and Results of Operations

Income Taxes

Income taxes were ₹ 1,191 million for the 5 months ended March 2014 as compared to ₹ 2,514 million for the financial year ended October 2013. The effective tax rate increased from 25.3% for the financial year ended October 2013 to 27.8% for the 5 months ended March 2014 as 2 units came out of the 100% tax holiday in the previous financial year.

Net Profit

Net profit before exceptional item was ₹ 3,091 million. Net margin before exceptional item for the 5 months ended March 2014 is 11.9% as against 12.8% for the financial year ended October 2013. The decrease is due to lower other income and higher taxes.

Net profit after taxes and exceptional item was ₹ 3,027 million for the 5 months ended March 2014. During this transition year, as part of the efforts to reduce the exposure to the India Government business, the Company entered into an agreement to sell a portion of the business. The mark down on the assets sold resulted in an one-time exceptional loss of ₹ 64 million (net of tax).

Cash and cash equivalents

The Company's cash and bank balances are held in various locations throughout the world. Cash and bank balances comprise of investments in mutual funds and deposits of any kind with banks. These balances also include amounts that are restricted in use, either as margin monies given to banks for guarantees issued in the normal course of business or amounts held in escrow accounts attributable to commitments made.

An analysis of restricted cash balances as at 31 March 2014 and 31 October 2013 is given below.

	(₹ Millions)	
	As at 31 March 2014	As at 31 October 2013
Fixed Deposit - Escrow Account	11	11
Unclaimed dividends	8	6
TOTAL	19	17
Restricted cash as a % of total cash balances	0.4%	0.3%

Company's treasury policy

The Company's treasury policy calls for investing only in fixed deposits of highly rated banks, units of debt mutual funds and fixed maturity plans for maturities up to 15 months. Stringent guidelines have been set for de-risking counter party exposures. The Company maintains balances both in Indian Rupee and foreign currency accounts in India and overseas. The investment philosophy of the Company is to ensure capital preservation and liquidity in preference to returns.

Off balance sheet arrangements

As part of its ongoing business, the Company does not participate in transactions that generate relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or Special Purpose Entities ("SPEs"), which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As of 31 March 2014 the Company was not involved in any material unconsolidated SPE transactions.

Directors' Profile

Dr. Friedrich Froeschl, Chairman

Dr. Friedrich Froeschl, Chairman of Board of Directors, joined the Board of Mphasis in March 2009. Dr. Froeschl is a Physicist with PhD and an executive MBA from INSEAD, Fontainebleau, France. He currently heads "HI TEC INVEST GmbH & Co. KG" and "HI TEC INVEST INC., New York, USA", which is a private equity operating partner and advisory company with focus on Information and Communication Technology Industries. Prior to founding HI TEC INVEST in October 2004, Dr. Froeschl was associated with Siemens AG as a member of the worldwide managing board and later as Corporate Executive Vice President for Corporate Information and Operations (CIO).

He was member of the Board of Siemens Corporation, in the USA, Siemens in China, Fujitsu Siemens Computers in Tokyo and for Siemens Information Systems Limited, in India. In 1995, he joined Siemens Business Services as the worldwide President & CEO and grew it until end of 2001 to over 6 Billion USD in revenues, with 33,000 people and representing the company in over 44 countries. In 2002, he was appointed as a Member of the Managing Board and Corporate Vice President for CIO of the entire Siemens organization. During his career at Siemens, he has been in-charge of multi-billion dollar budgets and covered all ICT related aspects including procurement, cost optimization, e-business and process management. He is also a Director on the Boards of ICT Automatisering N.V., Netherlands and PE-International AG in Germany.

Prior to Siemens, Dr. Froeschl was the CEO in Central Europe of Computer Sciences Corporation Inc, a major global player in IT Outsourcing and Consulting based in Germany. Before that, he held positions as Vice President and Business Head at Digital Equipment Corporation and Messerschmitt-Bölkow-Blohm (today EADS) respectively. Dr. Froeschl was also a member of the Board of Amadeus S.A. in Spain and the Federal Printer (bank notes, passports etc.), Germany. From the year 2009 to 2012 he was one of the 33 members of the nomination committee of the World Economic Forum in Davos for Tec pioneers. From the year 2008 to 2012 he was Senior Advisor to the CEOs and Boards of extremely successful Silicon Valley companies like Jive Software and Success factors, today SAP.

In 2011 and 2012, he participated with the first group of senior executives in the International Independent Directors Program of INSEAD about corporate governance. He is a member of ICGN – International Corporate Governance Network focusing on good practices for corporate governance, compliance and board work.

Throughout his career, Dr. Froeschl has been actively involved in both larger multi-billion dollar deals as well as mid-size M&A projects.

Mr. James Mark Merritt, Vice Chairman

Mr. James Mark Merritt joined the Board of Mphasis in February 2013. He is the Senior Vice President of HP's Enterprise Group business for the Asia Pacific and Japan (APJ) region. In this role, he is responsible for the development and delivery of server, storage, networking and technology services solutions that support HP's Converged Infrastructure strategy. Mr. Merritt also shares responsibility as Managing Director for the APJ region playing a vital role in building on HP's leadership position and delivering on the unmatched potential of "one HP" in the region.

Prior to joining HP, Mr. Merritt spent 13 years at Dell where he held a variety of global and regional management positions. Before moving to HP, he was general manager of Dell's Global Sales Division, where he oversaw the delivery of Dell's enterprise solutions to corporate customers.

Mr. Merritt also spent 15 years with IBM, where he held positions in engineering, service management and product marketing. Before moving to Dell, Mr. Merritt was Vice President of Worldwide Marketing and Strategy for the IBM Server Group.

Mr. Merritt holds a Bachelor of Science degree in Mechanical Engineering from the University of Florida and a Master in Business Administration from Georgia State University.

Mr. Balu Ganesh Ayyar, Chief Executive Officer

Mr. Balu Ganesh Ayyar joined Mphasis as the CEO in January 2009. Mr. Ayyar is responsible for the overall management of the Company.

Mr. Ayyar joined Mphasis from HP where his last assignment was that of Vice President, Managed Services, Asia Pacific and Japan, leading selective sourcing and small and medium outsourcing deals. At HP, he held several key assignments including being the President of HP India in 1999. He was the co-lead for pre-merger Integration Planning for HP-Compaq Merger for Asia Pacific and Japan.

Directors' Profile

Mr. Ayyar also held the office of Vice President of HP Services for South East Asia and lead customer support, consulting & integration and managed services business. With more than 25 years of experience, Mr. Ayyar's career has spanned across South East Asia (Singapore, Malaysia, Thailand, Philippines, Indonesia, Vietnam and other Asian Emerging Countries) and India.

Mr. Ayyar won the NDTV Profit Business Leadership Awards 2010 in the category of Diversity and Inclusion and the India Talent Management Award at the CNBC TV 18 India Business Leader Awards (IBLA) 2012. He received these awards from the Finance Minister of India. He was also the recipient of the Asia Viewers Choice Award in the 10th CNBC Asia Business Leader Awards 2011.

In June 2013, Mr. Ayyar was recognized for his work and conferred the 'THOUGHT LEADER' by Stars of the Industry.

Born in India, Mr. Ayyar is a Chartered Accountant from the Institute of Chartered Accountants of India.

Mr. Davinder Singh Brar, Director

Mr. D S Brar, Director, joined the Board of Mphasis in April 2004. Mr. Brar is a B.E. (Electrical) from Thapar Institute of Engineering & Technology, Patiala and a Masters in Management from Faculty of Management Studies, University of Delhi (Gold Medalist-1974). He started his career with Associated Cement Companies (ACC) and later joined Ranbaxy Laboratories Limited where he rose to the position of CEO and Managing Director. He has been associated with Pharmaceutical Industries for three decades.

Mr. Brar is the promoter and director of GVK Bio Sciences Private Limited, Inogen Laboratories Private Limited and Davix Management Services Private Limited. He is also on the Boards of Maruti Suzuki India Limited and Workhardt Limited, apart from being a Senior Advisor to Kohlberg Kravis Roberts (KKR) and Special Advisor to the Board of Adamas Pharmaceuticals.

Mr. Brar served as a Director on the Board of Reserve Bank of India (RBI) between 2000-2007 and was also a member of Inspection and Audit Sub Committee of the Central Board of Directors of the RBI. He also served as a member on the Board of National Institute of Pharmaceutical Education and Research (NIPER), SAS Nagar.

Mr. Brar has been involved with several leading Industry associations in India. He was associated with Confederation of Indian Industry (CII) where he Chaired CII's Indian MNC Council and with Federation of Indian Chambers of Commerce and Industry (FICCI) in the past. Mr. Brar was a Member of Prime Minister's Task Force on pharmaceuticals and knowledge-based industries which drafted the blue print for the growth and global expansion of Indian Pharmaceutical Industry including R&D and Pricing policies. He is currently member of Consultative Group on Exports of Pharmaceutical Products, under the Chairmanship of Hon'ble Minister of Commerce, Industry and Textiles, Government of India. For his service and contribution to the pharmaceutical industry, Mr. Brar was honoured with the Dean's Medal from the Tufts University School of Medicine, U.S.A. in 2004. The Federation of Asian Biotech Associations (FABA) conferred on Mr. Brar the "FABA Special Award 2011" for his contribution to the biopharma sector.

Mr. Chandrakant D Patel, Director

Mr. Chandrakant Patel joined the Board of Mphasis in December 2012. He is an HP Senior Fellow and Chief Engineer at Hewlett Packard Laboratories. A keen observer of technological and societal inflections, Mr. Patel has been a pioneer in the design of information technology infrastructures and in the application of information technology to drive energy management at the scale of cities. He has a proven track record of delivering innovations in servers and data centers - from conception and breakthrough technical contributions to business creation and commercialization.

In addition to his multi-disciplinary technical depth, Mr. Patel has held a breadth of management and leadership roles. He recently managed HP Laboratories - HP's central research division - where he led the delivery of innovations in storage, networking, print engines, and software platforms. Earlier, Mr. Patel was amongst the first to foresee the need to reduce energy consumption in data centers. He subsequently founded the Smart Data Center research program at HP Laboratories. His mantra - 'data center is the computer' - led to the design of an 'operating system' for IT infrastructures, and his vision-to reduce energy consumption through need-based dynamic provisioning of IT, power, cooling - has led to a rich portfolio of patents, publications and products. Later, he charted new directions for the industry in the application of IT to manage Internet-connected physical systems (also known as "cyber physical systems").

Directors' Profile

A strong advocate of fundamental training in science and engineering, Mr. Patel has been an adjunct faculty member at Chabot College, the University of California (U.C.), Berkeley Extension, Santa Clara University and San Jose State University. A Fellow of the Institute of Electrical and Electronics Engineers (IEEE) and the American Society of Mechanical Engineers (ASME), he has been granted 135 patents and has authored more than 150 papers. He serves on the Electrical Engineering and Computer Science (EECS), Industrial Advisory Board at U.C. Berkeley. Mr. Patel holds a Bachelor of Science in Mechanical Engineering from U.C. Berkeley and a Master of Science in Mechanical Engineering from San Jose State University, and is registered as a professional mechanical engineer in the State of California.

In 2014, Mr. Patel was inducted into the Silicon Valley Engineering Hall of Fame.

Mr. Narayanan Kumar, Director

Mr. Narayanan Kumar joined the Board of Mphasis in February 2013. He is the Vice Chairman of the Sanmar Group, a multinational US \$ 1 Billion conglomerate headquartered in Chennai, India with manufacturing facilities in India, USA, Mexico and Egypt. The Group is engaged in key business sectors - Chemicals (including Speciality Chemicals), Engineering (Products and Steel Castings) and Shipping.

He is the Honorary Consul General of Greece in Chennai.

Mr. Kumar is on the Board of various public companies and carries with him over four decades of experience in the spheres of Electronics, Telecommunications, Technology, Management and Finance. Mr. Kumar is the Chairman of National Accreditation Board for Certification Bodies, which is a constituent of Quality Council of India. He is also a member of the Board of Governors of Institute for Financial Management & Research.

As a spokesman of Industry and Trade, he had been a President of CII and participated in other apex bodies. He presently chairs the CII Institute of Quality, Bengaluru.

Mr. Kumar has a wide range of public interests going beyond the confines of corporate management in areas of education, sports, health and social welfare. One special area where he is involved is the Madhuram Narayanan Centre for Exceptional Children.

Mr. Kumar is an Electronics Engineering Graduate from Anna University, Chennai and a fellow member of the Indian National Academy of Engineering. He is also a fellow life member of The Institution of Electronics and Telecommunication Engineers.

He is an avid golfer and a patron of cricket and tennis. He has extensively travelled across the globe.

Mr. Lakshmikanth K Ananth, Director

Mr. Lakshmikanth K Ananth joined the Board of Mphasis in February 2013. He leads corporate development for the Cloud, Enterprise and Software global business units at Hewlett-Packard. He is responsible for developing strategies and driving all aspects of M&A for businesses with over \$40 billion in revenue.

Prior to joining HP, Mr. Lakshmikanth worked in corporate development at Cisco Systems. There, he led multiple transactions including acquisitions, investments, joint ventures and divestitures. Most notably, he led the \$2.9 billion acquisition of Starent Networks.

Before Cisco, Mr. Lakshmikanth was a venture capital investor in Silicon Valley, where he invested in several companies such as Cortina Systems, Digital Chocolate, IMVU, Jasper Wireless and Open-Silicon. Previously, he was with 3i private equity in Asia, where he specialized in growth of capital investments in India and formulated 3i's venture capital strategy for that geography. Earlier, he was a Director with Cambridge Technology Partners, managing large product development teams for clients ranging from start-ups to Fortune 50 companies.

Mr. Lakshmikanth holds an MBA with distinction from INSEAD, an MS from Kansas State University and a BE from Guindy Engineering College, India, where he was a Gold Medalist.

Directors' Profile

Mr. Shankar Maitra, Director

Mr. Shankar Maitra joined the Board of Mphasis in December 2013. Mr. Shankar Maitra is the Vice President of Financial Solutions at HP. In HP, Mr. Maitra is responsible for leading the worldwide finance shared service organization providing accounting and financial systems solutions to various stakeholders within HP.

Prior to joining HP in 2011, he worked for Motorola for 14 years in a variety of worldwide, regional and country finance roles including business partnering, controllership, finance leadership development and facility management. In his last assignment as the Vice President, Global Financial Shared Services-Motorola Solutions, he set up a niche Center of Excellence in Penang, Malaysia.

Mr. Maitra began his career in India with ITC (BAT group) and worked with another Indian conglomerate, Shaw Wallace, gaining multidisciplinary experience as Treasury Head (including IPOs), Factory Controller (including administration and trade union negotiations), as well as core accounting, audit, business planning, costing and tax audit.

He grew up in India and has worked throughout the Asia Pacific region including in India, Singapore, China and Taiwan and currently is based in Singapore.

He is a B.Com graduate from the University of Pune and a fellow member of the Institute of Chartered Accountants of India.

Mr. Stefan Antonio Lutz, Director

Mr. Stefan Antonio Lutz joined the Board of Mphasis in February 2014.

Mr. Lutz is the global leader of Sales, Marketing and Operations for HP Technology Services.

At HP, Mr. Lutz is responsible for driving sales strategy and programs, building the annual sales plans, and setting, monitoring and managing order performance goals for Technology Services (TS). He also leads the TS Marketing and Customer Operations Team. This spans direct and indirect routes to market for the TS Support and Consulting portfolios.

Prior to TS, his most recent HP experiences involved leading the HP relationship with large enterprise accounts; some of the largest and most significant in the HP portfolio. Mr. Lutz teams were recognized by clients and the IT industry through several client excellence and industry awards.

Prior to HP, Mr. Lutz experience featured successful executive sales and operations positions in consulting and outsourcing services with major industry firms. These included infrastructure services, applications services and business process outsourcing across multiple disciplines, all with particular focus on the consumer packaged goods, retail, pharmaceutical and manufacturing industries.

Currently based out of Chicago, Mr. Lutz holds a bachelor's degree in Administrative Studies from the University of California, Riverside. In the early years of his career he completed a systems engineering development program and later, graduate level programs at several business schools.

Directors' Report

Dear Shareholders,

We have pleasure in presenting to you the twenty third Annual Report of your Company for the five months period ended 31 March 2014.

CONSOLIDATED FINANCIAL PERFORMANCE

Key aspects of the financial performance of Mphasis Group are tabulated below:

Particulars	(₹ million)	
	Period ended 31 March 2014*	Year ended 31 October 2013
Revenues	26,460	59,368
Profit before taxation	4,218	9,952
Net Profit	3,027	7,438
Provision for Proposed Dividend	1,471	3,572
Tax on Dividend	250	607
Transfer to General Reserve	223	540

*the previous year's figures are not comparable.

A detailed analysis of performance is available in the section headed Management Discussion and Analysis of Financial Condition and Results of Operations in this Annual Report.

FINANCIAL YEAR

The Board had in its meeting held on 27 September 2013, approved change in the financial year from November to October of every year to April to March, effective 1 November 2013. Accordingly, the financial year 2013-14 (FY 2014) of the Company is for five months period ended 31 March 2014 and the previous period figures are not comparable.

DIVIDEND

Your directors are pleased to recommend a final dividend of ₹ 7 per equity share of ₹ 10 each for the five months period ended 31 March 2014, subject to your approval at the ensuing Annual General Meeting.

OUTLOOK

Today, every discussion with our client begins with the new wave of digital technologies and data. This is because the engagement channels with their end customers are undergoing profound changes due to proliferation of devices and infusion of technology in all things and processes. Approximately, 1 billion devices are connected globally and this is set to grow exponentially in the next few years. The world is generating 2.5 billion gigabytes of data every day and 85% of this data is unstructured data in the form of images, videos and social media. In mobile services, smart phones are accelerating the shift from voice to data. Enterprises are most actively embracing the new age digital technologies. They are focusing on new digital strategy to re-invent their customer engagement models and experience.

These technology trends and enterprise objectives are driving the demand for a new category of IT services and capabilities aimed at transforming the end customer engagement and experience. This includes context based services for personalized experience for consumers, enterprise apps stores as the central self-service point, wearable and mobile apps to drive customer engagement, customer analytics to understand behaviors and patterns for business insights and product innovation. In response to these trends, till date, your Company has made significant investments in emerging technologies specifically in the area of digital and analytics. We have launched several solutions in wearable computing, mobility, high performance skin and customer insight management. We are engaged in one or multiple areas in emerging technologies with our key strategic clients.

At Mphasis, we believe in continuous transformation to re-invent ourselves to partner with our clients and deliver higher value through our portfolio and capabilities. The first wave of this transformation was in FY 2012. During this period, we focused on hyper-specialization around Industry's verticals and rebuilding direct growth. This gave us the deeper insight into vertical solutions and domain expertise. Building on this, we took up the second wave of change in FY 2013. During the second wave, we focused on account specialization and solution specialization. We embarked on the third wave of this continuous transformation in FY 2014 and launched our refreshed identity - 'Mphasis NEXT' - to re-position us and lead in the new wave of IT services. This wave is aimed at bringing the value of NEXT to our customers. In this wave, we will leverage our first and second waves to bring the value of digitalization, Anything-As-a-Service model by building a collaborative ecosystem of IP.

Directors' Report

We have re-aligned our business to enable our clients to benefit from the new IT services that is being created. This would require us to reshape ourselves and make the following strategic choices:

- Build deep portfolio capabilities specifically in emerging technologies (Digital, Data & Analytics) and select profitable portfolios (Testing, ERP, Security, Platform BPO and Infrastructure Services) to enable our clients achieve their business priorities.
- Expand service footprint in strategic clients to enable our clients to benefit from the new capabilities.
- Establish collaborative network around Intellectual Property (IP) to strengthen our portfolio capabilities.
- Expand the 'As-a-Service' business models to increase speed and provide flexibility to our clients.
- Transform delivery to enhance customer value and profitability by adopting disruptive initiatives in select service lines, enhancing tools and automation, implementing LEAN and other operations optimization programs.
- Transform the way we hire, train and retain talent.

We are very excited about this new wave of change. We are equally confident of redefining the business paradigm and achieving success together with our stakeholders. We are happy that our refreshed brand identity has resonated well with our clients and during FY 2014, we have witnessed early signs of encouragement and success.

During FY 2014, we have continued on our performance trajectory of growing our direct business and sustaining profitability. In FY 2014, our direct business grew 21% year on year and we added 14 direct clients. The business mix between HP and direct channel shifted from 44:56 in FY 2013 to 37:63 in FY 2014 thereby, reducing the client concentration risk. While driving growth we have been equally focusing on sustaining profitability within our stated band. We have sustained our gross margins at 26.50%. We have improved our operational efficiencies through better workforce pyramid management, LEAN initiatives and increased utilization across service lines.

We also continue to receive global recognitions for our capabilities. During the period, we were recognized in the leader category of the 2014 International Association of Outsourcing Professionals (IAOP) 100 Global outsourcing awards in the services providers list for our exceptional industry capabilities and expertise. Gartner recognized us as a Tier 1 vendor for Remote Infrastructure Services.

We believe that we need to continue to earn the trust of our stakeholders through our strong performance while at the same time continuously transform ourselves to take advantage of the shifts in the IT services industry. We are confident that our refreshed identity and the strategic choices are well aligned with all our stakeholder expectations and will enable us for the next phase of growth.

INTELLECTUAL PROPERTY RIGHTS

During the period, your Company has filed a patent application for - "CONNECTED LIFESTYLE FRAMEWORK". The invention relates to managing multiple devices including entertainment, utility (lighting, fans, air conditioners, thermostat and home appliances), security, personal health monitoring devices and wearable devices in a heterogeneous network. The invention is a focus of the Company's efforts in moving towards bringing out high technology solutions to the market.

OTHER DEVELOPMENTS

Sale of Mphasis Domestic IS business

During the period, the Company, in order to exit from the low margin business in the Infrastructure Services (IS) portfolio and to improve the collection drive, had entered into a Business Transfer Agreement for sale of domestic IS business for a total consideration of ₹ 283.2 million besides the debt collection services agreement on 13 February 2014.

The deal is under progress and is expected to be completed subject to fulfillment of certain conditions precedent.

Status of Amalgamation of Mphasis Finsource Limited

The Board of Directors had in its meeting held on 27 September 2013, considering the operational synergies and administrative convenience approved the amalgamation of Mphasis Finsource Limited, a wholly owned subsidiary, with the Company effective 1 April 2013. The Company, after obtaining necessary approvals from the stock exchanges, has submitted the necessary application with the High Court of Karnataka and the date of final hearing is awaited.

The Companies Act, 2013 - a Welcome Change

The recently enacted Companies Act, 2013, replacing over 55 years old Companies Act, 1956, is a welcome change as it promises to bring reforms in enforcement measures and mandates increased transparency and accountability. The Ministry of Corporate Affairs has notified most of the Sections, Rules and Forms, which came into effect from 1 April 2014. Your Company welcomes the new Act and will align its policies, processes, compliances and practices in line with the new provisions.

In line with the Circular of Ministry of Corporate Affairs, the provisions of the new Act regarding the preparation and filing of financial statements (and attachments thereto), Auditors' Report and Boards' Report will be applicable from the financial year commencing on or after 1 April 2014. Accordingly, the aforesaid statements for the financial period under review are based on the Companies Act, 1956.

Directors' Report

SHARE CAPITAL

The Issued Share Capital of the Company as on 31 March 2014 stood at ₹ 2,101 million and Reserves and Surplus of the Group stood at ₹ 49,048 million.

