

Oracle Financial Services Software Limited

Unaudited condensed balance sheet as at September 30, 2016

	(Amounts in ₹ million)		
	September 30, 2016	March 31, 2016	April 01, 2015
ASSETS			
Non-current assets			
Property, plant and equipment	2,667.24	2,513.90	2,870.65
Capital work-in-progress	6.96	24.53	2.96
Intangible assets	-	-	-
Investment property	102.00	102.00	102.00
Financial assets			
Investments in subsidiaries and associate	7,516.58	7,483.25	7,506.31
Other non-current financial assets	455.96	1,285.08	1,484.75
Deferred tax assets	993.36	646.52	522.29
Income tax assets (net)	3,899.30	4,242.09	4,121.60
Other non-current assets	773.79	730.41	966.33
	16,415.19	17,027.78	17,576.89
Current assets			
Financial assets			
Trade receivables	5,574.43	7,950.68	6,166.27
Cash and bank balances	16,428.07	21,911.40	30,343.89
Other current financial assets	6,451.96	2,848.44	2,596.47
Other current assets	548.56	486.32	276.43
	29,003.02	33,196.84	39,383.06
TOTAL	45,418.21	50,224.62	56,959.95
EQUITY AND LIABILITIES			
Equity			
Equity share capital	425.09	424.28	423.07
Other equity	37,669.68	39,148.33	47,318.33
Total equity	38,094.77	39,572.61	47,741.40
Non-current liabilities			
Financial liabilities	21.61	23.03	19.82
Other non-current liabilities	187.96	161.46	156.75
Long-term provisions	693.69	633.70	576.77
	903.26	818.19	753.34
Current liabilities			
Financial liabilities			
Trade payables	82.96	265.65	242.65
Other current financial liabilities	3,738.55	7,080.10	6,092.82
Other current liabilities	994.23	981.89	935.08
Income tax liabilities (net)	435.88	430.77	258.71
Short-term provisions	1,168.56	1,075.41	935.95
	6,420.18	9,833.82	8,465.21
TOTAL	45,418.21	50,224.62	56,959.95

The accompanying notes form an integral part of the unaudited condensed financial statements.

Oracle Financial Services Software Limited

Unaudited condensed statement of profit and loss for the three and six month period ended September 30, 2016

(Amounts in ₹ million, except share data)

	Three month period ended September 30,		Six month period ended September 30,	
	2016	2015	2016	2015
Revenue from operations	9,078.22	8,325.14	19,181.40	17,197.82
Finance income	373.20	655.61	775.46	1,414.58
Other income, net	223.23	(134.69)	294.66	(158.60)
Total income	9,674.65	8,846.06	20,251.52	18,453.80
Expenses				
Employee benefit expenses	4,538.72	4,107.16	9,307.16	8,319.61
Travel related expenses	569.80	458.06	1,088.72	889.39
Professional fees	486.33	408.54	972.05	798.45
Other operating expenses	423.50	238.13	793.34	795.56
Depreciation and amortization	172.70	122.09	355.94	256.15
Total expenses	6,191.05	5,333.98	12,517.21	11,059.16
Profit before exceptional item and tax	3,483.60	3,512.08	7,734.31	7,394.64
Exceptional item {Refer note 7}	1,908.03	-	1,908.03	-
Profit before tax	5,391.63	3,512.08	9,642.34	7,394.64
Tax expenses				
Current tax	1,039.30	1,286.94	2,368.91	2,857.21
Deferred tax	(301.85)	(5.10)	(336.51)	(184.01)
Total tax expenses	737.45	1,281.84	2,032.40	2,673.20
Profit for the period	4,654.18	2,230.24	7,609.94	4,721.44
Other comprehensive income				
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>				
Actuarial (loss) gain on gratuity fund	(16.04)	(4.90)	(29.84)	3.60
Deferred tax	5.55	1.69	10.33	(1.25)
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>				
Exchange differences on translation of foreign operations	34.33	(0.01)	(24.54)	(46.01)
Total other comprehensive income for the period, net of tax	23.84	(3.22)	(44.05)	(43.66)
Total comprehensive income for the period	4,678.02	2,227.02	7,565.89	4,677.78
Earnings per equity share of par value of ₹ 5 (September 30, 2015 ₹ 5) each (in ₹)				
Basic	54.78	26.34	89.62	55.77
Diluted	54.60	26.17	89.32	55.41
Weighted average number of shares used in computing earnings per share				
Basic	84,953,684	84,684,322	84,917,342	84,654,346
Diluted	85,239,718	85,228,120	85,199,371	85,214,050

The accompanying notes form an integral part of the unaudited condensed financial statements.

Oracle Financial Services Software Limited

Unaudited statement of changes in equity for the six month period ended September 30, 2016

(a) Six month period ended September 30, 2016

(Amounts in ₹ million, except share data)

Particulars	Number of shares	Share Capital	Share application money pending allotment	Securities premium	General reserve	Retained earnings	Employee stock options outstanding	Other comprehensive income	Total equity attributable to equity share holders of the Company
Balance as of April 1, 2016	84,856,178	424.28	3.00	11,690.10	10,145.19	16,037.56	1,345.71	(73.23)	39,572.61
<i>Changes in equity for the six month period ended September 30, 2016</i>									
Application money received for exercised options	-	-	7.52	-	-	-	-	-	7.52
Shares issued for exercised options	160,823	0.81	(3.00)	387.67	-	-	-	-	385.48
Stock compensation charge	-	-	-	-	-	-	253.03	-	253.03
Stock compensation related to options exercised	-	-	-	153.66	-	-	-	-	153.66
Profit for the period	-	-	-	-	-	7,609.94	-	-	7,609.94
Final equity dividend including dividend distribution tax thereon	-	-	-	-	-	(9,843.42)	-	-	(9,843.42)
Actuarial loss on gratuity fund including deferred tax thereon	-	-	-	-	-	-	-	(19.51)	(19.51)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(24.54)	(24.54)
Balance as of September 30, 2016	85,017,001	425.09	7.52	12,231.43	10,145.19	13,804.08	1,598.74	(117.28)	38,094.77

(b) Six month period ended September 30, 2015

(Amounts in ₹ million, except share data)

Particulars	Number of shares	Share Capital	Share application money pending allotment	Securities premium	General reserve	Retained earnings	Employee stock options outstanding	Other comprehensive income	Total equity attributable to equity share holders of the Company
Balance as of April 1, 2015	84,614,859	423.07	0.63	11,046.05	10,145.19	25,402.47	723.99	-	47,741.40
<i>Changes in equity for the six month period ended September 30, 2015</i>									
Application money received for exercised options	-	-	8.82	-	-	-	-	-	8.82
Shares issued for exercised options	159,321	0.80	(0.63)	395.01	-	-	-	-	395.18
Gross employee stock compensation for options granted	-	-	-	-	-	-	122.75	-	122.75
Stock compensation charge	-	-	-	-	-	-	158.11	-	158.11
Stock compensation related to options exercised	-	-	-	26.83	-	-	-	-	26.83
Forfeiture of unvested options	-	-	-	-	-	2.67	-	-	2.67
Profit for the period	-	-	-	-	-	4,721.44	-	-	4,721.44
Final equity dividend including dividend distribution tax thereon	-	-	-	-	-	(