CORPORATE GOVERNANCE

Your Company strongly believes that the spirit of Corporate Governance fetches beyond the statutory acquiescence. Corporate Governance is a driver of sustainable corporate growth and long term value enhancement for the stakeholders. Your Company endeavors to meet the growing aspirations of the stakeholders and is committed to maintain the highest standards of transparency, fairness, accountability and equity in its operations. Your Company has complied with the requirements of Clause 49 of the Listing Agreement with the Stock Exchanges. A report on Corporate Governance is annexed to this report.

EMPLOYEES

HR at Mphasis continues to rally around our People Strategy.

Aligning to our new brand image of building specialists in the organization, we are moving from the concept of Bell Curve i.e. forced rankings. Starting with the appraisal of our workforce during the FY 2014, there will be no forced ranking of appraisal ratings. We are also working on creating structures to build specialists, who will bring direct value to our Business and Customers. The next year will see these structures implemented, thus enabling us to effectively derive outcomes from these efforts.

The transition year also witnessed a whirlwind of engagement activities involving our employees. From 'do it yourself' activities to participating in photography competition, our employee engagement team enabled a platform for creativity to surge ahead.

Talent competence is one of the 8 vectors of our next generation delivery initiative. Thus, learning continues to be a priority as we create universal frameworks for all our key clients. Learning thus will remain relevant and business focused.

In April 2013, Mphasis was certified at PCMM Level 3 for its people processes and systems maturity. Taking on from there, we are embarking on the next journey to become a high maturity organization in people processes.

Our total employees strength (inclusive of billable contractors) stands at 36,070 as on 31 March 2014.

EMPLOYEES STOCK OPTION PLANS AND RESTRICTED STOCK UNIT PLANS

Your Company's Employee Stock Option Plan (ESOP) is administered through the BFL Employees Equity Reward Trust and the Restricted Stock Unit Plans (RSU) and Mphasis Employees Stock Option Plan - 2012 are administered through Mphasis Employee Benefit Trust.

Your Company currently has three stock option plans in operation, namely, ESOP 1998 Plan (Version I and II), ESOP 2004 and ESOP 2012, in addition to the RSU 2010 Plan. During the period 4,408 shares were allotted under ESOP 1998 Plan II and 3,314 shares were allotted under ESOP 2004 against exercise of options by the employees. Further, pursuant to the exercise applications made by the employees, the Company has transferred, out of the Mphasis Employees Benefit Trust, 2,350 equity shares towards exercise of RSUs under RSU 2010 Plan. The second tranche of stock options granted under Mphasis Employee Stock Option Plan - 2012 (ESOP 2012 Plan) vested during the period.

The information to be disclosed as per SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, is annexed and forms part of this Report.

The Board of Directors of the Company, in its meeting held on 14 May 2014, has proposed to institute Mphasis Restricted Stock Units Plan-2014 (RSU-2014) with the underlying shares not exceeding 5,50,000 equity shares with a view to achieve management participation in the ownership and growth of the Company and to encourage value creation and value sharing with key employees and to retain such key employees. The stock units are proposed to be granted at the face value of ₹ 10 per share and the shares arising out of the exercise of RSUs is proposed to be allotted. The RSU-2014 plan would conform to the applicable SEBI guidelines and applicable provisions of the Companies Act, 2013. In line with the provisions of the law, necessary resolutions in relation to the RSU-2014 Plan are placed before the members for approval.

COMMUNITY OUTREACH

Corporate Social Responsibility

Mphasis has always been committed to Corporate Social Responsibility (CSR) and is one of our commitments to the society. We have been carrying out the CSR activities in line with our focus areas. Presently, CSR is being regulated by law and we are determined to strengthen our commitment to further our CSR initiatives in accordance with the law.

Directors' Report

Our CSR activities are embedded around our vision of being a specialized enterprise at the confluence of People, Profit and Planet. It goes beyond philanthropy and aims to bring about systemic change in the system that prevents people at the margins from accessing basic education, right to earn a livelihood and be a contributing member of the society. The CSR at Mphasis is focused around 3Es' of Education, Employability and Entrepreneurship Development. Mphasis' CSR activities are being carried out through Mphasis F1 Foundation Trust. The Trust has supported programs that have impacted the lives of the communities which have remained at the periphery of the development.

CSR Committee

In terms of Section 135 of the Companies Act, 2013 and Rules made thereunder, the Board of Directors have constituted a CSR committee in its meeting held on 13 March 2014 with Mr. Narayanan Kumar, Mr. Davindar Singh Brar, Mr. Chandrakant D Patel and Mr. Balu Ganesh Ayyar as its members.

The CSR charter along with the CSR policy are being formulated.

Prevention of Sexual Harassment

Your Company's Code of Business Conduct (COBC) provides broad direction as well as specific guidelines for all business transactions. The emphasis is on human rights, prevention of fraudulent and corrupt practices, avoidance of conflict of interest, prevention of Sexual Harassment and unyielding integrity at all times. Mphasis is committed to the provision of a workplace, free of Sexual Harassment ("SH") and to provide a redressal mechanism for all complaints of SH without fear or threat of reprisals in any form or manner whatsoever. The work place in context of SH is not restricted to the office but includes extended work areas such as client place, work related travel, cafeterias and company sponsored events, to name a few.

In compliance with the Sexual Harassment of women at workplace (Prevention, Prohibition and Redressal) Act, 2013, the Company has established Internal Complaints Committees at all its locations. During FY 2014, 24 complaints were received, out of which 19 complaints were disposed off in terms of the aforesaid Act as at 31 March 2014. Complaints not yet disposed are being investigated and are within the prescribed time limits.

GREEN INITIATIVE

The Companies Act, 2013 has recognized the electronic delivery of the documents. In compliance with the provisions of the Companies Act, 2013, Rules made thereunder and to support the green initiative in Corporate Governance, the Company proposes electronic delivery of Notices for General Meetings, Annual Reports to the members through e-mail to their Registered e-mail ID.

The e-mail addresses registered with the respective Depository Participant (DP) accounts (shares held in electronic form) and registered with Company (shares held in physical form) will be deemed to be registered e-mail address of the members and shall be used for electronic delivery of the documents. Members holding shares in electronic or physical mode, who have not registered their e-mail addresses and changes therein, are therefore requested to get their e-mail addresses registered or updated with their respective Depository Participant or the Company's Registrar and Share Transfer Agent, as the case may be.

Full text of the above said documents will also be displayed on the website of the Company, www.mphasis.com and all other applicable requirements under the provisions of the Companies Act, 2013 and Rules made thereunder will be duly complied with. In case any member would like to receive physical copies of these documents, the same shall be forwarded upon request.

SUBSIDIARIES

As on 31 March 2014, your Company has subsidiaries in Australia, Belgium, Canada, France, Germany, India, Indonesia, Ireland, Mauritius, the Netherlands, Bulgaria, People's Republic of China, Philippines, Poland, Singapore, the United Kingdom and the United States of America.

As per Section 212 of the Companies Act, 1956, companies are required to attach the directors' report, balance sheet and the statement of profit and loss of their subsidiaries. The Ministry of Corporate Affairs vide its Circular No. 2/2001 dated 8 February 2011 has exempted companies from complying with Section 212 of the Companies Act, 1956. Your Company is in compliance of the Section read with the provisions of the circular and will not be attaching the accounts of the subsidiaries. Your Company has presented the consolidated financial statements of the Group. The required information regarding each of the subsidiary is annexed to this report.

The annual accounts of subsidiary companies are available for inspection to the members at the Registered Office of the Company. A copy of the same shall be sent to the members upon request.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

Mr. Stefan Antonio Lutz was appointed on the Board of your Company as an additional director effective 12 February 2014.

Mr. James Mark Merritt was elected as the Vice Chairman of the Board effective 13 March 2014.

Directors' Report

Pursuant to the provisions of Section 161 of the Companies Act, 2013, the additional director hold office until the date of the ensuing Annual General Meeting. However, the Company has received notice under Section 160 of the Companies Act, 2013, from a member along with requisite deposit proposing the candidature of the additional director to the office of directorship. Accordingly, necessary resolution in relation to the appointment of the director is placed before the members at the ensuing Annual General Meeting. The Board recommends the appointment of the director.

Mr. V Ravichandran resigned from the Board effective closing hours of 12 February 2014. He joined the Board in March 2012. The Board places on record its appreciation for the valuable services rendered by him during his tenure as a director.

Further, in accordance with Section 152 of the Companies Act, 2013, Mr. James Mark Merritt and Mr. Lakshmikanth K Ananth will retire by rotation and are eligible for re-election.

The Board of Directors recommend the re-appointment of Mr. James Mark Merritt and Mr. Lakshmikanth K Ananth.

The profiles of the present directors of your Company are provided in the Annual Report.

Mr. Ganesh Murthy, Chief Financial Officer (CFO), has tendered his resignation from the office of the CFO effective 3 June 2014. Mr. V. Suryanarayanan, Senior Vice President, will be the Interim CFO of the Company. The Board places on record its appreciation for the services rendered by Mr. Ganesh Murthy during his tenure as a CFO of the Company.

DIRECTORS' INTEREST

No director was materially interested in any contracts or arrangements existing during or at the end of the period that was significant in relation to the business of the Company. No director holds any shares or stock option in the Company as on 31 March 2014 except Mr. Balu Ganesh Ayyar, Chief Executive Officer, who holds 17,010 shares and Restricted Stock Units and Stock Options aggregating to 58,000 units. None of the directors had any other interest in the share capital of the Company as at 31 March 2014.

SIGNIFICANT SHARE HOLDINGS

The following shareholders held more than 5% of the Company's issued share capital as at 31 March 2014:

<i>Name of the Shareholder</i>	<i>Percentage Owned</i>
Hewlett Packard Corporation through its wholly owned subsidiaries (EDS Asia Pacific Holdings, EDS World Corporation (Far East) LLC & EDS World Corporation (Netherlands) LLC)	60.49%
Aberdeen Asset Managers Limited A/C	
Aberdeen Global Indian Equity (Mauritius) Limited	8.80%

DIRECTORS' RESPONSIBILITY STATEMENT

Information as per Section 217(2AA) of the Companies Act, 1956 is annexed and forms part of the Report.

STATUTORY AUDITORS

S R Batliboi & Associates LLP (Registration No. 101049W), Chartered Accountants have completed 6 years tenure as the Statutory Auditors of the Company.

S R Batliboi & Associates LLP (Registration No.101049W), Chartered Accountants, being eligible for re-appointment, in terms of provisions of Section 141 of the Companies Act, 2013, have expressed their willingness to continue in office and a resolution proposing their re-appointment from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting at remuneration to be fixed by the Board of Directors and billed progressively is submitted at the Annual General Meeting.

As regards the observations made by the Auditors, your directors would like to clarify the following:

- Management has already taken necessary steps to strengthen the internal control system by integrating the operations of infrastructure business with the mainstream, thereby introducing controls which are applicable for the entire organization. Further, Management has also taken various steps in strengthening the internal control system in respect of the ATM business.
- The investigation regarding the supply of the leased assets in deviation of the purchase order was concluded and the loss of ₹18 million was recovered from the vendor.
- The investigation regarding overcharging in respect of electricity expenses was concluded. The Company is recovering the loss of ₹ 27.5 million from the facility owner.
- As a matter of good governance, the management has initiated an investigation on receipt of observations and the same is under progress.

Directors' Report

PARTICULARS OF EMPLOYEES' REMUNERATION

Information as per Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 forms part of this Report. However, in terms of Section 219(1) (b) (IV) of the Companies Act, 1956, the Report and Accounts are being sent to the shareholders excluding the aforesaid annexure. Any shareholder interested in obtaining a copy of the said annexure may write to the Company Secretary at the Registered Office of the Company.

In terms of the Notification No.G.S.R.212 (E) dated 24 March 2004 issued by the Department of Company Affairs, Ministry of Finance, Information Technology, companies have been exempted from providing the particulars of employees including their remuneration, if they have been posted / working in a country outside India.

PARTICULARS REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Your Company's operations involve low energy consumption. Mphasis is committed on conserving energy. The key facilities have been awarded 5 star, 4 star or 3 star rating by Bureau of Energy Efficiency, Government of India (BEE). The rating is nationally accepted industry benchmark and Mphasis has been the twelfth Company in India to be certified by BEE. The Company has installed lighting energy savers and LED light fixtures, occupancy sensors, enthalpy system, automatic operation of AC system at data center and solar inverters at certain facilities to minimize power consumption. The carbon foot prints are monitored on a monthly basis and reported to Carbon Disclosure Project (CDP), an international, not-for-profit organization providing the only global system for companies and cities to measure, disclose, manage and share vital environmental information. CII Godrej Green Building Council has awarded 'Greenco' rating for Mphasis Mangalore facility. One of our new facility, WTC 4 Bengaluru, has been certified LEED (Leadership in Energy and Environmental Design) Gold by United States Green Building Council (USGBC).

Your Company is one of the few IT companies in India who has implemented captive renewable energy generation in multi-locations as part of its sustainability program.

Particulars relating to technology absorption are not applicable. Information relating to foreign exchange earnings or outgo during the period under review is as follows:

(a) Activities relating to Export	Export of Computer Software related services to Americas, Europe, Asia and Australia
(b) Initiatives taken to increase the exports	Marketing efforts are being made through the subsidiaries and branches to increase exports.
(c) Development of new export market for product and services	Marketing efforts are being made in emerging markets
(d) Total Foreign Exchange used (₹ million)	2,357
(e) Total Foreign Exchange Earnings (₹ million)	11,617

DEPOSITS

Your Company has not accepted any deposits from the public and as such no amount of principal or interest was outstanding as on the date of the Balance Sheet.

ACKNOWLEDGMENT

Your directors acknowledge with thanks the continued support and valuable co-operation extended by the business constituents, investors, vendors, bankers and shareholders of the Company. Your directors wish to thank Hewlett-Packard Company for their continued support. The directors place on record their appreciation for the support from the Software Technology Parks of India, the Department of Electronics, the Government of India, Governments of Karnataka, NCT Delhi, Maharashtra, Tamil Nadu, Gujarat, Madhya Pradesh, Chhattisgarh, Pondicherry, Orissa, Reserve Bank of India, other governmental agencies, Trade Associations and NASSCOM.

Your directors would like to place on record their appreciation for the contribution made by the employees of the Company and its subsidiaries and associates.

For and on behalf of the Board of Directors

San Francisco, USA
14 May 2014

FRIEDRICH FROESCHL
Chairman

Annexure to the Directors' Report

DETAILS OF EMPLOYEES STOCK OPTIONS/RESTRICTED STOCK UNITS AS ON 31 MARCH 2014

The details of Employees Stock Option Plan required to be provided as per Clause 12 of the SEBI [Employee Stock Option Scheme and Employee Stock Purchase Scheme] Guidelines, 1999.

Stock Options/ Restricted Stock Units (RSUs) granted to employees of Mphasis Limited & its subsidiaries: (Figures adjusted for 1:1 Bonus Issues made in the years 2003, 2004 and 2005 for ESOP 1998, ESOP 2000, ESOP 2003 and ESOP 2004)

Particulars	ESOP 1998		ESOP 2000	ESOP 2003	ESOP 2004	RSU 2010	ESOP 2012
	Version I	Version II					
Options/RSUs Granted	1,324,552	4,780,000	20,231,844	2,708,800	2,561,152	162,250	567,300
Options Vested (net of Lapsed options which are unexercised)	611,180	2,479,966	10,607,323	2,398,323	1,289,292	124,575	438,950
RSU's Unvested	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Options/RSUs exercised and No. of shares arising out of the exercise	564,180	2,266,334	10,607,323	2,398,323	1,281,650	87,275	2,350
Options/RSUs lapsed [options reverted due to resignations and non-exercise]	713,372	2,300,034	9,624,521	310,477	1,271,860	37,675	128,350
Money realized by exercise of options/RSUs (₹) (during FY 2014)	Nil	438,769	Nil	Nil	388,931	23,500	Nil
Total No. of Options/RSUs in force	47,000	213,632	Nil	Nil	7,642	37,300	436,600
Pricing formula	Refer Table below						

Pricing Formulae for the Stock Option/RSU schemes:

Schemes/ Plans	Pricing Formulae
ESOP 1998 (version I)	No options have been granted under this Scheme during the five months period ended 31 March 2014. Earlier, under this plan the options were granted at a strike price of ₹ 275 per share. The price of ₹ 275 was arrived at based on SEBI Guidelines on Pricing for Preferential Allotment.
ESOP 1998 (version II)	No options have been granted under this Scheme during the five months period ended 31 March 2014. Earlier, for employees in service as on 10 January 2000, the market price prevalent on the 15th day from the Board Meeting held on 10 January 2000 i.e. ₹ 795 per share and for all the recruits thereafter, market price prevalent on the date of joining, unless the ESOP Committee decides otherwise, was taken as the grant price. For options granted from September 2003, the grant price was calculated as per sub clause 10 of clause 2.1 of the amendment to SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, dated 30 June 2003, which was the average of the two weeks high and low price of share preceding the date of grant of option on the stock exchange on which the shares of the Company are listed.
ESOP 2000	No options have been granted under this Scheme during the five months period ended 31 March 2014. Earlier, for employees in the service of the Company as on 25 July 2000, the market price prevalent on 25 July 2000 i.e. ₹ 494.20 per share was taken as the grant price and for employees joining thereafter, the market price prevalent on the last working day of the month in which they join was taken as the grant price. For options granted from September 2003, the grant was calculated as per sub clause 10 of clause 2.1 of the amendment to SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 dated 30 June 2003 which was the average of the two weeks high and low price of share preceding the date of grant of option on the stock exchange on which the shares of the Company are listed.
ESOP 2003	No options have been granted under this Scheme during the five months period ended 31 March 2014. Earlier, for options granted from September 2003, the grant price was calculated as per sub clause 10 of clause 2.1 of the amendment to SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 dated 30 June 2003 which is the average of the two weeks high and low price of shares preceding the date of grant of option on the stock exchange on which the shares of the Company are listed.

Annexure to the Directors' Report

Schemes/ Plans	Pricing Formulae
ESOP 2004	<p>No options have been granted under this Scheme during the five months period ended 31 March 2014.</p> <p><u>Program A</u></p> <p>The original exercise price is as per the original grant made by Msource Corporation while granting its options, converted at the exchange rate between USD and INR as on 12 May 2004 and as adjusted for the swap ratio of the Msource acquisition and the bonus shares issued by Mphasis Limited after 12 May 2004.</p> <p><u>Program B</u></p> <p>The Market Price as per the applicable guidelines prescribed by Securities Exchange Board of India (SEBI) from time to time.*</p>
RSU 2010	<p>No RSUs have been granted under this plan during the five months period ended 31 March 2014.</p> <p>In terms of the plan each of the restricted stock units granted, entitles the holder thereof with an option to apply for and be issued one equity share of the Company at an exercise price of ₹ 10 per share.</p>
ESOP 2012	<p>No options have been granted under this Scheme during the five months period ended 31 March 2014.</p> <p>In terms of the scheme, each stock options granted, entitles the holder thereof with an option to apply for and be issued one equity share of the Company at an exercise price of ₹ 410.25 per share, being the Market Price*.</p>

* The present Securities & Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, defines 'Market Price' as the "latest available closing price, prior to the date of the meeting of the Board of Directors in which options are granted, on the stock exchange on which the shares of the Company are listed, if the shares are listed on more than one stock exchange, then the stock exchange where there is highest trading volume on the said date shall be considered."

Employee Stock Options-Summary:

1. Options/RSUs granted	:	32,335,898
2. Options/RSUs vested	:	17,949,609
3. Options/RSUs unvested	:	Nil
4. Options/RSUs exercised	:	17,207,435
5. Options/RSUs lapsed	:	14,386,289
6. Total No. of options/RSUs in force	:	742,174
7. Money realized by exercise of options	:	851,200

for the five months period ended 31 March 2014 (₹)

Notes:

1. During the period under review there has not been any variation to the RSU/ESOP Plans.
2. There was no grant of options/RSUs to any employees of the Company including the Senior Managerial Personnel.
3. As there was no grant of options during the period, the disclosure regarding grant of options equal to or exceeding 1% of the issued capital of the Company is not applicable.
4. Details of stock based compensation are given in the Note 31 to the financial accounts.
5. Diluted Earnings Per Share [EPS] of the Group for the period, pursuant to issue of shares on exercise of options is 14.39(Refer Note 31 of the consolidated financial statements).
6. The term Senior Managerial Personnel refers to the Chief Executive Officer of the Company.

Annexure to the Directors' Report

ADDITIONAL DISCLOSURE AS PER AMENDMENT TO SEBI (EMPLOYEE STOCK OPTION SCHEME AND EMPLOYEE STOCK PURCHASE SCHEME) GUIDELINES, 1999 VIDE CIRCULAR DATED 30 JUNE 2003

Your Company computes employee compensation cost using the intrinsic value of stock options. The impact of the difference on the profits and EPS of the Company for the five months period ended 31 March 2014 using the fair value method for the grants made after the notification is given below:

1) a) **Impact on Profit:** (₹ million)

	Mphasis Limited	Mphasis Group
Audited	2,230.82	3,026.81
Adjusted	2,230.82	3,026.81

b) **Impact on EPS:** (₹)

	Mphasis Limited		Mphasis Group	
	Basic	Diluted	Basic	Diluted
Audited	10.62	10.60	14.40	14.39
Adjusted	10.62	10.60	14.40	14.39

Note: The Company has followed fair value method for computing the employee compensation cost for stock units / options issued under RSU Plan - 2010 and ESOP Plan - 2012 and accordingly, recognized the proportionate cost for the five months period ended 31 March 2014 in the statement of profit and loss. Hence, no adjustment is required for the audited profit and audited EPS in respect of restricted stock units.

2) **Weighted average exercise price and weighted average fair value of options:**

The exercise price of the stock options is determined as per clause 2.1(10) of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended.

Plan	Weighted Average Exercise Price (₹)	Weighted Average Fair Value (₹)
ESOP 1998 Version I	-	-
ESOP 1998 Version II	99.54	75.08
ESOP 2004	117.36	66.41
RSU Plan 2010	10.00	549.72
ESOP 2012	-	-

Note: Stock Options issued under ESOP 1998 Version I and ESOP 2012 were not exercised during the five months period ended 31 March 2014.

3) **Method and significant assumptions:**

Your Company has adopted the Black Scholes option pricing model to determine the fair value of stock options.

The significant assumptions are:

1	Risk free interest rate %	5.78% to 8.20%	
2	Expected life	1 to 4 years	
3	Expected volatility %	40.53% to 69.48%	
4	Expected dividend yield %	0.66% to 1.98%	
5	Market price on date of grant (weighted average) (₹)	ESOP 1998 Version I	-
		ESOP 1998 Version II	99.54
		ESOP 2004	117.36
		RSU Plan 2010	10.00
		ESOP 2012	-

Note: Stock Options issued under ESOP 1998 Version I and ESOP 2012 were not exercised during the five months period ended 31 March 2014.

Annexure to the Directors' Report

DIRECTORS' RESPONSIBILITY STATEMENT

In compliance with Section 217(2AA) of the Companies Act, 1956, your directors confirm and state as follows:

1. That in preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
2. That your directors have selected such accounting policies and have applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the five months period and of the profit of the Company for the period under review.
3. That your directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. That your directors have prepared the annual accounts on a going concern basis.

DECLARATION UNDER CLAUSE 49 OF THE LISTING AGREEMENT

As required under Clause 49 of the Listing Agreement with Stock Exchanges, it is hereby confirmed that for the five months period ended 31 March 2014, the directors of Mphasis Limited have affirmed compliance with the Code of Conduct for Board Members as applicable to them and members of the senior management have also affirmed compliance with the Employee Code of Conduct as applicable to them.

For Mphasis Limited

Bengaluru, India
9 May 2014

BALU GANESH AYYAR
Chief Executive Officer

Annexure to the Directors' Report

Information under Section 212(8) of the Companies Act, 1956, and forming part of the Directors' Report for the five months ended 31 March 2014

Subsidiary	Additional information										Proposed Dividend
	Capital		Reserves	Total assets	Total liabilities	Details of investment (Other than in subsidiaries)	Turnover	Profit before taxation Profit / (Loss)	Provision for taxation Expense / (Credit)	Profit after taxation	
	Equity	Preference									
Mphasis Corporation	0.00	-	0.00	12,063.14	8,202.34	-	7,720.22	48.42	(110.11)	158.53	-
Mphasis Deutschland GmbH	2.10	-	2.10	76.14	13.96	-	32.45	5.87	1.61	4.26	-
Mphasis Australia Pty Limited	0.05	-	0.05	461.76	378.24	-	533.91	(21.02)	0.30	(21.32)	-
Mphasis (Shanghai) Software & Services Company Ltd	238.76	-	238.76	344.59	286.54	-	145.95	27.42	6.66	20.76	-
Mphasis Consulting Limited	1.34	-	1.34	619.73	38.14	-	94.66	(2.49)	0.64	(3.13)	-
Mphasis Belgium BVBA	0.43	-	0.43	91.30	214.44	-	245.49	33.91	11.91	22.00	-
Mphasis Finsource Limited	0.50	-	0.50	135.71	150.98	57.12	(0.31)	(2.86)	(1.18)	(1.68)	-
Mphasis Europe BV	477.01	-	477.01	11,750.50	70.58	-	160.21	9.94	2.15	7.79	-
Mphasis Pre Ltd	152.86	-	152.86	(90.89)	242.15	-	242.54	20.92	3.61	17.31	-
Mphasis UK Limited	0.24	-	0.24	10,212.51	410.29	-	597.99	(127.02)	(34.41)	(92.61)	-
Mphasis Software & Services (India) Private Limited	100.00	-	100.00	1,185.54	40.63	991.91	108.66	104.33	33.26	71.07	-
Msource Mauritius Inc.	581.68	-	581.68	37.94	626.95	7.33	-	(0.15)	-	(0.15)	-
Msource (India) Private Limited	66.85	-	66.85	5,562.72	6,277.68	4,322.21	1,612.56	531.66	160.93	370.73	-
Mphasis Ireland Limited	0.56	-	0.56	25.41	6.28	-	20.98	2.24	0.25	1.99	-
Mphasis Lanka (Private) Limited	6.55	-	6.55	(53.24)	12.11	-	58.80	6.62	(0.02)	6.64	-
Mphasis Infrastructure Services Inc.	0.04	-	0.04	(744.32)	347.85	-	302.94	(150.16)	0.11	(150.27)	-
Mphasis Poland s.p.z.o.o.	1.98	-	1.98	(5.80)	60.98	-	25.86	(4.37)	(1.49)	(2.88)	-
PT. Mphasis In donesia	4.60	-	4.60	3.67	9.42	1.15	2.48	0.24	(0.09)	0.33	-
Mphasis Wyde Inc.	-	-	-	8,726.77	16,134.54	7,407.77	-	(98.77)	275.13	(373.90)	-
Wyde Corporation	3.11	-	3.11	(418.30)	571.81	987.00	364.37	(1.17)	(8.84)	7.67	-
Mphasis Wyde SASU (formerly Mphasis Wyde SAS)	2.53	-	2.53	61.56	399.05	334.96	333.53	49.24	-	49.24	-
Wyde Solutions Canada Inc.	0.05	-	0.05	(39.04)	145.63	184.62	34.12	(27.16)	7.07	(34.23)	-
Wyde Tunisie SARL	5.04	-	5.04	(0.01)	10.53	5.50	-	(0.06)	-	(0.06)	-
Mphasis Philippines Inc	11.34	-	11.34	3.86	39.47	24.27	37.66	3.74	0.89	2.85	-
Digital Risk, LLC	942.62	-	942.62	6,204.70	7,793.46	646.14	3,629.04	1,423.10	-	1,423.10	-
Digital Risk Mortgage Services, LLC	1,171.84	-	1,171.84	(710.92)	652.65	191.73	963.07	0.70	-	0.70	-
Digital Risk Compliance Services, LLC	-	-	-	(1,934.13)	-	1,934.13	-	-	-	-	-
Digital Risk Analytics, LLC	-	-	-	(146.09)	2.69	148.78	(5.82)	(48.26)	-	(48.26)	-
Investor Services, LLC	-	-	-	(857.23)	50.66	907.89	40.47	(434.48)	-	(434.48)	-
Digital Risk Valuation Services, LLC	-	-	-	(627.57)	20.56	648.13	63.34	(191.79)	-	(191.79)	-
Total	3,772.08	-	3,772.08	41,978.32	70,944.51	25,194.11	17,306.27	1,158.59	348.38	810.21	-

(₹ millions)

1) The exchange rate applied on the respective overseas entity balances as at 31 March 2014 was INR 59.9150/ USD, 47.5825/ SGD, 99.7650/ GBP, 55.2975/AUD, 82.6850/ EUR, 0.5806/ JPY, 9.6357/ CNY, 54.2725/ CAD, 51.80/ NZD, 9.24/ SEK, 67.8275/ CHF, 1.3377/ PHP, 0.4582/ LKR, 19.8092/ PLN, 0.0053/ IDR, 37.9209/ TND.

2) Mphasis Finsource Limited is being merged with its Holding Company, Mphasis Limited effective 01 April 2013. The petition for amalgamation of Mphasis Finsource Limited with the Company has been filed with The Hon'ble High Court of Karnataka upon obtaining the approval from the Bombay Stock Exchange and the National Stock Exchange of India Limited.

Corporate Governance

I. COMPANY'S POLICY ON CORPORATE GOVERNANCE

Mphasis is committed to the highest standards of Corporate Governance in all its activities and processes and is directed towards enhancement of long-term stakeholder value, keeping in view the interests of stakeholders, viz, Shareholders, Clients, Employees, Suppliers, Society and Regulatory Bodies. The Company strongly believes that the spirit of Corporate Governance fetches beyond the statutory acquiescence. The Company endeavors to meet the growing aspirations of the stakeholders and is committed to maintaining highest standards of transparency, fairness, accountability and equity in its operations. The principles of the governance are articulated in the Company's Code of Conduct and in its vision statements. The Company's Corporate Social Responsibility activities and sustainability initiatives also enunciate the spirits of Corporate Governance.

Mphasis envisions redefining the paradigm for business success together and carries the mission to be a specialized enterprise at the confluence of people, profit and planet powered by inquisitive minds. Mphasis leverages the global talent and innovative blend of services and technology to deliver customer delight.

"Unleash the Next" represents our aspiration and commitment to business that drives the next wave of capabilities and services, integrating technology with business while grooming specialized talent to deliver a symbiotic success model. Our positioning statement is timeless, open ended and is applicable for our offerings, employees, customers and the community at large.

The Board recognizes that the governance expectations are constantly evolving and is committed to keep its standards of transparency and dissemination of information under review.

The following is a report on the status and progress on major aspects of Corporate Governance for the five months period ended 31 March 2014.

II. BOARD OF DIRECTORS

The basic responsibility of the Board is to provide effective governance over the Company's affairs. The Company's business is conducted by its employees under the overall supervision of the Chief Executive Officer, who is assisted by a council of Senior Managerial Personnel in different functions.

(a) Composition of the Board:

As at 31 March 2014, the Board comprises of 9 directors of which, one is an executive director, five are nominated by Hewlett Packard Corporation (HP), USA and three are Independent Directors.

Mr. Antonio Fabio Neri and Mr. V Ravichandran, Non-Executive Directors, resigned from the Board effective 5 December 2013 and 12 February 2014, respectively. Mr. Shankar Maitra and Mr. Stefan Antonio Lutz were appointed on the Board as an additional director on 5 December 2013 and 12 February 2014, respectively.

Dr. Friedrich Froeschl, Non Executive Independent Director, is the Chairman of the Board. Mr. James Mark Merritt, Non-Executive Director, is the Vice Chairman of the Board effective 13 March 2014.

(b) Board Procedure:

The Board meets at regular intervals with an annual calendar and formal schedule of matters specifically reserved for its consideration to ensure that the matters in relation to Strategy, Operations, Finance and Compliances are reviewed. The annual calendar of meetings is communicated to the directors in advance to ensure maximum participation. The Board is regularly apprised on the performances of the Company at the meetings and is provided with necessary information and presentations on the matters concerning the business, compliances and quarterly financials to ensure effective discharge of its responsibility. The Directors of the Company, through their participation in board meetings provide inputs to management from their relevant fields of knowledge and expertise, viz. Information Technology, Business Process Outsourcing, Finance, Accounting, Marketing and Management Sciences.

The important decisions taken at the meetings are promptly communicated to the respective functionaries for their action. Further, the action items, arising out of the decisions of the Board are followed up and reviewed.

Corporate Governance

Primarily, the Board of Directors oversees and provides policy guidance on the business and affairs of Mphasis, while balancing the interests of different stakeholders. Among other things, the Board undertakes the following functions:

1. reviews and assesses the business strategy developed by management;
2. reviews and assesses the operational strategy and plans developed by management;
3. is responsible for CEO succession, evaluation & compensation;
4. satisfies itself that the Company is governed effectively in accordance with good Corporate Governance practices;
5. monitors management performance and directs corrections;
6. balances the interests of different stakeholders;
7. reviews and assesses risks facing Mphasis and management approach to addressing such risks;
8. discharges statutory or contractual responsibilities;
9. oversees the reliability of external communications, especially to shareholders; and
10. oversees the process for compliance with laws and regulations.

(c) Board Meetings held during the period, attendance of directors and particulars of the Directorships, Committee Membership/Chairmanship:

During the five months period ended 31 March 2014, two meetings of the Board were held on 5 December 2013 and 13 March 2014. The details of the attendance at the meetings of the Board and at the last AGM together with the particulars of the other directorship, committee membership/chairmanship, are given below:

Name	Category	Attendance During 2013-2014 (Five months period)			Particulars of other Directorship, Committee Membership / Chairmanship		
		Board Meetings		Last AGM	Other Directorships (Director in Public Limited Companies) ¹	Committee Memberships ²	Committee Chairmanships ²
		Number of meetings held during tenure	No. of meetings attended				
Executive Director							
Mr. Balu Ganesh Ayyar	Chief Executive Officer	2	2	Yes	-	1	-
Non-Executive Directors							
Dr. Friedrich Froeschl	Chairman, Independent Director	2	2	Yes	-	1	-
Mr. James Mark Merritt	Vice Chairman, Non-Independent Director	2	1	No	-	1	-
Mr. Davinder Singh Brar	Independent Director	2	2	No	13(2)	4	1
Mr. Chandrakant D Patel	Non-Independent Director	2	2	No	-	-	-
Mr. Narayanan Kumar	Independent Director	2	2	Yes	13(5)	1	3
Mr. Lakshmikanth K Ananth	Non-Independent Director	2	2	No	-	2	-
Mr. Shankar Maitra ⁴	Non-Independent Director	1	1	Yes	-	-	-
Mr. Stefan Antonio Lutz ⁵	Non-Independent Director	1	-	NA	-	-	-
Ceased to be a Director							
Mr. Antonio Fabio Neri ⁶	Vice Chairman, Non-Independent Director	1	-	NA	NA	NA	NA
Mr. V Ravichandran ⁷	Non-Independent Director	1	1	Yes	NA	NA	NA

NA - Not Applicable

Corporate Governance

Notes:

1. Does not include directorships in foreign companies and membership in governing councils, chambers and other bodies.
2. Includes membership/Chairmanship in Audit Committee and Shareholder Grievance Committee of public limited companies, including Mphasis Limited.
3. There are no relationships inter-se directors as on 31 March 2014.
4. Appointed as an additional director during the period effective 5 December 2013 and as a director at the AGM held on 5 February 2014.
5. Appointed as an additional director during the period effective 12 February 2014.
6. Resigned as a director with effect from 5 December 2013.
7. Resigned as a director with effect from 12 February 2014.

III. COMMITTEES

(a) Audit Committee

The primary function of the Audit Committee, as per its Charter, is to provide assistance to the Board of Directors in fulfilling their oversight responsibility to the shareholders and others relating to:

- overseeing the processes of ensuring the integrity of the Company's financial statements;
- overseeing the processes for compliance with laws and regulations;
- overseeing the process by which anonymous complaints pertaining to financial or commercial matters are received and acted upon;
- enquiring into reasons for default in honoring obligations to creditors and members;
- reviewing the process for entering into related party transactions and related disclosures; and
- satisfying itself regarding the conformance of CEO's remuneration, expense reimbursements and use of Company assets with terms of his employment and Company's rules and policies.

During the five months period ended 31 March 2014, two meetings of the Audit Committee were held on 04 December 2013 and 13 March 2014.

The composition of the Committee and the attendance at each of the meetings held during the five months period ended 31 March 2014 are given below:

Member	No. of Meetings held during tenure	No. of Meetings attended
Mr. Narayanan Kumar, Chairman	2	2
Mr. Davinder Singh Brar	2	1
Dr. Friedrich Froeschl	2	2
Mr. Lakshmikanth K Ananth	2	2

(b) Share Transfer Committee

In order to expedite the requests of the shareholders, in connection with transfers, demats and other related process, the Board constituted a Share Transfer Committee. The Share Transfer Committee of the Board is authorized inter-alia to approve physical transfers/ transmissions/ transpositions/ dematerialization/re-materialization requests, issue of duplicate share certificates, issue of fresh share certificates, release of stop transfer cases etc.

The composition of the Committee is as follows:

Mr. Balu Ganesh Ayyar	-	Chairman
Mr. Davinder Singh Brar	-	Member
Mr. Shankar Maitra	-	Member

During the five months period ended 31 March 2014, the Share Transfer Committee passed resolutions approving transfers and other related matters on 7 November 2013, 3 December 2013 and 24 March 2014.

The Company ensures that the transfer of shares is effected within the statutory stipulated time of their due lodgment. The Company has appointed Integrated Enterprises (India) Limited, a SEBI registered Registrar and Transfer Agent, as its Share Transfer Agent.

Corporate Governance

(c) Compensation Committee

i. Brief description of terms of reference of the Committee, composition and attendance:

In order to provide an oversight of the functioning of the compensation and benefits plans for the employees and directors of the Company, the Board has constituted a Compensation Committee. The Compensation Committee is authorized to review the compensation policies and programs of the Company, approve the compensation matters for the Chief Executive Officer and Senior Management of the Company.

The composition of the Committee is as follows:

Mr. Davinder Singh Brar	-	Chairman
Dr. Friedrich Froeschl	-	Member
Mr. James Mark Merritt	-	Member
Mr. Shankar Maitra	-	Member

The Committee meets based on the business to be transacted. During the period, the Committee met twice on 5 December 2013 and 12 March 2014. The attendance at each of the meetings held during the five months period ended 31 March 2014 is given below:

Member	No. of Meetings held during tenure	No. of Meetings attended
Mr. Davinder Singh Brar, Chairman	2	2
Dr. Friedrich Froeschl	2	2
Mr. James Mark Merritt	2	2
Mr. Shankar Maitra ¹	NA	NA

¹ Appointed as member with effect from 13 March 2014.

ii. Remuneration Policy

The remuneration policy of the Company is aligned towards rewarding participation in meetings and is in consonance with Industry benchmarks. The objective of the Policy is to attract and retain excellent talent while delivering optimal value to the business.

The Company pays commission to its Independent Non-Executive Directors as per the remuneration matrix approved by the shareholders of the Company. The amount of such commission, taken together for all Independent Non-Executive Directors, does not exceed 1% of the net profits of the Company in any financial year.

The remuneration matrix for the Independent Directors is as follows:

Particulars	Factor	Max Remuneration (₹ Lacs)
Fixed Remuneration - Indian Directors	Flat Fee p.a.	28.00
Fixed Remuneration - Foreign Directors	Flat Fee p.a.	44.00
Variable Remuneration determined based on the following:		
- Board Chairmanship	Flat Fee p.a.	10.00
- Board Meeting Attendance	Per Meeting	0.75
- General Body Meeting Attendance	Per Meeting	0.50
- Audit Chairmanship	Flat Fee p.a.	5.00
- Audit Membership	Per Meeting	0.40
- Compensation Committee Chairmanship	Flat Fee p.a.	1.00
- Compensation Committee Membership Attendance	Per Meeting	0.25
- Strategy Committee Chairmanship	Flat Fee p.a.	1.00
- Strategy Committee Membership Attendance	Per Meeting	0.25

Note : The portions of the remuneration denominated as "Per Meeting" are applicable in respect of the meetings actually held and participated by the Independent Non-Executive Director which is statutorily counted for quorum.

Corporate Governance

None of the directors are paid any sitting fees for attending the meetings of the Board and Committees thereof on which they are members. The Non-Executive Directors other than the Independent Directors do not receive any remuneration from the Company. There was no pecuniary relationship or transaction with any director other than that reported above.

iii. Details of Remuneration to the Directors for the financial period-2013-2014

(₹ million)

Name of Director	Salary	Bonus	Benefits / Perquisite	Commission ²	PF & other Funds	Total
Mr. Balu Ganesh Ayyar ¹	19.94	18.84	5.15	-	0.47	44.39
Dr. Friedrich Froeschl	-	-	-	2.67	-	2.67
Mr. Davinder Singh Brar	-	-	-	1.45	-	1.45
Mr. Narayanan Kumar	-	-	-	1.65	-	1.65
Total	19.94	18.84	5.15	5.77	0.47	50.16

¹ As per contract executed with Mr. Balu Ganesh Ayyar.

² The Commission was paid for 5 months period ended 31 March 2014 and is in terms of the approval of the shareholders

Mr. Balu Ganesh Ayyar, Chief Executive Officer, holds 58,000 stock options under Employee Stock Option Plan 2012, which are yet to be exercised. In terms of the scheme, upon exercise, each of the stock option is eligible for issuance of one equity share of ₹ 10 each. In addition to this, Mr. Ganesh Ayyar holds Restricted Stock Units of the parent company, Hewlett Packard Corporation.

None of the other directors were granted any stock options of Mphasis Limited during the five months period ended 31 March 2014.

iv. Details of shares held by the directors

As on 31 March 2014, none of the directors, except Mr. Balu Ganesh Ayyar, Chief Executive Officer, holds any shares of the Company. As at 31 March 2014, Mr. Balu Ganesh Ayyar holds 17,010 equity shares of the Company.

(d) ESOP Committee

As required under the provisions of the SEBI (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, the Board of Directors of the Company has constituted an ESOP Committee. The primary function of the Committee is to administer Stock Options plans of the Company including the grants made thereunder. The Committee comprises of the following members:

Mr. Balu Ganesh Ayyar	-	Chairman
Mr. Davinder Singh Brar	-	Member
Mr. Narayanan Kumar	-	Member

During the period ended 31 March 2014, the ESOP Committee has, on a periodic basis, approved exercise of 7,722 equity shares of ₹ 10 each under the ESOP Schemes - 1998 and 2004. The said shares have been duly credited to the employees and have been listed with the Stock Exchanges.

(e) Investor Grievances Committee

The Company attaches importance to the investor relations and is committed on redressal of grievances on a timely manner. The Board of Directors of the Company has constituted an Investor Grievance Committee for this purpose. The details of the correspondence with the shareholders including the details of the Investor Grievances, if any, are circulated to the committee members on a monthly basis.

Corporate Governance

The status of Investor Complaints during the period ended 31 March 2014, is as under:

Complaints as on 1 November 2013	:	Nil
Received during the period	:	2
Resolved during the period	:	2
Pending as on 31 March 2014	:	Nil

The Committee comprises the following members:

Mr. Davinder Singh Brar	-	Chairman
Mr. Lakshmikanth K Ananth	-	Member
Mr. James Mark Merritt	-	Member
Mr. Balu Ganesh Ayyar	-	Member

Name, Designation and address of Compliance Officer

Mr. A Sivaram Nair
 Senior Vice President, Company Secretary, General Counsel & Ethics Officer
 Mphasis Limited
 Bagmane World Technology Center,
 Marathalli Outer Ring Road, Doddannakhundi Village,
 Mahadevapura, Bengaluru - 560 048

(f) Treasury and Operations Committee

Considering the desired focus on the treasury and business operations, the Board has constituted a "Treasury and Operations Committee". The powers and functions of the Committee include, oversight of liquidity management and banking operations, forex risk management, investment portfolio/interest rate risk management, approval for capital expenditure/hardware resale and settlement of legal cases beyond certain limits. The present composition of this Committee is as follows:

Mr. Davinder Singh Brar	-	Chairman
Mr. Balu Ganesh Ayyar	-	Member
Mr. Shankar Maitra	-	Member

Member	No. of Meetings held during tenure	No. of Meetings attended
Mr. Davinder Singh Brar, Chairman	2	2
Mr. Balu Ganesh Ayyar	2	2
Mr. Antonio Fabio Neri ¹	1	Nil
Mr. Lakshmikanth K Ananth ²	2	2
Mr. Shankar Maitra ³	Nil	NA

Notes:

¹ Resigned as a director with effect from 5 December 2013.

² Ceased to be a member with effect from 13 March 2014.

³ Appointed as member with effect from 13 March 2014.

(g) Strategy Committee

The primary function of the Committee is to oversee the Company's strategic planning process, review and advise on strategic proposals, evaluate the potentials for the growth opportunities of the Company etc. and make appropriate recommendations to the Board. The present composition of this Committee is as follows:

Dr. Friedrich Froeschl	-	Chairman
Mr. Stefan Antonio Lutz	-	Member
Mr. Balu Ganesh Ayyar	-	Member
Mr. Chandrakant D Patel	-	Member
Mr. Lakshmikanth K Ananth	-	Member

Corporate Governance

During the period, the Strategy Committee met twice on 4 December 2013 and 12 March 2014. The attendance at each of the meetings held during the period ended 31 March 2014 are given below:

Member	No. of Meetings held during tenure	No. of Meetings attended
Dr. Friedrich Froeschl, Chairman	2	2
Mr. Antonio F Neri ¹	1	Nil
Mr. Chandrakant D Patel	2	2
Mr. Stefan Antonio Lutz ²	Nil	NA
Mr. Lakshmikanth K Ananth	2	1
Mr. Balu Ganesh Ayyar	2	2

¹ Resigned as director with effect from 5 December 2013

² Appointed as member with effect from 13 March 2014

IV. MEETINGS OF THE SHAREHOLDERS

(a) Location and time of last three AGM

The following is the summary of the Annual General Meetings (AGM) of the Company held during the last three years:

AGM	Date & Time	Venue
Twentieth Annual General Meeting	1 March 2012 10.00 AM	Taj Gateway Hotel, No. 66, Residency Road, Bengaluru -560 025
Twenty First Annual General Meeting	1 February 2013 3:30 PM	Hotel Park Plaza, No. 90/4, Marathahalli, Outer Ring Road, Bengaluru -560 037
Twenty Second Annual General Meeting	5 February 2014 3:30 PM	The Chancery Pavilion Hotel, No. 135, Residency Road, Bengaluru - 560025.

(b) Special Resolutions transacted at the Annual General Meetings held in the last three years with Voting Pattern:

Approval of the Members for payment of remuneration by way of commission not exceeding 1% of the net profits of the Company, to be paid to and distributed amongst the non-executive directors of the Company, passed unanimously at the Twenty First Annual General Meeting held on 1 February 2013.

V. DISCLOSURES

There are no materially significant related party transactions under AS-18 which have potential conflict with the interests of the Company at large.

Related party transactions i.e. material transactions between the Company and its promoters, directors, the management, their relatives, etc. are reported in Note 24 to the financial statements of the Company.

No penalty has been imposed on the Company on any matter relating to Capital Markets by the Stock Exchanges or Securities & Exchange Board of India or any other statutory authority from the date of inception of the Company.

At Mphasis we have a free and fair channel of communication for concerns about integrity. The objective of the Whistleblower Policy is to provide anyone observing an illegal or unethical practice within the organization, secure means to raise that concern, without fear of retaliation. All companies of Mphasis Group and people associated with the Company viz., Customers, Vendors etc. can raise such concerns through written complaints deposited in drop-boxes at any of our offices, or through emails or through the whistleblower hotline numbers.

Corporate Governance

The Company has complied with all mandatory requirements of the Clause 49 of the Listing Agreement. As regards the non-mandatory requirements, the Company has constituted a Remuneration (Compensation) Committee and established the Whistleblower Policy.

The Company focuses on reflecting the spirit of Corporate Governance in its activities and to that extent recognizes the substance of the Voluntary Corporate Governance Guidelines recommended by the Ministry of Corporate Affairs. As at the date of the report, the Company has complied with recommendations of the Ministry of Corporate Affairs, in the areas of Remuneration to the Directors, Whistle Blowers, Internal Controls etc. The basic principles of the guidelines are incorporated into the practices of the Company.

VI. INTERNAL CONTROLS

Management is of the opinion that the internal controls in place are sufficient considering the complexity, size and nature of operations of the Company. In addition, the Company uses the services of an external firm to periodically review various aspects of the internal control system to ensure that such controls are operating in the way expected and whether any modification is required. The internal audit function is also reviewed by the Audit Committee of the Board.

VII. MEANS OF COMMUNICATION

The Board of Directors of the Company approves and takes on record the audited financial quarterly results and the results are announced to all the Stock Exchanges where the shares of the Company are listed and also to various news agencies pan India. Further, the quarterly and annual audited financial results are also published in leading newspapers within 48 hours of the conclusion of the meetings of the Board in which they are taken on record. Generally, the quarterly results are published in various editions of The Business Standard and Samyukta Karnataka - Kannada. The quarterly and annual results are hosted on the Company's website www.mphasis.com. The website also contains presentation on the financial results of the Company. The Company's website has in it a separate page for investor's relations, wherein the financial results, shareholding pattern, share price information, are hosted for the knowledge of the Investors.

In addition to the above, the Company participates in the earnings call with various Investors, Analysts and Broking Houses. The transcripts of the earnings call are hosted on the website of the Company for the information of the other Investors as required under the provisions of the Listing Agreement.

Press briefings are held after important occasions viz., announcement of quarterly results, acquisition of new entity etc. The press releases issued from time to time are informed to the Stock Exchanges where the equity shares of the Company are listed and are also hosted on the Company's website.

The Annual Reports of the Company are available in the website of the Stock Exchanges, in accordance with the provisions of the Circular No. CIR/CFD/DCR/5/2010 dated 7 May 2010.

In line with the circulars of the Ministry of Corporate Affairs (MCA) on 'Green Initiative' allowing paperless compliances by companies, the Company serves documents like Notices, Annual Reports and other statutory communications to its shareholders through e-mail at the registered e-mail addresses. The physical copies of the Annual Report for such shareholders is sent upon request. Members are requested to note that documents sent through the electronic mode will also be available on the Company's website - www.mphasis.com. The Company would like to urge the shareholders to support this initiative of the MCA and contribute towards a greater sustainability by registering their e-mail addresses, if not already registered.

The Financial Results of the Company, shareholding pattern and the Corporate Governance Report filed with the National Stock Exchange of India Limited (NSE) under the Listing Agreement are also uploaded in NSE Electronic Application Processing System (NEAPS).

The details of directors of the Company are maintained in www.indianboards.com, a specific website maintained by National Stock Exchange of India Limited (NSE).

Corporate Governance

VIII. GENERAL SHAREHOLDERS INFORMATION

(a) Details of the AGM

Date

30 July 2014

Time

10.00 AM

Venue

The Chancery Pavilion Hotel, No. 135, Residency Road, Bengaluru 560 025

Procedure at the AGM

(the procedures captures the applicable provisions of the Companies Act, 2013, which has been notified as at the date of the report and are in force)

ATTENDANCE

Every member shall have a right to attend, speak and vote at the Annual General Meeting. A person is considered to be a member of the Company if his/her name appears on the Register of Members or a beneficiary holder in the books of National Securities Depositories Limited or the Central Depository Services (India) Limited.

If you intend coming to the meeting:

If you intend coming to the meeting in person, please do complete and bring the Attendance Slip and the copy of your Annual Report. Copies of the Annual Report will not be distributed at the meeting. Kindly note that every joint shareholder can attend and speak at the meeting.

If you do not intend coming in person but would like to appoint someone to act on your behalf:

If you do not wish or are unable to attend the meeting, your vote is still important. We would urge you, regardless of the number of shares you own, to appoint someone to act on your behalf and to vote in the event of a poll. The person so appointed by you is known as a proxy. In case you wish to appoint a proxy, we call upon you to complete, sign and return the accompanying proxy form. However, it may be noted that appointment of a proxy will not preclude yourself from attending the meeting in person. In case you attend the meeting after appointing a proxy, then the proxy shall be deemed to have been revoked.

The accompanying proxy appointment form enables you to appoint person of your choice to act as a proxy on your behalf. However, such person should be capable of entering into contract.

Before completing the form please read the following explanatory notes.

A single proxy cannot represent more than 50 persons and represent for more than 10% of the voting rights of the Company. We urge you to ensure compliance with this before appointment of the proxy so that the proxy is valid and can be accepted.

Proxies representing more than 50 members and representing more than 10% of the voting rights will not be allowed to exercise their excess voting rights, in the event of poll. For the purpose of reckoning 50 number of members and 10% of voting rights, proxies appointed in the order of receipt of proxy forms by the Company will be considered.

You may appoint more than one proxy. However, only one proxy may attend the meeting. Please date, sign and affix a revenue stamp of Re. 1/- on the proxy form. In case of joint holders any one of the holders can sign.

Where the person appointing the proxy is a corporation, the form must be either under its Common Seal or under the hand of a duly authorized officer or attorney and the appropriate power of attorney or other authority must be lodged along with the proxy form.

The proxy to be valid, the proxy form together with any authority must be received at the Registered Office of the Company not later than 10:00 am on Monday, 28 July 2014.

Corporate Governance

Attendance Slips

The Members and Proxies are requested to bring their Attendance Slips sent herewith duly completed in all respects. The persons representing the Body Corporate should additionally produce necessary authority executed by the Body Corporate in their favour along with the attendance slip.

PROCEEDINGS AT THE MEETING

Voting By Show of Hands

You should raise your hand, so that the Chairman could see and take count of votes, indicating you are voting either for or against each resolution as the Chairman puts the resolutions to vote. Only shareholders or authorized representatives of corporate shareholders may vote on a show of hands. Proxies cannot vote on show of hands and can do so only in a poll.

Voting on a Poll

- 1) As per Section 109 of the Companies Act, 2013 and Rule 21 of Companies (Management and Administration) Rules, 2014, before or on the declaration of the results of the voting on any resolution on show of hands, a poll may be ordered to be taken by the Chairman of the meeting on his own motion, and shall be ordered to be taken by him on a demand made in that behalf by any member or members present in person or by proxy and holding shares in the Company:
 - a. in the case a company having a share capital, by the members present in person or proxy, where allowed, and having not less than one-tenth of the total voting power or holding shares on which an aggregate sum of not less than five lakh rupees or such higher amount as may be prescribed has been paid-up; and
 - b. in the case of any other company, by any member or members present in person or by proxy, where allowed, and having not less than one-tenth of the total voting power.
- 2) The demand for a poll may be withdrawn at any time by the persons who made the demand.
- 3) A poll demanded for adjournment of the meeting or appointment of Chairman of the meeting shall be taken forthwith.
- 4) A poll demanded on any question other than adjournment of the meeting or appointment of Chairman shall be taken at such time, not being later than forty-eight hours from the time when the demand was made, as the Chairman of the meeting may direct.
- 5) Where a poll is to be taken, the Chairman of the meeting shall appoint such number of persons, as he deems necessary, to scrutinize the poll process and votes given on the poll and to report thereon to him in the manner as prescribed.
- 6) Subject to the provisions of the laws, the Chairman of the meeting shall have power to regulate the manner in which the poll shall be taken.
- 7) The result of the poll shall be deemed to be the decision of the meeting on the resolution on which the poll was taken.

For the purpose of voting, scrutinizers would distribute the ballot papers. Please complete the same as per the instructions contained therein and drop it in the ballot boxes kept for the purpose. Valid Proxies can also participate in the poll and cast their ballots.

Voting Rights

1. Save as hereinafter provided, on a show of hands every member present in person and being a holder of equity shares shall have one vote.
2. Save as otherwise provided, on a poll, the voting rights of a holder of equity shares shall be as specified in Section 47 of the Companies Act, 2013, i.e. one vote for each share held by the member.
3. No company or body corporate shall vote by proxy so unless resolution of its Board of Directors under the provisions of Section 113 of the Companies Act, 2013 is in force and the representatives named in such resolution is present at the general meeting at which the vote by proxy is tendered.

Any objection as to the admission or rejection of a vote, either on a show of hands or on a poll made in due time, shall be referred to the Chairman who shall forthwith determine the same, and such determination made in good faith shall be final and conclusive. No objection shall be raised to the qualification of any vote except at the meeting or adjourned meeting at which the vote objected to is given or tendered and every vote not disallowed to such meeting shall be valid for all purposes.

Corporate Governance

(b) Financial Calendar

Results Announced

14 May 2014

Book Closure Dates

18 July 2014 to 30 July 2014 *(both days inclusive)*

Posting of Annual Reports

on or before 4 July 2014

Annual General Meeting

30 July 2014

Dividend Payment Date

on or before 29 August 2014

(c) Listing

Equity shares of the Company are listed for trading on the following Stock Exchanges:

Exchange	Address	Scrip Code
Bombay Stock Exchange Limited	Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001. Telephone: 022-2272 1233/34, Fax No.: 022-2272 1919	526299
The National Stock Exchange of India Limited	Exchange Plaza, Plot No. C/1, G Block, Bandra- Kurla Complex, Bandra (E) Mumbai - 400 051. Telephone: 022-2659 8100-8114. Fax Nos. 022-2659 120-38	MPHASIS
MCX Stock Exchange Limited*	Suren Road, Andheri (East), Mumbai - 400 093, India. Telephone: 022-6731 9000. Fax No. 022-6731 9004	MPHASIS

* Traded as permitted security on the exchange

The Company has paid the listing fee for the year ending 31 March 2015.

(d) Dematerialization of Equity Shares

The Equity Shares of the Company are admitted in the following depositories of the country under the International Securities Identification Number (ISIN) INE356A01018. This number is required to be quoted in each transaction relating to the dematerialized equity shares of the Company.

Name of the Depository	Address
National Securities Depository Limited	Trade World, A Wing, 4 th & 5 th Floors, Kamala Mills Compound, Senapathi Bapat Marg, Lower Parel, Mumbai - 400 013.
Central Depository Services (India) Limited	Phiroze Jeejeebhoy Towers, 16 th Floor, Dalal Street, Mumbai - 400 001

The Company has paid the custodial charges to the respective depository participant for the year ending 31 March 2015.

The Securities & Exchange Board of India has specified that the shares of the Company would be traded only in demat form effective 29 November 1999. Considering the benefits embedded in holding the shares in electronic form, it is recommended that the shares be held in the dematerialized form. As on 31 March 2014, 99.15% shareholders held 99.92% of shares in demat form.

(e) Corporate Identity Number

The Corporate Identity Number (CIN), allotted by MCA, Government of India, is L30007KA1992PLC025294 and the Company's Registration Number is 25294.

The Company's Master Data and details of the compliance filings by the Company with the Ministry of Corporate Affairs, Government of India, may be viewed by the members and other stakeholders at www.mca.gov.in (MCA21eServices) using the above mentioned CIN.

Corporate Governance

(f) Permanent Account Number

The Securities Exchange Board of India (SEBI) vide its circulars has made the Permanent Account Number (PAN) as the sole identification number for all participants transacting in the securities market, irrespective the amount of the transaction and further had directed that for securities market transactions and off market transactions involving transfer of shares of listed companies in physical form, it shall be mandatory for the transferee(s) to furnish a copy of the PAN card to the Company/RTA, as the case may be for registration of transfer of shares. SEBI has also clarified that it shall be mandatory to furnish a copy of PAN in the following cases -

1. Deletion of names of the deceased shareholder(s), where the shares are held in the name of two or more shareholders.
2. Transmission of shares to the legal heir(s), where deceased shareholder(s) were the sole holder(s) of shares.
3. Transposition of shares - when there is a change in the order of names in which physical shares are held jointly in the names of two or more shareholders.

In case of mismatch in PAN card details as well as difference in maiden name and current name (in case of married women) of the investors, the PAN card as submitted by the transferee(s) can be provided by furnishing sufficient evidence in support of the identity of the transferees like passport, Voter Card ID, Driving License, Photo Identity cards issued by Statutory Bodies, Banks, Public Sector Undertakings etc.

(g) Electronic Clearing Service (ECS) Facility for Shareholders

Advancements in the field of electronic payment systems have made facilities for faster disbursements of the dividends to the shareholders. The Reserve Bank of India's Electronic Clearing Service (ECS) facility provides an option to the shareholders to receive the dividends directly in their bank account. Under this option, the Company credits the dividend directly to the shareholders bank account under an advice to the shareholder.

The Securities Exchange Board of India (SEBI) vide its circular No.CIR/MRD/DP/10/2013 dated 21 March 2013 have advised the companies whose shares are listed on the stock exchanges to maintain requisite bank details of the shareholders in order to enable the electronic cash payment.

Some of the benefits available in an ECS facility are as follows:

- The shareholder need not visit the Bank for depositing the physical instruments
- Faster credit of the dividend to the bank account of the shareholder
- Fraudulent encashment of dividend warrants are avoided
- Postal delays and risk of loss of physical warrants are avoided
- Cost effective for the Company
- Reduction in the unclaimed dividend

The shareholders holding shares in dematerialized form are urged to verify the Bank Account Number, Bank Name and the IFSC code furnished to the depositories to ensure that the dividend payments made by the Company using the electronic payment options are credited to the correct bank account. Further, the shareholders who have not registered the electronic payment mandate details with their depositories are requested to contact their depository participant and furnish the necessary details to ensure that the funds are directly received to the bank account of shareholder.

The shareholders holding shares in physical form are urged to register their ECS and other details with the Company by filling in prescribed form. The form in addition to the ECS mandate, also contain the details for registering the e-mail ID, phone number and PAN for better services. The form may be obtained from Integrated Enterprises (India) Limited, the Registrar and Share Transfer Agents of the Company.

(h) Nomination by Shareholders

All individual shareholders of the Company, may at any time, nominate in the prescribed manner, an individual person to whom his/her shares shall vest in the event of his/her death. In case of joint holdings, the shareholders may jointly nominate a person to whom all the rights in their shares shall vest in the event of the death of all the joint holders.

The individual shareholders holding shares in dematerialized form can register their nominations with the respective depository participant. However, shareholders holding shares in physical form are requested to register their nominations by filling the prescribed nomination form which can be obtained from Integrated Enterprises (India) Limited, Registrar and Share Transfer Agents of the Company.

Corporate Governance

Nomination can be made in favour of minors also. However, where the nomination is made in the name of minor, the name of the guardian is also required to be furnished in the nomination form.

We encourage the shareholders to avail the nomination facility as it would avoid the legal hassles and costs involved in transmission of shares to legal heirs.

(i) Market Quotation

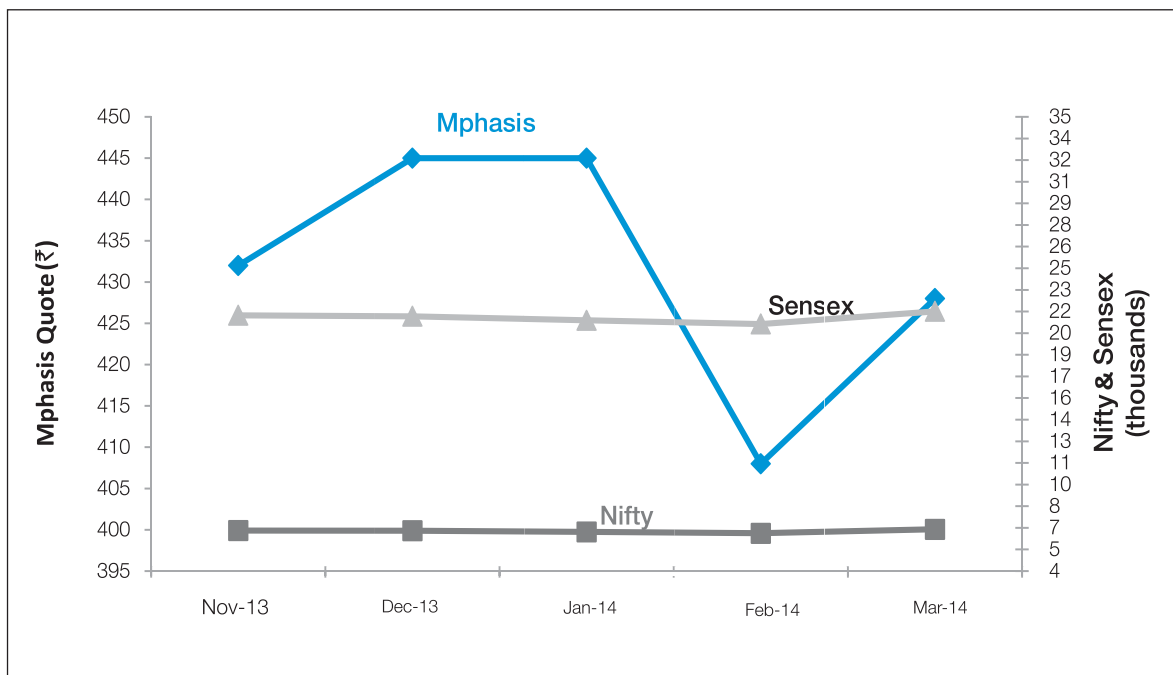
The month wise high low and closing prices and the volume of shares of the Company traded for the period 1st November, 2013 to 31 March, 2014 on The National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE) are given below:

Month	NSE				BSE			
	High (₹)	Low (₹)	Close (₹)	Volume for the month (Shares)	High (₹)	Low (₹)	Close (₹)	Volume for the month (Shares)
November 2013	432	389	399	663,407	428	390	400	126,800
December 2013	445	370	440	1,387,880	443	372	438	292,100
January 2014	445	366	370	2,764,796	445	369	370	348,000
February 2014	408	366	388	2,766,303	407	365	389	342,300
March 2014	428	375	404	3,640,683	429	375	401	638,600

The prices have been rounded off to the nearest rupee

Based on the closing quotation of ₹ 404 per share as at 31 March 2014 at the National Stock Exchange, the market capitalization of the Company is ₹ 8489 crores.

Performance of Mphasis Stock vis-à-vis Market Indices



Corporate Governance

(i) Members' Profile

The shareholding pattern of the members of the Company as on 31 March 2014 is as follows:

Category	Total No. of Shareholders	Total No. of Shares	% to total capital	Physical Shares	Demat Shares
Promoter	3	127,106,266	60.49	-	127,106,266
Foreign Institutional Investors	127	54,767,665	26.06	3,200	54,764,465
Financial Institutions and Banks	21	6,921,354	3.29	-	6,921,354
Mutual Funds	46	2,634,803	1.25	1,600	2,633,203
Bodies Corporate	584	10,727,350	5.10	5,000	10,722,350
Non Resident Indians	678	1,714,813	0.82	-	1,714,813
Resident Indians	29,522	5,684,555	2.71	150,980	5,533,575
Trust	4	313,651	0.15	-	313,651
Clearing Members	284	247,204	0.12	-	247,204
Director	1	17,010	0.01	-	17,010
Qualified Foreign Investor	1	150	0.00	-	150
Total	31,271	210,134,821	100.00	160,780	209,974,041

Distribution of Shareholding as on 31 March 2014

Range	Shareholders		Shares held	
	No. of Shares	Number	Number	% to total
1-100		24,727	812,575	0.39
101-500		4,382	1,084,576	0.52
501-1000		987	769,456	0.37
1001-5000		825	1,873,035	0.89
5001-10000		124	878,273	0.42
10001-100000		160	4,580,003	2.18
100001 & above		66	200,136,903	95.24
TOTAL		31,271	210,134,821	100.00

Corporate Governance

Details regarding the shares in the Mphasis Limited Unclaimed Suspense Account:

Sl. No.	Particulars	No. of shareholders	No. of Shares
1	Aggregate number of shareholders and the outstanding shares lying in the unclaimed suspense account at the beginning of the period	39	18,150
2	Number of shareholders who approached the issuer for transfer of shares from the unclaimed suspense account during the period	-	-
3	Aggregate number of shareholders and the outstanding shares lying in the unclaimed suspense account at the end of the period	39	18,150

The voting rights on the shares outstanding in the suspense account as on 31 March 2014 shall remain frozen till the rightful owner claims the shares.

(j) Address for Communication

Company Contact	RTA Contact
Mr. A Sivaram Nair Senior Vice President, Company Secretary, General Counsel & Ethics Officer, Mphasis Limited, Bagmane World Technology Center, Marathalli Outer Ring Road, Doddanakhundi Village, Mahadevapura, Bengaluru -560 048, India Phone: +91 (080)6750 5000 Fax: +91 (080)6695 9943	Integrated Enterprises (India) Limited (Unit: Mphasis Limited) 30, Ramana Residency, 4th Cross Sampige Road, Malleswaram, Bengaluru - 560 003 Phone: +91 (080) 2346 0815-818 Fax: +91 (080) 2346 0819

Compliance Certificate on Corporate Governance

To
The Members of Mphasis Limited

We have examined the compliances of the conditions of Corporate Governance by Mphasis Limited ('the Company') for the period of five months i.e., from 1 November 2013 to 31 March 2014, as stipulated in Clause 49 of the listing agreements of the Company with the stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was carried out in accordance with the Guidance Note on certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement), issued by The Institute of Company Secretaries of India and was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliances of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of Company.

In our opinion and to the best of our information and according to the explanation given to us, the representations and all material disclosures made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above-mentioned listing agreements.

We further state that such compliance is neither an assurance as to future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

S. P. NAGARAJAN
Company Secretary

ACS: 10028
CP No.: 4738

Place : Bengaluru
Date : 14 May 2014

Independent Auditor's Report

To the Members of Mphasis Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Mphasis Limited ("the Company"), which comprise the Balance Sheet as at 31 March 2014, and the Statement of Profit and Loss and Cash Flow Statement for the period then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards notified under the Companies Act, 1956, read with General Circular 8/2014 dated 4 April 2014 issued by the Ministry of Corporate Affairs. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 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 judgement, 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 Company's preparation and fair presentation of the 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 entity'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 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 financial statements give the information required by the Companies Act, 1956 ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2014;
- (b) in the case of the Statement of Profit and Loss, of the profit for the period ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the period ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, the Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956, read with General Circular 8/2014 dated 4 April 2014 issued by the Ministry of Corporate Affairs;
 - (e) On the basis of written representations received from the directors as on 31 March 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For S.R. BATLIBOI & ASSOCIATES LLP

Chartered Accountants

ICAI Firm Registration Number: 101049W

per Adarsh Ranka

Partner

Membership Number: 209567

Place : San Francisco, U.S.A.

Date : 14 May 2014

Independent Auditor's Report

Annexure referred to in paragraph 1 under the heading "Report on other legal and regulatory requirements" of our report of even date

Re: Mphasis Limited ("the Company")

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of fixed assets which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. In accordance with this programme, certain fixed assets were physically verified by the management during the period and we are informed that no material discrepancies were noticed on such verification.
- (c) There was no disposal of a substantial part of fixed assets during the period.
- (ii) The Company's business does not involve inventories and, accordingly, the requirements under paragraph 4(ii) of the Order are not applicable to the Company.
- (iii) (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii)(a) to (d) of the Order are not applicable to the Company and hence not commented upon.
- (b) According to information and explanations given to us, the Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii)(e) to (g) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services *except that the internal control system in respect of purchase and sale of services with regard to infrastructure services and ATM businesses in India needs to be strengthened*, for which as represented to us, requisite corrective steps are being taken by the management. *Except for the foregoing*, during the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the Company in respect of these areas.
- (v) In our opinion, there are no contracts or arrangements that need to be entered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(v)(b) of the Order is not applicable to the Company and hence not commented upon.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.
- (viii) To the best of our knowledge and as explained, the Central Government has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956, for the products of the Company.
- (ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues have generally been regularly deposited with the appropriate authorities. With regard to service tax dues, we also draw reference to note 11 to the financial statements.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other material statutory dues were outstanding, at the period end, for a period of more than six months from the date they became payable.
- (c) According to the records of the Company, there are no dues of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute except the following:

Name of the statute	Nature of dues	Disputed amount	Amount paid under protest	Bank guarantee provided under protest	Period to which the amount relates	Forum where dispute is pending
		(₹ in million)	(₹ in million)	(₹ in million)	(financial year)	
Income Tax Act, 1961	Adjustment for transfer pricing and other disallowances	1,110.76	-	-	2009-10	Dispute Resolution Panel (DRP)
		1918.89	210.00	-	2008-09	ITAT
		562.02	387.02	-	2007-08	ITAT
		16.45	-	-	2007-08	In the process of filing before ITAT
		841.69	356.93	-	2006-07	ITAT
		245.93	-	-	2005-06	ITAT
		161.15	-	-	2005-06	CIT(Appeals)
		338.72	123.76	-	2004-05	ITAT
		120.90	-	-	2003-04	ITAT
		30.19	-	-	2003-04	In the process of filing before ITAT

Independent Auditor's Report

Name of the statute	Nature of dues	Disputed amount	Amount paid under protest	Bank guarantee provided under protest	Period to which the amount relates	Forum where dispute is pending
		(₹ in million)	(₹ in million)	(₹ in million)	(financial year)	
Income Tax Act, 1961	Non-deduction of TDS	5,363.73	336.96	4841.14	2005-06 to 2011-12	In the process of filing before ITAT
Income Tax Act, 1961	Disallowances under section 10A	1.56	-	-	2008-09	CIT(Appeals)
		15.49	-	-	2007-08	ITAT
		13.37	6.50	-	2005-06	Supreme Court
		103.22	10.00	-	2001-02	Supreme Court
Finance Act, 1994	Service tax	21.92	7.30	-	2005-07	CESTAT, Karnataka

- (x) The Company has no accumulated losses at the end of the period and it has not incurred cash losses in the current period and immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders. As at period end, the Company did not have any outstanding dues to any financial institution or debenture holders.
- (xii) According to the information and explanations given to us and based on the documents and records produced before us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) The Company did not have any term loans outstanding during the period.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the period.
- (xx) The Company has not raised any money through a public issue during the period.
- (xxi) (a) *We have been informed that a vendor in collusion with certain employees of the Company has supplied leased assets to the Company in deviation of the approved purchase order. The Company has conducted investigation in the current period and recovered the estimated loss of ₹ 18 million from the vendor and the concerned employees have resigned/ been terminated.*
- (b) *We have been informed that a facility owner in collusion with certain employees of the Company has been overcharging in respect of electricity expenses. The Company has conducted investigation and the facility owner has agreed to refund the overcharged amount aggregating to ₹ 27.5 million. The services of concerned employees have been terminated.*
- (c) *We have been informed that based on certain observations in case of a purchase order and undisclosed conflict of interest noted by the management in awarding certain contracts pertaining to infrastructure services and ATM businesses in India, the management has initiated investigation into contracts pertaining to such businesses, which is under progress and as such the impact, if any, is presently not ascertainable.*

For S.R. BATLIBOI & ASSOCIATES LLP

Chartered Accountants
 ICAI Firm Registration Number: 101049W

per Adarsh Ranka

Partner
 Membership Number: 209567

Place : San Francisco, U.S.A.
 Date : 14 May 2014

Balance Sheet as at 31 March 2014

(₹ millions)

	Notes	31 March 2014	31 October 2013
Equity and liabilities			
Shareholders' funds			
Share capital	3	2,101.42	2,101.34
Reserves and surplus	4	36,446.30	35,066.22
		38,547.72	37,167.56
Non-current liabilities			
Trade payables	5	50.76	36.08
Other long-term liabilities	6	10.46	0.47
Long-term provisions	7	40.54	275.55
		101.76	312.10
Current liabilities			
Trade payables	5	4,761.01	5,490.47
Other current liabilities	6	688.98	686.42
Short-term provisions	7	2,802.83	5,850.53
		8,252.82	12,027.42
TOTAL		46,902.30	49,507.08
Assets			
Non-current assets			
Fixed assets			
Tangible assets	8	637.13	595.13
Intangible assets	8	120.37	103.53
Capital work-in-progress		1.17	0.59
Intangible assets under development		2.88	34.57
Non-current investments	9	18,319.21	20,326.30
Deferred tax assets (net)	10	648.31	687.88
Long-term loans and advances	11	5,214.21	4,798.02
Trade receivables	14	97.80	383.35
Other non-current assets	12	323.15	157.37
		25,364.23	27,086.74
Current assets			
Current investments	13	8,634.97	9,374.73
Trade receivables	14	5,015.95	5,369.87
Cash and bank balances	15	2,733.93	2,983.79
Short-term loans and advances	11	2,542.00	1,914.56
Other current assets	12	2,611.22	2,777.39
		21,538.07	22,420.34
TOTAL		46,902.30	49,507.08

Summary of significant accounting policies.

1

The accompanying notes are an integral part of the 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

For and on behalf of the Board of Directors
Balu Ganesh Ayyar
Chief Executive Officer
Narayanan Kumar
Director
Ganesh Murthy
Executive Vice President &
Chief Financial Officer
A. Sivaram Nair
Senior Vice President, Company Secretary
General Counsel & Ethics Officer

San Francisco, U.S.A.

14 May 2014

San Francisco, U.S.A.

14 May 2014

Statement of Profit and Loss for the five months ended 31 March 2014

(₹ millions)

	Notes	Five months ended 31 March 2014	Year ended 31 October 2013
Income			
Revenue from operations	16	13,289.66	33,214.80
Other income	17	462.14	1,243.91
Total revenue (I)		13,751.80	34,458.71
Expenses			
Employee benefits expense	18	6,152.62	15,095.81
Finance costs	19	4.24	134.83
Depreciation and amortization expense	8	194.40	798.55
Other expenses	20	4,262.31	11,197.63
Total expenses (II)		10,613.57	27,226.82
Profit before tax and exceptional item (III) [(I)-(II)]		3,138.23	7,231.89
Exceptional item (net of tax) (IV) (refer note 38)		64.41	-
Profit before tax after exceptional item (III)-(IV)		3,073.82	7,231.89
Tax expenses			
Current tax		770.26	1,716.46
Deferred tax charge		72.74	146.05
Minimum alternative tax credit entitlement (for earlier years)		-	(25.76)
Total tax expense		843.00	1,836.75
Profit after tax for the period/ year before exceptional item		2,295.23	5,395.14
Profit after tax for the period/ year after exceptional item		2,230.82	5,395.14
Earnings per equity share before exceptional item [nominal value of shares ₹ 10 (31 October 2013 : ₹ 10)]			
	29		
Basic (₹)		10.92	25.68
Diluted (₹)		10.91	25.64
Earnings per equity share after exceptional item [nominal value of shares ₹ 10 (31 October 2013 : ₹ 10)]			
Basic (₹)		10.62	25.68
Diluted (₹)		10.60	25.64

Summary of significant accounting policies.

1

 The accompanying notes are an integral part of the 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

 San Francisco, U.S.A.
 14 May 2014

For and on behalf of the Board of Directors
Balu Ganesh Ayyar
Chief Executive Officer
Ganesh Murthy
*Executive Vice President &
 Chief Financial Officer*

 San Francisco, U.S.A.
 14 May 2014

Narayanan Kumar
Director
A. Sivaram Nair
*Senior Vice President, Company Secretary
 General Counsel & Ethics Officer*

Notes to the Financial Statements for the five months ended 31 March 2014

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting, unless stated otherwise and comply with the mandatory Accounting Standards ('AS') prescribed under the Companies Act, 1956 read with the General Circular 8/2014 dated 04 April 2014 issued by the Ministry of Corporate Affairs and other accounting principles generally accepted in India. The accounting policies adopted in the preparation of financial statements are consistent with those of the previous year.

Use of estimates

The preparation of financial statements requires the 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 financial statements and the reported amounts of revenues and expenses for the period/ year. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in current and future years.

Revenue recognition

The Company derives its revenues primarily from software services & projects, call centre & business 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 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.

Revenues from call centre & business 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.

Revenue from licensing arrangements is recognized on transfer of the title in user licenses, except those contracts where transfer of title is dependent upon rendering of significant implementation services by the Company, in which case revenue is recognized over the implementation period in accordance with the specific terms of the contracts with clients.

Maintenance revenue is recognized rateably over the period of underlying maintenance agreements.

Revenue from sale of goods is recognized on transfer of significant risks and rewards in accordance with the terms of contract. Revenue is shown as net of sales-tax, value added tax and applicable discounts.

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' included in the current assets represent revenues in excess of amounts billed to clients as at the balance sheet date. 'Unearned revenue' included in the current liabilities 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 using the time-proportion method, based on underlying interest rates.

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

Fixed assets and capital work-in-progress

Fixed assets 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. 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 the exchange rate on the date of purchase.

Notes to the Financial Statements for the five months ended 31 March 2014

Acquired intangible assets are capitalised at the acquisition price. 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 asset will flow to the Company.

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 asset or the present value of the minimum lease payments at the inception of the lease, whichever is lower.

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

Depreciation and amortization

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/ year. Individual assets costing less than ₹ 5,000 are depreciated in full in the year of purchase. The estimated useful lives of assets are as follows:

For assets used in call center services		For assets used in other services	
	Years		Years
Buildings	10	Buildings	10
Plant and machinery (including telecom equipments)	5	Plant and machinery	4
Computer equipment	5	Computer equipment	2
Office equipment	5	Office equipment	3
Furniture and fixtures	5	Furniture and fixtures	4
Vehicles	3 to 5	Vehicles	3 to 5

Assets used for Unique Identification (UID) services have been depreciated over a period of 2 years.

Freehold land is not depreciated. Leasehold improvements are amortized over the remaining lease term or 3 years (5 years for call centre services), whichever is shorter. Significant purchased application software and internally generated software that is an integral part of the Company's computer systems and expected to provide lasting benefits, is capitalised at cost and amortized on the straight-line method over its estimated useful life or 3 years, whichever is shorter. Internally generated software for sale expected to provide lasting benefits is amortized on the straight-line method over its estimated life or 7 years, whichever is shorter.

Leases

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items, are classified as operating leases.

Where the Company is lessee, operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

Where the Company is lessor, lease income is recognized in the statement of profit and loss on straight line basis over the lease term. Costs are recognized as an expense in the statement of profit and loss. Initial direct costs such as legal costs, brokerage costs, etc, are recognized immediately in the statement of profit and loss.

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.

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 year they occur.

Notes to the Financial Statements for the five months ended 31 March 2014

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. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using the pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the assets. 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 recognized in the statement of profit and loss. If at the balance sheet date there is an indication that 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.

Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis.

Long-term investments are carried at cost. Provision for diminution in the value of investments is made if the impairment is not temporary in nature.

Employee benefits

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

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 projected 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's liability is limited to contribution made to the fund.

Effective 03 July 2013, 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. The Company will meet the shortfall in the returns, if any, based on actuarial valuation, as per projected unit credit method, as at the date of balance sheet. Also refer note 31(b) of the financial statement.

Stock-based compensation (Equity settled)

Measurement and disclosure of the employee share-based payment plans is done in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India. The Company measures compensation cost relating to employee stock options using the intrinsic value method except for RSU plan 2010 and RSU plan 2011 and ESOP-2012 wherein compensation cost is measured based on fair valuation. Compensation expense is amortized over the vesting period of the option on a straight line basis.

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 the period/ year are recognized in the statement of profit and loss of that year.

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. Non-monetary items which are carried in terms of historical cost denominated in foreign currency are reported using the exchange rate at the date of the transaction.

The financial statements of an integral foreign operation are translated as if the transactions of the foreign operation have been those of the Company itself.

Notes to the Financial Statements for the five months ended 31 March 2014

Forward contracts are entered into, to hedge the foreign currency risk of the underlying outstanding at the balance sheet date and also to hedge the foreign currency risk of firm commitment or highly probable forecast transactions. The premium or discount on forward contracts that are entered into, to hedge the foreign currency risk of the underlying outstanding at the balance sheet date arising at the inception of each contract is amortized as income or expense over the life of the contract. Any profit or loss arising on the cancellation or renewal of forward contracts is recognized as income or as expense for the period/ year.

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. The exchange difference on such a forward exchange contract is calculated as the difference between the foreign currency amount of the contract translated at the exchange rate at the reporting date or the settlement date where the transaction is settled during the reporting period/ year, and the corresponding foreign currency amount translated at the later of the date of inception of the forward exchange contract and the last reporting date. Such exchange differences are recognized in the statement of profit and loss in the reporting period/ year in which the exchange rates change.

The Company has adopted the principles of AS 30 “Financial Instruments: Recognition and Measurement” in respect of its derivative financial instruments (excluding embedded derivative) that are not covered by AS 11 “The Effects of Changes in Foreign Exchange Rates” and that relate to a firm commitment or a highly probable forecast transaction. In accordance with AS 30, such derivative financial instruments, which qualify for cash flow hedge accounting and where the Company has met all the conditions of AS 30, are fair valued at the balance sheet date and the resultant gain/ loss is credited/ debited to the hedging reserve included in the Reserves and Surplus. This gain/ loss is recorded in the statement of profit and loss when the underlying transactions affect earnings. Other derivative instruments that relate to a firm commitment or a highly probable forecast transaction and that do not qualify for hedge accounting, have been recorded at fair value at the reporting date and the resultant gain/ loss has been credited/ debited to the statement of profit and loss for the period/ year.

Income taxes

The current charge for income taxes is calculated in accordance with the relevant tax regulations. Minimum Alternative Tax (‘MAT’) paid in accordance with the tax laws, which gives rise to future economic benefits in the form of adjustments of future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal tax after the tax holiday period. MAT credit entitlement can be carried forward and utilised for a period as specified in the tax laws of the respective countries.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to timing differences that result between taxable profits and accounting profits. Deferred tax in respect of timing differences which originate during the tax holiday period but reverse after the tax holiday period, is recognized in the period in which the timing differences originate. For this purpose the timing difference which originates first is considered to reverse first. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. The effect on deferred tax assets and liabilities of change in tax rates is recognized in the period that includes the enactment date. Deferred tax assets on timing differences are recognized only if there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. However, deferred tax assets on the timing differences when unabsorbed depreciation and losses carried forward exist, are recognized only to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets are reassessed for the appropriateness of their respective carrying values at each balance sheet date.

Provisions and contingent liabilities

A provision is recognized when an enterprise has a present obligation as result of past event and it is probable that an outflow of resources will be required to settle a reliably estimable obligation. Provisions are not discounted to present value and are determined based on best estimate required to settle each obligation at each balance sheet date.

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. Provisions are not discounted to their present value and are determined based on best estimate required to settle the obligation at each balance sheet date.

Notes to the Financial Statements for the five months ended 31 March 2014

Earnings per share

The basic earnings per share is computed by dividing the net profit attributable to equity shareholders for the period/ year by the weighted average number of equity shares outstanding during the period/ year. 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 year, 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 direct materials and related direct expenses. 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.

Cash and cash equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

2. DESCRIPTION OF THE COMPANY

Mphasis Limited ('The Company' or 'Mphasis') is 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.

The Company is registered under the Indian Companies Act, 1956 with its Registered Office in Bengaluru. The Company is listed on the principal stock exchanges of India.

Notes to the Financial Statements for the five months ended 31 March 2014

(₹ millions)

	31 March 2014	31 October 2013
3. SHARE CAPITAL		
Authorised shares		
245,000,000 (31 October 2013: 245,000,000) equity shares of ₹ 10 each	2,450.00	2,450.00
Issued, subscribed and fully paid-up shares		
210,134,821 (31 October 2013: 210,127,099) equity shares of ₹ 10 each fully paid-up	2,101.35	2,101.27
Add: Amount originally paid-up on forfeited shares	0.07	0.07
Total issued, subscribed and fully paid-up share capital	2,101.42	2,101.34

(a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

	31 March 2014		31 October 2013	
	Number	₹ millions	Number	₹ millions
At the beginning of the year	210,127,099	2,101.27	210,106,857	2,101.07
Issued during the period/ year-Bonus issue	-	-	700	0.01
Issued during the period/ year-Employee stock option plans	7,722	0.08	19,542	0.19
Outstanding at the end of the year	210,134,821	2,101.35	210,127,099	2,101.27

(b) Terms/ rights attached to 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 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.

During the five months ended 31 March 2014, the amount of per share dividend recognized as distributions to equity shareholders was ₹ 7.00 (31 October 2013: ₹ 17.00).

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

(c) Shares held by holding/ ultimate holding company and/ or their subsidiaries/ associates

	31 March 2014	31 October 2013
EDS Asia Pacific Holdings, Mauritius (Subsidiary of the ultimate holding company)	830.02	830.02
83,002,201 (31 October 2013: 83,002,201) equity shares of ₹ 10 each fully paid		
EDS World Corporation (Far East) (Subsidiary of the ultimate holding company)	441.04	441.04
44,104,064 (31 October 2013: 44,104,064) equity shares of ₹ 10 each fully paid		
EDS World Corporation LLC (Netherlands) (Subsidiary of ultimate holding company)	0.00	0.00
1 (31 October 2013:1) equity shares of ₹ 10 each fully paid		

The ultimate holding company is Hewlett-Packard Company, USA.

(d) Aggregate number of bonus shares issued and shares issued for consideration other than cash during the period of five years immediately preceding the reporting date:

	31 March 2014	31 October 2013
Equity shares allotted as fully paid bonus shares by capitalization of securities premium/ statement of profit and loss	4,600	6,000

In addition, the Company has issued total 559,400 shares (31 October 2013: 1,197,935) during the period of five years immediately preceding the reporting date on exercise of options granted under the employee stock option plan (ESOP) wherein part consideration was received in form of employee services.

Notes to the Financial Statements for the five months ended 31 March 2014

(e) Details of shareholders holding more than 5% shares in the Company

Name of the shareholder	31 March 2014	
	Number	% of holding
EDS Asia Pacific Holdings, Mauritius	83,002,201	39.50
EDS World Corporation (Far East)	44,104,064	20.99
Aberdeen Asset Managers Limited A/C Aberdeen Global Indian Equity (Mauritius) Limited	18,500,000	8.80

Name of the shareholder	31 October 2013	
	Number	% of holding
EDS Asia Pacific Holdings, Mauritius	83,002,201	39.50
EDS World Corporation (Far East)	44,104,064	20.99
Aberdeen Asset Managers Limited A/C Aberdeen Global Indian Equity (Mauritius) Limited	18,500,000	8.80

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.

(f) Shares reserved for issue under options

	(₹ millions)	
	31 March 2014	31 October 2013
4. RESERVES & SURPLUS		
Capital reserve		
Balance as per last financial statements	265.16	265.16
Closing Balance	265.16	265.16
Securities premium account		
Balance as per last financial statements	1,555.22	1,553.36
Add: Premium on issue of shares	0.75	1.70
Add: Transferred from stock options outstanding	0.11	0.16
Closing balance	1,556.08	1,555.22
Employee stock options outstanding (refer note 42)		
Balance as per last financial statements	86.75	115.33
Less: Transferred to securities premium on exercise of options	0.11	0.16
Less: Exercise of options	1.05	20.27
Less: Reversal on forfeiture/ lapse of options	2.06	8.15
	83.53	86.75
Less: Deferred employee stock compensation expense		
Balance as per last financial statements	4.57	31.21
Less: Expense for the period/ year including cross-charge to subsidiaries	2.51	18.49
Less: Reversal on forfeiture/ lapse of options	2.06	8.15
	-	4.57
Closing Balance	83.53	82.18
General reserve		
Balance as per last financial statements	4,701.91	4,162.40
Add: Amount transferred from surplus balance in the statement of profit and loss	223.08	539.51
Closing balance	4,924.99	4,701.91

Notes to the Financial Statements for the five months ended 31 March 2014

(₹ millions)

	31 March 2014	31 October 2013
4. RESERVES & SURPLUS (Contd...)		
Hedging reserve		
Balance as per last financial statements	(1,031.54)	(662.43)
Add/ (Less): Transaction during the period/ year	465.57	(1,418.31)
Add/ (Less): Transfer to revenue	356.88	1,049.20
Closing balance	(209.09)	(1,031.54)
Surplus in the statement of profit and loss		
Balance as per last financial statements	29,493.29	28,817.44
Profit for the period/ year	2,230.82	5,395.14
Less: Appropriations		
Final dividend for earlier years	0.37	0.45
Proposed final equity dividend (amount per share ₹ 7.00 (31 October 2013: ₹ 17.00))	1,470.94	3,572.16
Tax on equity dividend	250.05	607.16
Issue of bonus shares	-	0.01
Reversal of provisions pertaining to earlier acquisition	(45.96)	-
Transfer to general reserve	223.08	539.51
Total appropriations	1,898.48	4,719.29
Net surplus in the statement of profit and loss	29,825.63	29,493.29
Total reserves and surplus	36,446.30	35,066.22

Employee Stock Option Plans ('ESOP')-Equity settled

All the ESOPs are in respect of the Company's shares where each stock option is equivalent to one share. In accordance with the Guidance Note on "Accounting for Employee Share-based Payments" issued by the ICAI with effect from 1 April 2005, the necessary disclosures have been made for the five months ended 31 March 2014 and for the year ended 31 October 2013 for grants outstanding on and made on or after that date for each of the plans described below (Also refer note 30).

Employees Stock Option Plan-1998 (the 1998 Plan): The Company instituted the 1998 Plan for all eligible employees in pursuance of the special resolution approved by the shareholders in the Annual General Meeting held on 31 July 1998. The 1998 Plan provides for the issuance of 3,720,000 options to eligible employees as recommended by the ESOP Committee constituted for this purpose.

In accordance with the 1998 Plan, the Committee has formulated 1998 Plan-(Version I) and 1998 Plan-(Version II) during the years 1998-1999 and 1999-2000 respectively.

1998 Plan-(Version I): Each option granted under the 1998 Plan-(Version I), entitles the holder thereof with an option to apply for and be issued one equity share of the Company at an exercise price of ₹ 34.38 per share. The equity shares covered under these options vest at various dates over a period ranging from six to sixty-six months from the date of grant based on the length of service completed by the employee to the date of grant. The options are exercisable any time after their vesting period.

The movements in the options granted under the 1998 Plan-(Version I) for the five months ended 31 March 2014 and for the year ended 31 October 2013 are set out below:

	Five months ended 31 March 2014		Year ended 31 October 2013	
	No. of Options	Weighted Average Exercise Price (₹)	No. of Options	Weighted Average Exercise Price (₹)
Options outstanding at the beginning	47,000	34.38	48,288	34.38
Granted	-	-	-	-
Forfeited	-	-	-	-
Lapsed	-	-	-	-
Exercised	-	-	1,288	34.38
Options outstanding at the end	47,000	34.38	47,000	34.38
Exercisable at the end	47,000	34.38	47,000	34.38

Notes to the Financial Statements for the five months ended 31 March 2014

The weighted average share price as at the date of exercise for stock options was ₹ Nil (31 October 2013: ₹ 368.35). The options outstanding as at 31 March 2014 had an exercise price of ₹ 34.38 (31 October 2013: ₹ 34.38).

1998 Plan-(Version II): Commencing January 2000, the Company decided to grant all future options at the market price immediately preceding the date of grant. The equity shares covered under these options vest at various dates over a period ranging from twelve to forty-eight months from the date of grant based on the grade of the employee. However, in the case of options granted to the then Managing Director or Chief Executive Officer, the vesting period of the options, subject to minimum period of one year from the date of grant, is determined by the ESOP Committee and approved by the Board. The options are to be exercised within a period of ten years from their date of vesting.

The movements in the options granted under the 1998 Plan-(Version II) for the five months ended 31 March 2014 and for the year ended 31 October 2013 are set out below:

	Five months ended 31 March 2014		Year ended 31 October 2013	
	No. of Options	Weighted Average Exercise Price (₹)	No. of Options	Weighted Average Exercise Price (₹)
Options outstanding at the beginning	311,688	84.70	394,642	84.88
Granted	-	-	-	-
Forfeited	-	-	-	-
Lapsed	93,648	71.50	66,102	81.84
Exercised	4,408	99.54	16,852	100.13
Options outstanding at the end	213,632	90.18	311,688	84.70
Exercisable at the end	213,632	90.18	311,688	84.70

The weighted average share price as at the date of exercise for stock options was ₹ 386.35 (31 October 2013: ₹ 375.98). The options outstanding as at 31 March 2014 had an exercise price ranging from ₹ 23.21 to ₹ 130.60 (31 October 2013: ₹ 23.21 to ₹ 258.00) and weighted average remaining contractual life of 1.51 years (31 October 2013: 1.37 years).

Employees Stock Option Plan-2004 (the 2004 Plan): At the Extraordinary General Meeting on 12 May 2004, the shareholders approved a new Employee Stock Option Plan. The 2004 Plan provides for the issuance of equity shares to employees and directors of the Company and its subsidiaries and for the exchange of outstanding stock options of Msource Corporation as on 20 September 2004, pursuant to its merger with Mphasis Corporation and the assumption of the Msource stock options by the Company.

The 2004 Plan is administered through the ESOP Committee appointed by the Board and comprises two programs. Under Program A, outstanding options of Msource Corporation were exchanged for options in the Company on the agreed exchange ratio of 0.14028 stock options with underlying equity shares of the Company for each stock option in the Msource 2001 plan, the exercise price being the equivalent amount payable by the option holder under the Msource 2001 plan. The equity shares underlying these options vest over a period up to forty-eight months from the date of assumption by the Company and shall be exercisable within a period of ten years from the original date of grant under the Msource 2001 plan.

Options under Program B represent fresh grants and shall be issued to employees at an exercise price which will be equal to the fair value of the underlying shares at the date of grant. The equity shares covered under these options vest over a period ranging from twelve to forty-eight months from the date of grant. The exercise period is two years from the date of vesting.

The movements in the options under the 2004 Plan for the five months ended 31 March 2014 and for the year ended 31 October 2013 are set out below:

	Five months ended 31 March 2014		Year ended 31 October 2013	
	No. of Options	Weighted Average Exercise Price (₹)	No. of Options	Weighted Average Exercise Price (₹)
Options outstanding at the beginning	10,956	117.98	12,358	117.91
Granted	-	-	-	-
Forfeited	-	-	-	-
Lapsed	-	-	-	-
Exercised	3,314	117.36	1,402	117.36
Options outstanding at the end	7,642	118.24	10,956	117.98
Exercisable at the end	7,642	118.24	10,956	117.98

Notes to the Financial Statements for the five months ended 31 March 2014

The weighted average share price as at the date of exercise for stock options was ₹ 380.75 (31 October 2013: ₹ 447.90). The options outstanding as at 31 March 2014 had an exercise price ranging from ₹ 50.34 to ₹ 148.07 (31 October 2013: ₹ 50.34 to ₹ 148.07) and weighted average remaining contractual life of 2.75 years (31 October 2013: 3.02 years).

Employees Stock Option Plan-2012 (the 2012 Plan) : Effective 14 March 2012, the Company instituted the 2012 Plan. The Board and the shareholders of the Company approved the 2012 plan on 20 January 2012. The 2012 plan provides for the issue of restricted options to certain employees of the Company and its subsidiaries.

The 2012 plan is administered by the Mphasis Employees Benefit Trust which is created for this purpose. Each option, granted under this plan, entitles the holder thereof with an option to apply for and be issued one equity share of the Company at an exercise price of ₹ 410.25 per share. The equity shares covered under these options vest over a period ranging from twelve to twenty-four months from the date of grant. The exercise period is three years from the date of vesting.

The movements in the options under the 2012 plan for the five months ended 31 March 2014 and for the year ended 31 October 2013 are set out below:

	Five months ended 31 March 2014		Year ended 31 October 2013	
	No. of Options	Weighted Average Exercise Price (₹)	No. of Options	Weighted Average Exercise Price (₹)
Options outstanding at the beginning	456,800	410.25	500,750	410.25
Granted	-	-	-	-
Forfeited	15,050	410.25	41,425	410.25
Lapsed	5,150	410.25	175	410.25
Exercised	-	-	2,350	410.25
Options outstanding at the end	436,600	410.25	456,800	410.25
Exercisable at the end	436,600	410.25	230,425	410.25

The weighted average share price as at the date of exercise of stock options was ₹ Nil (31 October 2013: ₹ 463.75). The options outstanding as at 31 March 2014 had an exercise price ₹ 410.25 (31 October 2013: ₹ 410.25) and weighted average remaining contractual life of 2.36 years (31 October 2013: 2.84 years).

Total Employee Compensation Cost pertaining to 2012 plan during the year is ₹ 1.48 millions (31 October 2013: ₹ 12.87 millions), net off cross charge to subsidiaries.

Restricted Stock Units

EDS, the holding company, had issued Restricted Stock Units ('RSU') to certain employees of the Company. These have been replaced by RSUs of HP, pursuant to the merger. Subsequent to the merger, HP had also issued RSUs to certain employees of the Company. The total cost reversed towards RSUs for the five months ended 31 March 2014 amounted to ₹ Nil (31 October 2013: ₹ 1.48 millions). However, the cost has been borne by HP and accordingly this has not been accounted as an expense or income by the Company.

Restricted Stock Unit Plan-2010 ("RSU Plan-2010")

Effective 1 August 2010, the Company instituted the Restricted Stock Unit Plan-2010. The Board and the shareholders of the Company approved RSU Plan-2010 on 29 June 2010 and 17 August 2010 respectively. The RSU Plan-2010 provides for the issue of restricted options to certain employees of the Company and its subsidiaries.

The RSU Plan-2010 is administered by the Mphasis Employees Benefit Trust which was created for this purpose. Each option, granted under the RSU Plan-2010, entitles the holder thereof with an option to apply for and be issued one equity share of the Company at an exercise price of ₹ 10.00 per share. The equity shares covered under these options vest over a period ranging from twelve to twenty-four months from the date of grant. The exercise period is one to three years from the date of vesting.

Notes to the Financial Statements for the five months ended 31 March 2014

The movements in the options under the RSU Plan -2010 for the five months ended 31 March 2014 and for the year ended 31 October 2013 are set out below:

	Five months ended 31 March 2014		Year ended 31 October 2013	
	No. of Options	Weighted Average Exercise Price (₹)	No. of Options	Weighted Average Exercise Price (₹)
Options outstanding at the beginning	39,650	10.00	92,100	10.00
Granted	-	-	-	-
Forfeited	-	-	4,125	10.00
Lapsed	-	-	3,200	10.00
Exercised	2,350	10.00	45,125	10.00
Options outstanding at the end	37,300	10.00	39,650	10.00
Exercisable at the end	37,300	10.00	39,650	10.00

The weighted average share price as at the date of exercise of stock options was ₹ 428.33 (31 October 2013: ₹ 391.71). The options outstanding as at 31 March 2014 had an exercise price of ₹ 10.00 (31 October 2013: ₹ 10.00) and the weighted average remaining contractual life of 1.33 years (31 October 2013: 1.84 years).

Total Employee Compensation Cost pertaining to RSU Plan-2010 during the five months ended 31 March 2014 is ₹ Nil (31 October 2013: ₹ 3.19 millions), net of cross charge to subsidiary companies.

The Company has advanced an amount of ₹ 139.88 millions (31 October 2013: ₹ 140.96 millions) to the Mphasis Employees Benefit Trust. The shares held by Mphasis Employee Benefit Trust will be used for allotment of shares to employees against exercise of outstanding RSU 2010 and ESOP 2012 plan options and in case of any short fall on the date of exercise, will be allotted by the Company.

	(₹ millions)			
	Non Current		Current	
	31 March 2014	31 October 2013	31 March 2014	31 October 2013
5. TRADE PAYABLES				
Trade payables	-	-	3,450.60	4,256.80
Salary related costs	50.76	36.08	1,310.41	1,233.67
	50.76	36.08	4,761.01	5,490.47

The Company has amounts due to Micro and Small Enterprises under The Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act) as at 31 March 2014 and 31 October 2013. The details in respect of such dues are as follows:

Particulars	31 March 2014	31 October 2013
The principal amount remaining unpaid to any supplier	13.99	10.03
The amount of interest due and remaining unpaid to any supplier.	9.09	7.71
The amount of interest paid by the Company along with the amount of the payments made to the supplier beyond the appointed day.	Nil	Nil
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the period/ year).	0.36	1.28
The amount of interest accrued and remaining unpaid at the end of the year.	Nil	Nil
The amount of further interest remaining due and payable for the earlier years.	7.71	5.94

Notes to the Financial Statements for the five months ended 31 March 2014

(₹ millions)

	Non Current		Current	
	31 March 2014	31 October 2013	31 March 2014	31 October 2013
6. OTHER LIABILITIES				
Advances from clients	-	-	13.79	30.24
Unearned revenue	-	-	67.44	69.85
Rent equalisation reserve	-	-	8.66	5.88
Statutory dues	-	-	212.41	205.71
Capital creditors	-	-	71.18	35.49
Other payables *	10.46	0.47	307.74	333.27
Unpaid dividend **	-	-	7.76	5.98
	10.46	0.47	688.98	686.42

* The above amount includes ₹ 17.06 millions (31 October 2013: ₹ 17.06 millions) which represents the remaining consideration payable for the acquisition of Kshema Technologies Limited [refer note 34].

** Investor Protection and Education Fund shall be credited for unclaimed dividends amount when due.

	Non Current		Current	
	31 March 2014	31 October 2013	31 March 2014	31 October 2013
7. PROVISIONS				
Provision for employee benefits				
Provision for gratuity (refer note 31(a))	-	-	439.29	370.71
Provision for employee compensated absences	-	-	146.35	158.16
	-	-	585.64	528.87
Other provisions				
Proposed equity dividend	-	-	1,470.94	3,572.16
Provision for tax on proposed equity dividend	-	-	249.99	607.09
Provision for taxation	-	-	248.48	385.56
Provision for mark to market loss on derivative contracts	40.54	275.55	247.78	756.85
	40.54	275.55	2,217.19	5,321.66
	40.54	275.55	2,802.83	5,850.53

Notes to the Financial Statements for the five months ended 31 March 2014

8. TANGIBLE AND INTANGIBLE ASSETS

(₹ millions)

	Tangible Assets					Intangible Assets				Total of Intangible Assets		
	Freehold Land	Plant and equipment	Computer equipment	Office equipment	Furniture and fixtures	Vehicles	Leasehold improvements	Total of Tangible Assets	Computer Software		Purchase goodwill	
Cost												
At 1 November 2012	27.38	1,050.12	2,043.40	1,047.03	538.19	109.67	1,351.41	6,167.20	471.80	30.01	501.81	6,669.01
Additions	-	51.04	70.70	43.35	7.90	30.34	35.31	238.64	81.09	-	81.09	319.73
Disposals	-	(70.85)	(453.15)	(33.20)	(78.13)	(27.55)	(116.51)	(779.39)	(259.75)	-	(259.75)	(1,039.14)
At 31 October 2013	27.38	1,030.31	1,660.95	1,057.18	467.96	112.46	1,270.21	5,626.45	293.14	30.01	323.15	5,949.60
Additions	-	64.94	87.70	6.96	6.63	15.93	28.59	210.75	47.40	-	47.40	258.15
Disposals	-	(14.38)	(30.75)	(117.98)	(6.43)	(4.94)	(10.63)	(185.11)	-	-	-	(185.11)
At 31 March 2014	27.38	1,080.87	1,717.90	946.16	468.16	123.45	1,288.17	5,652.09	340.54	30.01	370.55	6,022.64
Depreciation												
At 1 November 2012	-	817.78	1,751.02	937.68	464.63	33.24	1,059.48	5,063.83	368.14	30.01	398.15	5,461.98
Charge for the year	-	119.68	289.83	105.68	37.83	21.47	142.84	717.33	81.22	-	81.22	798.55
Disposals	-	(65.87)	(451.91)	(33.01)	(73.83)	(11.63)	(113.59)	(749.84)	(259.75)	-	(259.75)	(1,009.59)
At 31 October 2013	-	871.59	1,588.94	1,010.35	428.63	43.08	1,088.73	5,031.32	189.61	30.01	219.62	5,250.94
Charge for the period	-	40.58	25.87	25.31	12.00	9.65	50.43	163.84	30.56	-	30.56	194.40
Disposals	-	(14.30)	(30.48)	(117.73)	(6.38)	(1.03)	(10.28)	(180.20)	-	-	-	(180.20)
At 31 March 2014	-	897.87	1,584.33	917.93	434.25	51.70	1,128.88	5,014.96	220.17	30.01	250.18	5,265.14
Net block												
At 31 October 2013	27.38	158.72	72.01	46.83	39.33	69.38	181.48	595.13	103.53	-	103.53	698.66
At 31 March 2014	27.38	183.00	133.57	28.23	33.91	71.75	159.29	637.13	120.37	-	120.37	757.50

Notes to the Financial Statements for the five months ended 31 March 2014

(₹ millions)

	31 March 2014	31 October 2013
9. NON-CURRENT INVESTMENTS		
Long Term-Unquoted (trade), at cost		
In subsidiaries*		
Mphasis USA	3,724.46	3,724.46
3,187 (31 October 2013: 3,187) shares of common stock of US \$ 0.01 each fully paid-up		
Mphasis Australia	0.05	0.05
2,000 (31 October 2013: 2,000) shares of common stock of Australian \$ 1 each fully paid-up		
Mphasis GmbH	2.52	2.52
Nominal capital 91,000 Deutsche Mark (31 October 2013: 91,000 Deutsche Mark)		
Less: Provision for diminution in value of investment	(2.52)	(2.52)
Mphasis China	105.35	105.35
100% (31 October 2013: 100%) equity interest		
Mphasis Finsource	0.50	0.50
50,000 (31 October 2013: 50,000) equity shares of ₹ 10 each fully paid-up		
Mphasis Consulting	685.65	685.65
7,953,393 (31 October 2013: 7,953,393) ordinary shares of £ 0.002 each fully paid-up		
Mphasis Ireland	0.59	0.59
10,000 (31 October 2013: 10,000) shares of common stock of € 1 each fully paid-up		
Mphasis Belgium	0.39	0.39
62 (31 October 2013: 62) shares of common stock of € 100 each fully paid-up		
Mphasis Lanka (refer note 39)	6.65	6.65
150,000 (31 October 2013: 150,000) shares of common stock of LKR 112.10 each fully paid-up		
Less: Provision for diminution in value of investment (refer note 41)	(6.65)	(6.65)
PT Mphasis Indonesia	4.38	4.38
99,000 (31 October 2013: 99,000) shares of common stock of US \$ 1 each fully paid-up		
Mphasis Poland s.p.z.o.o.	2.07	-
200 (31 October 2013: Nil) equity shares of 500 PLN each fully paid-up		
In fellow subsidiaries		
Mphasis Europe BV	9,647.64	9,647.64
3,381,654 (31 October 2013: 3,381,654) shares of common stock of € 1 each fully paid-up		
	14,171.08	14,169.01
Unquoted mutual funds **		
Birla Sun Life Dynamic Bond Fund-Retail Plan	1,238.01	1,238.01
118,344,866 units at ₹ 10.4610 (31 October 2013: 118,344,866 units at ₹ 10.4610)		
Kotak Bond Scheme Plan A-Dividend	361.27	973.59
34,529,446 units at ₹ 10.4627 (31 October 2013: 93,053,157 units at ₹ 10.4627)		
HDFC Income Fund-Dividend	968.04	968.04
85,598,006 units at ₹ 11.3091 (31 October 2013: 85,598,006 units at ₹ 11.3091)		
Reliance Dynamic Bond Fund	980.81	980.81
94,518,133 units at ₹ 10.3770 (31 October 2013: 94,518,133 units at ₹ 10.3770)		
Birla Fixed Term Plan-Series KX	200.00	-
20,000,000 units at ₹ 10.00 (31 October 2013: Nil units)		
IDFC Fixed Term Plan Series 86	200.00	-
20,000,000 units at ₹ 10.00 (31 October 2013: Nil units)		
ICICI Prudential FMP Series 73	200.00	-
20,000,000 units at ₹ 10.00 (31 October 2013: Nil units)		
IDFC-Dynamic Bond Fund	-	501.34
Nil units (31 October 2013: 49,021,826 units at ₹ 10.2268)		
ICICI Prudential Short term-Regular Plan	-	1,495.50
Nil units (31 October 2013: 125,184,619 units at ₹ 11.9464)		
	4,148.13	6,157.29
	18,319.21	20,326.30

* Aggregate provision for diminution in value of investment. 9.17 9.17

** Effective 01 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 ₹ 8,028.22 millions were classified as non-current investments on the said date at lower of cost and fair value. Subsequently investments aggregating to ₹ 1,870.93 millions have been sold during the year ended 31 October 2013.

Notes to the Financial Statements for the five months ended 31 March 2014

(₹ millions)

	31 March 2014	31 October 2013
10. DEFERRED TAX ASSETS (NET)		
Depreciation and amortization expense: Difference between tax depreciation and depreciation/ amortization as per statement of profit and loss	491.66	552.76
Provision for doubtful debts and advances	128.10	99.41
Provision for employee benefits	42.06	34.96
Deferred tax liability on rent equalisation reserve	(84.70)	(31.32)
Others	71.19	32.07
	648.31	687.88

	Non Current		Current	
	31 March 2014	31 October 2013	31 March 2014	31 October 2013
11. LOANS AND ADVANCES				
Unsecured-considered good				
Capital advances	2.00	3.02	-	-
Security deposit				
- Premises	600.81	590.30	20.45	30.62
- With government authorities	7.31	7.31	-	-
- Others	824.47	555.11	2.18	2.18
Loans to employees	-	-	0.15	0.09
Loan to ESOP trust (refer note 42)	-	-	139.88	140.96
Advances recoverable in cash or kind				
- Prepaid expenses	12.75	35.97	261.19	303.97
- Employee advances	-	-	38.43	14.11
- Advance to supplier/ others	-	-	522.95	59.95
Balance with statutory/ government authorities *	1,437.18	1,437.18	300.37	175.08
Advance income-tax (net of provision for taxation)	1,618.81	1,301.97	-	-
MAT Credit entitlement **	710.88	867.16	251.30	313.01
Recoverable from subsidiaries	-	-	960.16	828.46
Loans given to Mphasis Lanka Private Limited	-	-	44.94	46.13
	5,214.21	4,798.02	2,542.00	1,914.56

* Balances with statutory/government authorities include service tax input credit receivable (net) ₹ 1,733.32 millions (31 October 2013: ₹ 1,608.14 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 01 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 Sec 66A of the Finance Act, 1994 read with 'Import of Services Rules' on onsite services provided by foreign vendors (including group companies).

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

** net of MAT credit utilisation of ₹ 217.99 millions (31 October 2013: ₹ 130.96 millions).

Notes to the Financial Statements for the five months ended 31 March 2014

(₹ millions)

	Non Current		Current	
	31 March 2014	31 October 2013	31 March 2014	31 October 2013
12. OTHER ASSETS				
Non-current bank balances (refer note 15)	86.42	86.39	-	-
Unbilled revenue	-	-	2,300.43	2,609.90
Accrued interest	-	-	30.18	35.84
Rent equalisation reserve	231.31	70.12	-	-
Restatement of forward cover	-	-	132.42	14.43
Mark to market gains on forward cover	5.42	0.86	73.81	-
Expense incurred on behalf of customers	-	-	74.38	117.22
	323.15	157.37	2,611.22	2,777.39

	31 March 2014	31 October 2013
13. CURRENT INVESTMENTS*		
Unquoted mutual funds		
Birla Sun Life Cash Plus 14,371,336 units at ₹ 100.1950 (31 October 2013: 21,880,498 units at ₹ 100.1950)	1,439.94	2,192.32
ICICI Prudential Liquid-Direct Plan 17,878,500 units at ₹ 100.0540 (31 October 2013: 9,809,049 units at ₹ 100.0540)	1,788.82	981.43
IDFC Money Manager Fund-Invest Plan 50,394,183 units at ₹ 10.0528 (31 October 2013: 48,973,135 units at ₹ 10.0528)	506.60	492.32
L&T Liquid Fund Direct Plan 3,130,933 units at ₹ 1,011.9470 (31 October 2013: Nil units)	3,168.34	-
Reliance Liquid Fund-Treasury Plan 151,281 units at ₹ 1528.7400 (31 October 2013: Nil units)	231.27	-
ICICI Prudential Interval Fund IV Quarterly Interval Plan B 19,995,001 units at ₹ 10.0025 (31 October 2013: Nil units)	200.00	-
ICICI Prudential Interval Fund II Quarterly Interval Plan F 19,973,834 units at ₹ 10.0131 (31 October 2013: Nil units)	200.00	-
Reliance Interval Fund-Quarterly Plan-Series I-Direct 39,915,379 units at ₹ 10.0212 (31 October 2013: Nil units)	400.00	-
IDFC Fixed Term Plan Series 73 Direct Plan 30,000,000 units at ₹ 10.0000 (31 October 2013: Nil units)	300.00	-
Reliance Fixed Horizon Fund-XXV Series 32 40,000,000 units at ₹ 10.0000 (31 October 2013: Nil units)	400.00	-
ICICI Prudential Interval Fund II Quarterly Interval Plan B Nil units (31 October 2013: 29,989,504 units at ₹ 10.0035)	-	300.00
UTI Treasury Advance Fund-Institutional Plan Nil units (31 October 2013: 4,927,059 units at ₹ 1002.3539)	-	4,938.66
HDFC 90D August 2013 (1) Series 27- Regular Nil units (31 October 2013: 47,000,000 units at ₹ 10.0000)	-	470.00
	8,634.97	9,374.73

* Valued at lower of cost and fair value.

Notes to the Financial Statements for the five months ended 31 March 2014

(₹ millions)

	Non Current		Current	
	31 March 2014	31 October 2013	31 March 2014	31 October 2013
14. TRADE RECEIVABLES				
Outstanding for a period exceeding six months from the date they are due for payment, unsecured				
- considered good	-	-	337.45	268.87
- considered doubtful	373.66	292.15	-	-
Less: Provision for doubtful receivables	(373.66)	(292.15)	-	-
Other receivables				
- considered good	97.80	383.35	4,678.50	5,101.00
	97.80	383.35	5,015.95	5,369.87

	Non Current		Current	
	31 March 2014	31 October 2013	31 March 2014	31 October 2013
15. CASH AND BANK BALANCES				
Cash and cash equivalents				
Cash on hand	-	-	-	-
<i>Balances with banks:</i>				
- On current accounts	-	-	1,473.75	1,067.46
- Deposits with original maturity less than 3 months	-	-	212.62	840.55
- Unclaimed dividend	-	-	7.76	5.98
	-	-	1,694.13	1,913.99
Other bank balances				
- Deposits with original maturity for more than 12 months	86.42	86.39	1,000.00	-
- Deposits with original maturity for more than 3 months but less than 12 months	-	-	39.80	1,069.80
	86.42	86.39	1,039.80	1,069.80
Amount disclosed under non-current assets (refer note 12)	(86.42)	(86.39)	-	-
	-	-	1,039.80	1,069.80
	-	-	2,733.93	2,983.79

Notes to the Financial Statements for the five months ended 31 March 2014

(₹ millions)

	Five months ended 31 March 2014	Year ended 31 October 2013
16. REVENUE FROM OPERATIONS		
Sale of services	13,646.54	34,264.00
Loss on cashflow hedges	(356.88)	(1,049.20)
	13,289.66	33,214.80
16.1 Details of services rendered:		
Application maintenance & other services	4,571.45	12,685.22
Application development	2,727.52	6,886.85
Infrastructure management services	4,159.35	9,818.46
Others	2,188.22	4,873.47
	13,646.54	34,264.00
17. OTHER INCOME		
Interest income on		
Bank deposits	65.89	58.31
Others	0.19	3.69
Dividend income on investments	342.89	1,017.10
Foreign exchange gain, (net)	25.94	101.82
Profit on sale of fixed assets, (net)	2.06	5.62
Miscellaneous income	2.10	4.23
Sublease income	23.07	53.14
	462.14	1,243.91
18. EMPLOYEE BENEFITS EXPENSE		
Salaries and bonus	5,655.20	13,827.12
Contribution to provident and other funds	243.53	601.97
Employee stock option compensation cost (net)	1.48	16.06
Gratuity expense (refer note 31(a))	68.93	206.80
Staff welfare expenses	183.48	443.86
	6,152.62	15,095.81
19. FINANCE COST		
Interest	4.24	27.51
Exchange difference to the extent considered as an adjustment to borrowing costs	-	107.32
	4.24	134.83

Notes to the Financial Statements for the five months ended 31 March 2014

(₹ millions)

	Five months ended 31 March 2014	Year ended 31 October 2013
20. OTHER EXPENSES		
Travel	319.31	636.19
Recruitment expenses	39.78	158.48
Communication expenses	108.32	254.25
Rent	838.75	1,442.22
Professional charges	325.51	260.01
Payment to auditor (refer details below)	8.52	17.54
Provision for doubtful debts	86.67	170.76
Software development expenses	1,729.42	6,006.33
Power and fuel	181.01	463.30
Selling commission-others	40.79	149.79
Software support & annual maintenance charges	264.47	831.98
Insurance	22.66	28.66
Rates & taxes *	(90.11)	82.95
Repairs & maintenance		
- Plant & machinery	1.33	2.83
- Building	2.98	1.80
- Others	4.14	2.32
Loss/ (gain) on sale/ revaluation of investments (net)	20.55	24.69
Miscellaneous expenses	358.21	663.53
	4,262.31	11,197.63

* net of reversal of certain provisions which are no longer required amounts to ₹ 100.61 millions (31 October 2013: ₹ Nil).

Payment to Auditor *

As auditor:		
Statutory audit fee	5.94	10.82
Tax audit fee	1.06	1.02
Other services (certification fees)	1.08	5.70
Reimbursement of expenses	0.44	-
	8.52	17.54

* excluding service tax of ₹ 1.05 millions (31 October 2013: ₹ 2.17 millions).

21. The Company's software development centres in India include 100% Export Oriented ('EOU'), Special Economic Zone ('SEZ') under Special Economic Zone Ordinance and Software Technology Park ('STP') Units under the Software Technology Park guidelines issued by the Government of India. They are exempted from customs and central excise duties and levies on imported and indigenous capital goods and stores and spares. The Company has executed legal undertakings to pay customs duty, central excise duty, levies and liquidated damages, if any, in respect of imported and indigenous capital goods and stores and spares consumed duty free, in the event that certain terms and conditions are not fulfilled. Bank guarantees aggregating to ₹ 44.06 millions as at 31 March 2014 (31 October 2013: ₹ 44.06 millions) have been furnished to the Customs authorities in this regard.

Notes to the Financial Statements for the five months ended 31 March 2014

22. 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, 31 March 2009 and 31 March 2010, 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 ₹ 1,499.32 millions (31 October 2013: ₹ 1,536.95 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 ₹ 2,243.61 millions (31 October 2013: ₹ 3,701.89 millions) net of bank guarantees aggregating to ₹ 4,841.14 millions (31 October 2013: ₹ 4,910.28). The management, basis internal evaluation and legal opinion is of the view that these demands are not tenable.

- (b) Other outstanding bank guarantees as at 31 March 2014: ₹ 693.77 millions (31 October 2013: ₹ 663.63 millions); including those furnished on account of jointly controlled operations ₹ 99.35 millions (31 October 2013: ₹ 108.70 millions).
- (c) Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for as at 31 March 2014: ₹ 74.63 millions (31 October 2013: ₹ 92.06 millions).
- (d) 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.
- (e) Forward contracts outstanding against receivables/ highly probable forecast transactions as at 31 March 2014 and 31 October 2013 are as below:

Currency	31 March 2014		31 October 2013	
	Amount (millions)	Amount in ₹ (millions)	Amount (millions)	Amount in ₹ (millions)
USD	213.78	12,808.63	250.50	15,407.00
GBP	10.39	1,036.56	13.15	1,295.90
CAD	1.97	106.91	1.88	110.62
AUD	4.37	241.65	-	-
EUR	12.23	1,011.24	11.65	978.95

Forward contracts outstanding against payables as at 31 March 2014 and 31 October 2013 are as below:

Currency	31 March 2014		31 October 2013	
	Amount (millions)	Amount in ₹ (millions)	Amount (millions)	Amount in ₹ (millions)
SGD	3.33	158.45	3.80	188.67

The foreign exchange exposure of the Company has been hedged by forward contracts disclosed above.

Unamortized premium as at 31 March 2014 on forward exchange contracts to hedge the foreign currency risk of the underlying outstanding at the balance sheet date is ₹ 68.22 millions (31 October 2013: ₹ 52.26 millions). Net foreign currency exposure of the Company that is not hedged by a derivative instrument or otherwise as at 31 March 2014 is ₹ 14,275.82 millions (31 October 2013: ₹ 14,393.83 millions).

- (f) The Company has issued performance guarantees on behalf of its subsidiaries for any future liabilities which may arise out of contracts and to certain clients for executed contracts.
- (g) The Company has extended comfort letters to provide continued financial support to some of its subsidiaries to ensure that these entities operate on going concern basis and are able to meet their debts and liabilities as they fall due.

Notes to the Financial Statements for the five months ended 31 March 2014

23. Operating Leases

- (a) The Company is obligated under non-cancellable leases for equipment, office and residential space that are renewable on a periodic basis at the option of the lessor and lessee. The total rental expenses under non-cancellable operating leases amounted to ₹ 318.68 millions for the five months ended 31 March 2014 (year ended 31 October 2013: ₹ 367.62 millions).

Future minimum lease payments under non-cancellable operating lease as at 31 March 2014 are as follows:

Period	₹ millions	
	31 March 2014	31 October 2013
Not later than 1 year	1,430.65	805.82
Later than 1 year and not later than 5 years	1,047.66	715.67
More than 5 years	-	-
	2,478.31	1,521.49

The Company has also occupied office facilities and residential facilities under cancellable operating lease agreements. The Company intends to renew such leases in the normal course of its business. Total rental expense under cancellable operating leases was ₹ 520.07 millions for the five months ended 31 March 2014 (year ended 31 October 2013: ₹ 1,074.60 millions). Office premises are obtained on operating lease for terms ranging from 1-7 years and are renewable at the option of the Company/lessor.

- (b) The Company has subleased office space under non-cancellable operating lease agreements that are renewable on a periodic basis at the option of both the lessor and lessee. The total sub lease rental income under non-cancellable operating leases amounted to ₹ Nil for the five months ended 31 March 2014 (year ended 31 October 2013: ₹ 42.08 millions).

The Company has also subleased office space under cancellable operating lease agreements. The total sub lease rental income under cancellable operating leases amounted to ₹ 23.07 millions for the five months ended 31 March 2014 (year ended 31 October 2013: ₹ 11.06 millions).

24. Related Party Transactions

(a) Entities where control exists:

- Hewlett-Packard Company, USA (ultimate holding Company)
 - Hewlett-Packard Eagle Corporation, USA (100% subsidiary of Hewlett-Packard Company, USA)
 - Electronic Data Systems LLC, USA (formerly Electronic Data Systems Corporation, USA), (100% subsidiary of Hewlett-Packard Eagle Corporation, USA)*
- * EDS Asia Pacific Holdings, Mauritius (formerly TH Holding, Mauritius), EDS World Corporation (Far East) and EDS World Corporation LLC (Netherlands), the subsidiaries of Electronic Data Systems LLC, USA (formerly Electronic Data Systems Corporation, USA) hold 60.49% (31 October 2013: 60.49%) of the equity capital of the Company.

- (b) The related parties where control exists also includes BFL Employees Equity Reward Trust, Kshema Employees Welfare Trust, Mphasis Employee Benefit Trust and the following subsidiaries.

- | | |
|---|--|
| ■ Mphasis Corporation ('Mphasis USA') | ■ Mphasis Deutschland GmbH ('Mphasis GmbH') |
| ■ Mphasis Australia Pty Limited ('Mphasis Australia') | ■ Mphasis (Shanghai) Software & Services Company Limited ('Mphasis China') |
| ■ Mphasis Consulting Limited ('Mphasis Consulting') | ■ Mphasis Finsource Limited ('Mphasis Finsource') |
| ■ Mphasis Ireland Limited ('Mphasis Ireland') | ■ Mphasis Belgium BVBA ('Mphasis Belgium') |
| ■ Mphasis Lanka Private Limited ('Mphasis Lanka') | ■ Mphasis Poland s.p.z.o.o |
| ■ PT. Mphasis Indonesia ('Mphasis Indonesia') | ■ Mphasis Europe BV ('Mphasis Europe') |
| ■ Mphasis Pte Limited ('Mphasis Singapore') | ■ Mphasis Infrastructure Services Inc. |
| ■ Mphasis UK Limited ('Mphasis UK') | ■ Msource (India) Private Limited ('Msource India') |
| ■ Mphasis Wyde Inc. | ■ Mphasis Software and Services (India) Private Limited ('Mphasis India') |
| ■ Wyde Corporation Inc. | ■ Msource Mauritius Inc. ('Msource Mauritius') |

Notes to the Financial Statements for the five months ended 31 March 2014

- Wyde Solutions Canada Inc.
- Mphasis Philippines Inc.
- Wyde Tunisie SARL
- Digital Risk, LLC
- Digital Risk Mortgage Services, LLC
- Digital Risk Compliance Services, LLC
- Digital Risk Analytics, LLC
- Mphasis Wyde SASU
- Msource India BPO Private Limited
- Investor Services, LLC
- Digital Risk Valuation Services, LLC
- Digital Risk Europe, OOD
- Digital Risk Mortgage Services, Corp

(c) Key management personnel:

The key management personnel of the Company are as mentioned below:

Executive key management personnel represented on the Board of the Company

- Balu Ganesh Ayyar Chief Executive Officer

Non-executive/ independent directors on the Board of the Company

- | | |
|---|--|
| <ul style="list-style-type: none"> ■ Friedrich Froeschl ■ James Mark Merritt ■ Chandrakant D Patel ■ Davinder Singh Brar ■ Narayanan Kumar ■ Lakshmikanth K Ananth ■ Shankar Maitra ■ Stefan Antonio Lutz ■ Nawshir H Mirza ■ Antonio Neri ■ V Ravichandran ■ Francesco Serafini ■ Balu Doraisamy ■ Gerard Brossard | <ul style="list-style-type: none"> Director-Non Executive Chairman of the Board Director-Appointed as Vice Chairman w.e.f. 13 March 2014 Director-Appointed w.e.f. 05 December 2012 Director Director-Appointed w.e.f. 15 February 2013 Director-Appointed w.e.f. 28 February 2013 Director-Appointed w.e.f. 05 December 2013 Additional Director-appointed w.e.f. 12 February 2014 Director-Retired w.e.f. 01 February 2013 Director-Resigned w.e.f. 05 December 2013 Director-Resigned w.e.f. 12 February 2014 Director & Vice Chairman-Resigned w.e.f. 14 February 2013 Director-Resigned w.e.f. 14 February 2013 Director-Resigned w.e.f. 06 December 2012 |
|---|--|

(d) Direct or indirect subsidiaries of ultimate holding company with which transactions have taken place:

- | | |
|--|--|
| <ul style="list-style-type: none"> ■ Global E-Business Operations Private Ltd ■ Hewlett-Packard Company ■ Hewlett-Packard Gulf SAS ■ Hewlett-Packard India Sales Private Limited ■ Hewlett-Packard Servicios Espania, S.L. ■ Hewlett-Packard (Canada) Co. ■ Hewlett-Packard (K) Limited Liability Partnership ■ Hewlett-Packard (Schweiz) GmbH ■ Hewlett-Packard (Thailand) Ltd ■ Hewlett-Packard AP (Hong Kong) Limited ■ Hewlett-Packard Aps ■ Hewlett-Packard Asia Pacific Pte Ltd ■ Hewlett-Packard Australia Pty Limited. ■ Hewlett-Packard Belgium B.V.B.A/S.P.R.L ■ Hewlett-Packard Brasil Ltda ■ Hewlett-Packard CDS Limited ■ Hewlett-Packard de Mexico S. De R.L. De CV | <ul style="list-style-type: none"> ■ Hewlett-Packard Multimedia SDN BHD ■ P.T. Hewlett-Packard Berca Servisindo ■ Hewlett-Packard Nederland B.V. ■ Hewlett-Packard New Zealand ■ Hewlett-Packard Norge A/S ■ Hewlett-Packard OY ■ Hewlett-Packard Pakistan (Private) Limited ■ Hewlett-Packard Philippines Incorporation ■ Hewlett-Packard Services Kuwait Company W.L.L ■ Hewlett-Packard Servizi ICT S.r.l. ■ Hewlett-Packard Singapore (Sales) Pte. Ltd ■ Hewlett-Packard Slovakia, s.r.o. ■ Hewlett-Packard South Africa (Proprietary) Limited ■ Hewlett-Packard State & Local Enterprise Services, Inc. ■ Shanghai Hewlett-Packard Co, Ltd ■ Hewlett-Packard Technology (Shanghai) Co., Ltd ■ Hewlett-Packard UK Enterprise (I) Ltd. |
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Notes to the Financial Statements for the five months ended 31 March 2014

- Hewlett-Packard Enterprises LLC
- Hewlett-Packard Financial Services (India) Private Ltd.
- Hewlett-Packard France SAS, France
- Hewlett-Packard FS France SAS
- Hewlett-Packard Galway Ltd
- Hewlett-Packard Gesellschaft m.b.H
- Hewlett-Packard Global Investments B.V
- Hewlett-Packard Globalsoft Limited
- Hewlett-Packard GmbH
- Hewlett-Packard International Sa'rl
- Hewlett-Packard International Trade B.V.
- Hewlett-Packard Japan Limited
- Hewlett-Packard Korea Limited
- Hewlett-Packard Ltd
- HP India Software Operation Pvt Ltd
- HP Services (Singapore) Pte Ltd
- P.T. Hewlett-Packard Berca Servisindo
- HP Centre de Competence France SAS
- HP Enterprise Services (Hong Kong) Ltd
- HP Enterprise Services Australia Pty Ltd
- HP Enterprise Services BPA Pty Ltd
- HP Enterprise Services Italia S.r.l
- HP Enterprise Services UK Ltd
- HP Enterprise Services Energy Italia S.r.l
- HP Enterprise Services, LLC
- HP Facilities Services (Malaysia) Sdn Bhd
- HP Financial Services (Australia) Pty Ltd
- HP Financial Services (New Zealand)
- HP Financial Services GmbH
- Hewlett-Packard Ireland, Ltd.
- HP Financial Services SPRL
- HP Information Security UK Ltd
- HP Software, LLC

(e) The following is the summary of significant transactions with related parties by the Company:

(₹ millions)

	Five months ended 31 March 2014	Year ended 31 October 2013
Rendering of services to entities where control exists	2,346.72	6,789.65
Mphasis USA	1,434.08	2,303.01
Mphasis Australia	109.43	941.77
Hewlett-Packard Company	87.68	1,646.76
Msource India	360.91	1,457.69
Others	354.62	440.42
Rendering of services to other related parties	6,075.30	14,635.99
HP Enterprises Services, LLC	3,709.38	9,239.64
Others	2,365.92	5,396.35
Purchase of fixed assets from entities where control exists	1.28	20.43
Mphasis India	-	17.73
Mphasis Finsource Limited	1.26	-
Msource India	0.02	1.74
Others	-	0.96
Purchase of fixed assets from other related parties	11.05	16.79
Hewlett-Packard Singapore (Sales) Pte. Limited	3.99	14.56
Hewlett-Packard India Sales Private Limited	7.06	2.23
Lease rental paid to other related parties	13.86	63.98
Hewlett-Packard Financial Services (India) Private Limited	13.86	63.98
Sale of fixed assets to other related parties	0.21	1.38
Msource India	0.21	1.05
Mphasis Australia	-	0.27
Others	-	0.06

Notes to the Financial Statements for the five months ended 31 March 2014

(₹ millions)

	Five months ended 31 March 2014	Year ended 31 October 2013
Software development charges paid to entities where control exist	1,327.01	4,251.82
Mphasis USA	1,105.28	3,619.82
Mphasis UK	97.63	259.80
Others	124.10	372.20
Software development charges paid to other related parties	4.06	6.89
HP Services (Singapore) Pte Limited	4.06	6.89
Software support and annual maintenance charges paid to other related parties	226.02	728.14
HP Services (Singapore) Pte Limited	226.02	728.14
Communication charges paid to other related parties	-	2.05
HP Services (Singapore) Pte Limited	-	2.05
Commission-others paid to entities where control exists	40.79	149.79
Mphasis GmbH	1.40	5.27
Mphasis Europe	13.35	49.84
Mphasis Belgium	8.75	25.74
Mphasis Consulting	15.22	49.95
Mphasis Singapore	2.07	14.94
Others	-	4.05
Dividend paid (on cash basis)	2,160.81	2,160.81
EDS Asia Pacific Holdings, Mauritius	1,411.04	1,411.04
EDS World Corporation (Far East)	749.77	749.77
Remuneration to executive key management personnel	44.39	69.51
Balu Ganesh Ayyar	44.39	69.51
Commission to non-executive directors *	5.78	11.90
Davinder Singh Brar	1.45	3.28
Nawshir Mirza	-	0.91
Friedrich Froeschl	2.67	5.02
Narayanan Kumar	1.66	2.69
Interest income from deposits made to entities where control exists	0.19	0.44
Mphasis Lanka	0.19	0.44
Investment in entities where control exists	2.07	5,572.84
Mphasis Europe	-	5,572.84
Mphasis Poland s.p.z.o.o	2.07	-
Loan refunded by Mphasis Employee Benefit Trust	0.03	1.42
Advance adjusted against issue of RSU with Mphasis Employee Benefit Trust	1.05	20.27
Deposits refunded by entities where control exists	-	13.57
Mphasis Lanka	-	13.57
Sub-lease rent received from entities where control exists	23.07	53.14
Msource India	21.84	42.08
Mphasis Finsource	1.23	11.06
Sub-lease rent paid to entities where control exists	16.09	54.72
Msource India	12.81	47.68
Mphasis Finsource	3.28	7.04

* This does not include remuneration paid to certain non-executive directors by the ultimate parent company and its affiliates as they are employees of the said companies.

Notes to the Financial Statements for the five months ended 31 March 2014

In addition to the above, the Company and its subsidiaries incur reimbursable expenses on behalf of each other in the normal course of business.

(₹ millions)

	Five months ended 31 March 2014	Year ended 31 October 2013
Expenses incurred on behalf of related parties	1.02	3.82
Mphasis USA	0.82	2.62
Msource India	0.11	0.65
Mphasis UK	-	0.44
Others	0.09	0.11
Cost Allocation	167.55	473.07
Mphasis Finsource	-	60.45
Msource India	115.70	307.23
Mphasis USA	36.94	82.23
Others	14.91	23.16
Expenses incurred by related parties on Company's behalf	103.45	380.73
Mphasis USA	9.36	50.89
Msource India	93.71	311.05
Others	0.38	18.79

(f) Managerial remuneration*

Expenses include the following remuneration to the key management personnel:

	Five months ended 31 March 2014	Year ended 31 October 2013
Salaries and allowances	38.77	58.18
Provident and other funds **	0.47	1.12
Monetary value of perquisites	5.15	10.21
	44.39	69.51

* This does not include remuneration to certain non-executive directors, as the same is paid by the ultimate parent company and its affiliates as they are employees of the said companies.

** As the liability for gratuity and leave encashment is provided on an actuarial basis for the Company as whole, the amount pertaining to the directors are not included above.

(g) The balances receivable from and payable to related parties are as follows:

	31 March 2014	31 October 2013
Trade receivables and unbilled revenue- entities where control exists	1,249.38	2,128.76
Mphasis USA	563.73	939.59
Mphasis Australia	42.12	219.22
Mphasis Infrastructure Services Inc.	211.62	394.18
Msource India	204.97	177.37
Hewlett-Packard Company	53.26	233.08
Others	173.68	165.32
Trade receivable and unbilled revenue- other related parties	3,176.94	2,872.38
HP Enterprises Services, LLC	1,747.63	1,606.25
HP Enterprise Services UK Ltd	352.78	258.14
Others	1,076.53	1,007.99

Notes to the Financial Statements for the five months ended 31 March 2014

(₹ millions)

	31 March 2014	31 October 2013
Trade payables-entities where control exists	409.16	1,529.79
Mphasis USA	225.92	937.16
Msource India	69.24	57.11
Mphasis UK	32.07	265.59
Others	81.93	269.93
Other liabilities-entities where control exists	145.28	173.54
Mphasis USA	133.70	134.77
Mphasis India	0.98	20.59
Mphasis UK	0.04	17.56
Others	10.56	0.62
Trade payables-other related parties	791.79	1,000.33
HP Services (Singapore) Pte Limited	710.97	996.43
Others	80.82	3.90
Remuneration payable to executive key managerial personnel	4.37	1.33
Balu Ganesh Ayyar	4.37	1.33
Commission payable to non-executive directors	5.78	6.80
Davinder Singh Brar	1.45	1.77
Friedrich Froeschl	2.67	3.09
Narayanan Kumar	1.66	1.94
Loans and advances to entities where control exists*	960.16	828.95
Mphasis USA	542.80	462.12
Msource India	81.34	54.24
Mphasis Finsource	129.98	127.92
Mphasis China	127.53	133.83
Others	78.51	50.84
Advances/ Loan to Mphasis Employee Benefit Trust	139.88	140.96
Interest receivable on deposit made to entities, where control exists	1.36	1.14
Mphasis Lanka	1.36	1.14
Inter-corporate deposits placed with-entities where control exists	44.94	46.13
Mphasis Lanka	44.94	46.13

* includes collection on behalf of the Company.

25. C.I.F. value of imports

	Five months ended 31 March 2014	Year ended 31 October 2013
Capital goods	43.46	60.16

26. Earnings in foreign currency

	Five months ended 31 March 2014	Year ended 31 October 2013
Revenues	11,617.11	28,998.75

Notes to the Financial Statements for the five months ended 31 March 2014

27. Expenditure in foreign currency

(₹ millions)

	Five months ended 31 March 2014	Year ended 31 October 2013
Software development charges	1,560.36	4,598.74
Travel	142.74	282.00
Professional charges	5.94	11.72
Software support and annual maintenance charges	235.88	767.33
Commission	40.79	149.79
Salary	328.69	601.99
Others	42.21	173.44
	2,356.61	6,585.01

Additionally, during the five months ended 31 March 2014, the Company has remitted dividend in foreign currency of ₹ 2,217.56 millions (31 October 2013: ₹ 2,218.17 millions) to non-residents holding 130,444,833 (31 October 2013: 130,480,370) equity shares of the Company.

	Five months ended 31 March 2014	Year ended 31 October 2013
Number of shareholders	14	16
Number of shares held	130,444,833	130,480,370
Amount remitted (₹ millions)	2,217.56	2,218.17
Year to which the dividend relates	Year ended 31 October 2013	Year ended 31 October 2012

28. 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 the 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'.

Client relationships are driven based on client domicile. The geographical segments include United States of America (USA), India Asia Pacific (APAC) and Europe, Middle East & Africa (EMEA).

Primary segment information

(₹ millions)

	Five months ended 31 March 2014	Year ended 31 October 2013
Segment revenue		
Banking and Capital Market	3,313.25	7,490.35
Insurance	2,232.69	4,913.74
Information Technology, Communication and Entertainment	2,903.12	7,796.15
Emerging Industries	5,197.48	14,063.76
Unallocated-Hedge	(356.88)	(1,049.20)
	13,289.66	33,214.80

Notes to the Financial Statements for the five months ended 31 March 2014

(₹ millions)

	Five months ended 31 March 2014	Year ended 31 October 2013
Segment profit *		
Banking and Capital Market	547.02	1,595.22
Insurance	666.88	1,454.82
Information Technology, Communication and Entertainment	807.62	1,925.40
Emerging Industries	2,001.57	4,507.64
Unallocated-Hedge	(356.88)	(1,049.20)
	3,666.21	8,433.88
Interest income	66.08	62.00
Finance costs	(4.24)	(134.83)
Other income	396.06	1,181.91
Other unallocable expenditure	(1,050.29)	(2,311.07)
Profit before taxation *	3,073.82	7,231.89
Income taxes	843.00	1,836.75
Profit after taxation	2,230.82	5,395.14

* includes exceptional item (refer note 38).

	31 March 2014	31 October 2013
Segment assets		
Banking and Capital Market	3,528.13	3,189.03
Insurance	1,705.93	1,233.06
Information Technology, Communication and Entertainment	2,535.63	3,065.01
Emerging Industries	4,089.70	4,235.43
Unallocated	35,042.91	37,784.55
	46,902.30	49,507.08
Segment liabilities		
Banking and Capital Market	1,718.49	1,565.90
Insurance	869.08	979.21
Information Technology, Communication and Entertainment	1,352.65	1,484.66
Emerging Industries	2,068.75	2,601.91
Unallocated	2,345.61	5,707.84
	8,354.58	12,339.52
Capital employed		
Banking and Capital Market	1,809.64	1,623.13
Insurance	836.85	253.85
Information Technology, Communication and Entertainment	1,182.98	1,580.35
Emerging Industries	2,020.95	1,633.52
Unallocated	32,697.30	32,076.71
	38,547.72	37,167.56

Notes to the Financial Statements for the five months ended 31 March 2014

(₹ millions)

	Five months ended 31 March 2014	Year ended 31 October 2013
Capital Expenditure		
Banking and Capital Market	54.87	45.49
Insurance	36.99	29.84
Information Technology, Communication and Entertainment	48.07	47.35
Emerging Industries	86.09	85.42
	226.02	208.10
Depreciation and amortisation		
Banking and Capital Market	39.70	152.87
Insurance	27.08	73.50
Information Technology, Communication and Entertainment	68.76	258.04
Emerging Industries	58.86	314.14
	194.40	798.55

	Five months ended 31 March 2014	Year ended 31 October 2013
Secondary segment information (revenues)		
Region		
USA	9,019.57	23,071.10
India	1,665.85	3,884.28
APAC	681.48	1,866.17
EMEA	2,279.64	5,442.45
Unallocated-Hedge	(356.88)	(1,049.20)
	13,289.66	33,214.80

Revenues by geographical area are based on the geographical location of the client.

	31 March 2014	31 October 2013
Secondary segment information (segment assets)		
USA	4,584.39	5,445.67
India	40,344.22	42,303.91
APAC	722.53	802.15
EMEA	1,251.16	955.35
	46,902.30	49,507.08

	Five months ended 31 March 2014	Year ended 31 October 2013
Secondary segment information (capital expenditure)		
Region		
India	226.02	208.10
	226.02	208.10

Notes to the Financial Statements for the five months ended 31 March 2014

29. Earnings Per Share ('EPS')

Reconciliation of basic and diluted shares used in computing earnings per share:

	Five months ended 31 March 2014	Year ended 31 October 2013
Profit after taxation before exceptional items (₹ millions)	2,295.23	5,395.14
Profit after taxation after exceptional items (₹ millions)	2,230.82	5,395.14
Number of weighted average shares considered for calculation of basic earnings per share	210,130,113	210,122,068
Add: Dilutive effect of stock options	245,021	309,679
Number of weighted average shares considered for calculation of diluted earnings per share	210,375,134	210,431,747

The above does not include 21,000 (31 October 2013: 21,000) bonus shares held in abeyance by the Company.

30. Stock Based Compensation

The Company uses the intrinsic value method of accounting for its employee stock options except for RSU Plan 2010, RSU Plan 2011 and ESOP 2012 plan wherein compensation cost is measured based on fair value method. The Company has therefore adopted the pro-forma disclosure provisions as required by the Guidance Note on "Accounting for Employee Share-based Payments" issued by the ICAI with effect from 1 April 2005.

Had the compensation cost been determined in a manner consistent with the fair value approach described in the aforesaid Guidance Note, the Company's net profit and EPS as reported would have been adjusted to the pro-forma amounts indicated below:

	Five months ended 31 March 2014	Year ended 31 October 2013
		(₹ millions)
Net profit as reported (before exceptional item)	2,295.23	5,395.14
Add: Stock based employee compensation expense determined under the intrinsic value method	-	-
Add: Stock based employee compensation income determined under the fair value method	-	-
Pro-forma net profit	2,295.23	5,395.14
Earning per share: Basic		
As reported	10.92	25.68
Pro-forma	10.92	25.68
Earning per share: Diluted		
As reported	10.91	25.64
Pro-forma	10.91	25.64
Net profit as reported (after exceptional item)	2,230.82	5,395.14
Add: Stock based employee compensation expense determined under the intrinsic value method	-	-
Add: Stock based employee compensation income determined under the fair value method	-	-
Pro-forma net profit	2,230.82	5,395.14
Earning per share: Basic		
As reported	10.62	25.68
Pro-forma	10.62	25.68
Earning per share: Diluted		
As reported	10.60	25.64
Pro-forma	10.60	25.64

Notes to the Financial Statements for the five months ended 31 March 2014

The fair value of each stock option has been estimated by management on the respective grant date using the Black-Scholes option pricing model with the following assumptions:

Dividend yield %	1.44% to 1.98%
Expected life	1 to 4 years
Risk free interest rates	5.78% to 8.00%
Expected volatility (annualised) *	67.12% to 69.48%

* Expected volatility (annualised) is computed based on historical share price movement since April 2001.

31. Employee Benefits

a. Gratuity Plan

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

Reconciliation of the projected benefit obligations

(₹ millions)

	31 March 2014	31 October 2013
Change in projected benefit obligation		
Obligations at year beginning	730.18	575.06
Service cost	42.86	186.40
Transfer	0.94	-
Interest cost	25.90	45.23
Benefits paid	(44.54)	(86.00)
Actuarial (gain)/ loss	10.86	9.49
Obligations at year end	766.20	730.18
Change in plan assets		
Plan assets at year beginning, at fair value	359.47	411.16
Expected return on plan assets (estimated)	12.75	33.20
Actuarial gain/ (loss)	(1.12)	1.12
Contributions	0.11	-
Transfer	0.24	(0.01)
Benefits paid	(44.54)	(86.00)
Plan assets at year end, at fair value	326.91	359.47
Reconciliation of present value of obligation and fair value of plan assets		
Fair value of plan assets as at the year end	326.91	359.47
Present value of defined benefit obligation as at the year end	766.20	730.18
Liability recognized in the balance sheet	(439.29)	(370.71)

	Five months ended 31 March 2014	Year ended 31 October 2013
Assumptions		
Interest rate	8.50%	8.50%
Discount rate	8.78%	8.50%
Expected rate of return on plan assets	8.00%	8.00%
Actual rate of return on plan assets	8.85%	9.40%
Attrition rate	20.00%	20.00%
Expected contribution over next one year	439.29	370.71

Notes to the Financial Statements for the five months ended 31 March 2014

(₹ millions)

Gratuity cost	Five months ended 31 March 2014	Year ended 31 October 2013
Service cost	42.86	186.40
Interest cost	25.90	45.23
Transfer	0.94	-
Expected return on plan assets	(12.75)	(33.20)
Actuarial (gain)/ loss	11.98	8.37
Net gratuity cost	68.93	206.80

The estimates of future salary increases considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market. Expected return on plan assets is computed based on prevailing market rate.

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	31 March 2014	31 October 2013
Investments with insurer	100%	100%

Amounts for the current and previous four periods are as follows:

	Five months ended 31 March 2014	Year ended 31 October 2013	Year ended 31 October 2012	Year ended 31 October 2011	Year ended 31 October 2010
Fair value of plan assets as at the year end	326.91	359.47	411.16	386.00	260.58
Present value of defined benefit obligation as at the year end	766.20	730.18	575.06	471.74	378.87
Liability recognized in the balance sheet	(439.29)	(370.71)	(163.90)	(85.74)	(118.29)
Experience Adjustment					
Experience gain/ (loss) on planned liability	(10.86)	(9.49)	0.64	0.64	3.87
Experience gain/ (loss) on planned assets	(1.12)	1.12	1.13	0.94	0.76

b. Provident Fund

The Company contributed ₹ 199.87 millions during the five months ended 31 March 2014 (year ended 31 October 2013: ₹ 512.02 millions).

Effective 03 July 2013, the Company has established a Mphasis Provident Fund Trust ('the Trust') to which contributions towards provident fund are made each month which have been invested in Government bonds with average returns more than guaranteed return. On 23 April 2014, an amount of ₹ 5,052.27 millions which was held by Regional Provident Fund Commissioner has been transferred from Recognised Provident Fund to the Mphasis Provident Fund Trust effective 01 April 2014. The Company has not carried out actuarial valuation as at the date of Balance Sheet since the transfer of fund was not completed as of 31 March 2014. Further, the Company does not expect any shortfall.

32. The details in respect of the jointly controlled operations entered into by the Company as on 31 March 2014 are as follows:

Sl. No.	Name of Joint Ventures	Nature of Project	Capital Commitments
1	TechSmart India Private Limited	The principal activity of this project is setting up enrolment stations, supply/ installation of hardware, maintenance and biometric data entry for National Population Register project of India.	Mphasis Limited is committed to procure the required fixed assets to service the customers and also provide performance bank guarantees/ earnest money deposits, wherever required.
2	Swathy Smart Cards Hi-tech Private Limited		
3	Swathy Smart Cards Hi-tech Private Limited	The principal activity of this project is to deploy equipment/ manpower, and give technology support for collection of door to door data entry for Social Economic Caste Census project in India.	
4	JMK Infosoft Limited		
5	E-Governance Private Limited	The principal activity of this project is to supply equipment conduct enrollment operations and collect demographic data for issuance of Unique Identification cards in India.	
6	Stretegic Outsourcing Services Private Limited		
7	CSS Techenergy Limited		

In respect of the above activities, the Company has advanced ₹ 10.00 millions (31 October 2013: ₹ 37.52 millions) to the said joint venturers.

Notes to the Financial Statements for the five months ended 31 March 2014

33. The movement in provisions during the period/ year is as below:

(₹ millions)

Claims	31 March 2014	31 October 2013
Opening balance	48.03	48.03
Additions	-	-
Amounts used	-	-
Closing balance	48.03	48.03

34. The Company acquired control of Kshema Technologies Limited ("Kshema") on 1 June 2004. Kshema has been amalgamated with Mphasis Limited with effect from 1 April 2005.

The balance consideration payable to the erstwhile shareholders amounting to ₹ 17.06 millions (31 October 2013: ₹ 17.06 millions) is carried as a liability which will be paid after necessary regulatory approvals are obtained (refer note 6).

35. 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 2012-2013. Further, pursuant to introduction of domestic transfer pricing regulation, effective 1 April 2012, the Company had 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, had been accounted during the year ended 31 October 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 had been provided during the year ended 31 October 2013. The management is confident that the provision made in respect of aforementioned matters is adequate.
36. The Company has entered into international and specified domestic transactions with its associated enterprises within the meaning of section 92B and section 92BA respectively of the Income Tax Act, 1961. The Company is of the view that all the aforesaid transactions have been made at arm's length terms.
37. Mphasis Finsource Limited is being merged with its Holding Company, Mphasis Limited effective 01 April 2013. The petition for amalgamation of Mphasis Finsource Limited with the Company has been filed with The Hon'ble High Court of Karnataka upon obtaining the approval from the Bombay Stock Exchange and the National Stock Exchange of India Limited. Pending requisite approvals, merger has not been accounted in the financial statements.
38. On 13 February 2014, the Company entered into a definitive agreement subject to fulfilment of certain conditions for sale of a business division on a slump sale basis. Accordingly, the expected loss of ₹ 64.41 millions (net of tax of ₹ 33.17 millions) on such sale of business has been provided for and disclosed as an exceptional item.
39. On 22 July 2013, the Board of Directors of Mphasis Lanka (Private) Limited, a wholly owned subsidiary of the Company, resolved to close down its operations. Accordingly, the Company has made provision towards investment and intercompany receivables in the financial statements of the Company amounting to ₹ 62.33 millions during the year ended 31 October 2013. Provision outstanding as at 31 March 2014 amounts to ₹ 46.69 millions.
40. Msource India BPO Private Limited has been dissolved and the name has been struck off from the register of Registrar of Companies effective 21 November 2013.
41. Current tax for the five months ended 31 March 2014 includes provision for earlier years amounting to ₹ 47.56 millions (31 October 2013: ₹ 84.14 millions).
42. The ESOP schemes ("RSU 2010", "RSU 2011" and "ESOP 2012") of Mphasis Limited are administrated through the Mphasis Employee Benefit Trust ("MEBT") and all other ESOP schemes are administrated by BFL Equity Reward Trust ("BERT"). Clause 22A.1 of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 states that in case of ESOS/ ESOS administrated through a Trust, the accounts of the Company shall be prepared as if the Company itself is administrating the ESOS/

Notes to the Financial Statements for the five months ended 31 March 2014

ESPS. As per the Trust deeds, MEBT and BERT are constituted as irrevocable trusts. In this regard, basis legal advice obtained, the management is of the view that the Company has no right to the assets of MEBT and BERT, hence, the Company has not consolidated the financial statements of MEBT and BERT in the financial statements of the Company.

43. The financial statements have been prepared for the five months ended 31 March 2014 due to change in accounting year-end from October to March. The comparatives presented are for the year ended 31 October 2013 and hence, not comparable to the current five month period ended 31 March 2014. Previous year's figures have been reclassified to conform to current period's classification, wherever applicable.

For S.R. BATLIBOI & ASSOCIATES LLP

Firm registration number: 101049W
Chartered Accountants

per Adarsh Ranka

Partner

Membership No. 209567

San Francisco, U.S.A.
14 May 2014

For and on behalf of the Board of Directors

Balu Ganesh Ayyar

Chief Executive Officer

Ganesh Murthy

*Executive Vice President &
Chief Financial Officer*

San Francisco, U.S.A.
14 May 2014

Narayanan Kumar

Director

A. Sivaram Nair

*Senior Vice President, Company Secretary
General Counsel & Ethics Officer*

Cash Flow Statement for the five months ended 31 March 2014

(₹ millions)

	Five months ended 31 March 2014	Year ended 31 October 2013
Cash flow from operating activities		
Profit before tax and exceptional item	3,138.23	7,231.89
Non-Cash Adjustment to reconcile profit before tax to net cashflows:		
Depreciation/ amortization	194.40	798.55
Profit on sale of fixed assets	(2.06)	(5.62)
(Reversal)/ Provision against investment in a subsidiary (refer note 39)	(15.64)	62.33
Employee stock compensation expense	1.48	16.06
Provision for bad and doubtful debts	86.67	170.76
Interest expense (excluding exchange difference considered as adjustment to borrowing cost)	4.24	27.51
Interest income	(66.08)	(62.00)
Dividend income	(342.89)	(1,017.10)
Loss on sale/ revaluation of investments	20.55	24.69
Effect of exchange rate changes (gain)/ loss	1.19	291.75
Operating profit before working capital changes	3,020.09	7,538.82
Increase/ (decrease) in trade payables	(714.78)	(298.95)
Increase/ (decrease) in provisions	56.77	228.13
Increase/ (decrease) in other liabilities	(27.73)	74.02
Decrease/ (increase) in trade receivables	552.80	288.87
Decrease/ (increase) in loans and advances	(947.01)	606.09
Decrease/ (increase) in other assets	73.13	1,197.69
Cash (used in)/ generated from operations	(1,006.82)	2,095.85
Direct taxes paid (net of refunds)	(1,039.36)	(2,004.15)
Net cash flow from operating activities (A)	973.91	7,630.52
Cash flow from investing activities:		
Purchase of fixed assets, including intangible assets, CWIP and capital advances	(190.33)	(190.95)
Proceeds from sale of fixed assets	6.97	35.17
Investment in subsidiaries	(2.07)	(5,572.84)
Purchase of investments	(36,501.05)	(44,923.38)
Sale of investments	39,477.67	51,165.50
Intercompany deposit refunded	-	13.57
Interest received	71.74	32.09
Dividends received	342.89	1,017.10
Re-investment of dividend	(248.25)	(617.08)
Investments in bank deposits	(1,000.03)	(1,069.80)
Redemption/ maturity of bank deposits	1,030.00	60.67
Net cash flow from/ (used) in investing activities (B)	2,987.54	(49.95)

Cash Flow Statement for the five months ended 31 March 2014

(₹ millions)

	Five months ended 31 March 2014	Year ended 31 October 2013
Cash flow from financing activities		
Proceeds from issue of share capital	0.08	0.19
Proceeds of premium from issue of share capital	0.75	1.70
Repayment of unsecured loan (including exchange differences)	-	(11,337.14)
Availment of unsecured loans	-	8,349.25
Interest paid	(4.24)	(32.76)
Dividends paid (including tax on dividend)	(4,177.90)	(4,150.12)
Net cash flow used in financing activities (C)	(4,181.31)	(7,168.88)
Net (decrease)/ increase in cash and cash equivalents (A+B+C)	(219.86)	411.69
Cash and cash equivalents at the beginning of the year	1,913.99	1,502.30
Cash and cash equivalents at the end of the year	1,694.13	1,913.99
Components of cash and cash equivalents		
Cash on hand	-	-
Balance with banks		
- on current account	1,473.75	1,067.46
- on deposit account	212.62	840.55
- unclaimed dividend	7.76	5.98
Total cash and cash equivalents (note 15)	1,694.13	1,913.99

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

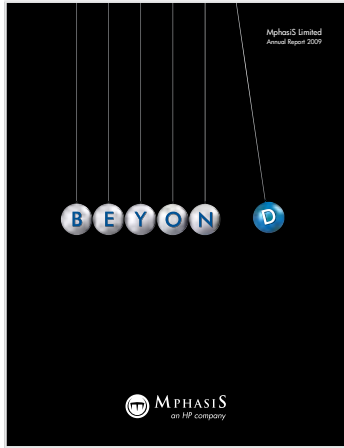
For and on behalf of the Board of Directors
Balu Ganesh Ayyar
Chief Executive Officer
Narayanan Kumar
Director
Ganesh Murthy
*Executive Vice President &
 Chief Financial Officer*
A. Sivaram Nair
*Senior Vice President, Company Secretary
 General Counsel & Ethics Officer*

San Francisco, U.S.A.

14 May 2014

San Francisco, U.S.A.

14 May 2014



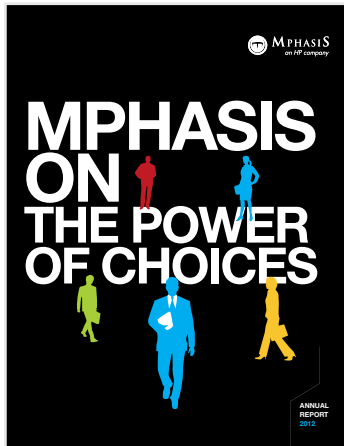
2009 Beyond



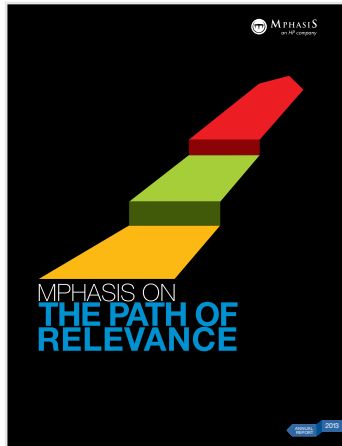
2010 Beyond a Billion



2011 Beyond Ideation



2012 Power of Choices



2013 Path of Relevance



2014 Unleash the Next...





FORM A

1. Name of the Company:	Mphasis Limited
2. Financial Statement for the five-months period ended	31 March 2014
3. Type of Audit observation	Un-qualified opinion
4. Frequency of observation	Not applicable

**For S.R. BATLIBOI &
ASSOCIATES LLP**

ICAI Firm registration number:
101049W

Chartered Accountants

per Adarsh Ranka

Partner

Membership No. 209567

San Francisco, U.S.A.

14 May 2014

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

Balu Ganesh Ayyar

Chief Executive Officer

Ganesh Murthy

Executive Vice President &

Chief Financial Officer

San Francisco, U.S.A.

14 May 2014

Narayanan Kumar

Director and Chairman of Audit
Committee

CERTIFIED TRUE COPY



S. P. NAGARAJAN M.Com., A.C.S., L.L.B.
Company Secretary

S-818, Eighth Floor,
South Block - Manipal Centre,
47, Dickenson Road,
Bangalore - 560 042
Telefax: 080- 41136320, 41141544
Mobile: 98453 84585
Email: cs@nagarajsp818.com
www.spncs818.com

Compliance Certificate on Corporate Governance

To,
The Members of Mphasis Limited

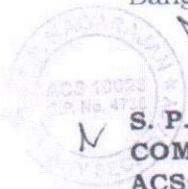
We have examined the compliances of the conditions of Corporate Governance by Mphasis Limited ('the Company') for the period of five months .i.e., from 1st November, 2013 to March 31, 2014, as stipulated in Clause 49 of the listing agreements of the Company with the stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was carried out in accordance with the Guidance Note on certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement), issued by The Institute of Company Secretaries of India and was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliances of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of Company.

In our opinion and to the best of our information and according to the explanation given to us, the representations and all material disclosures made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above-mentioned listing agreements.

We further state that such compliance is neither an assurance as to future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

May 14th, 2014
Bangalore



S. P. NAGARAJAN
COMPANY SECRETARY
ACS: 10028
CP No.: 4738

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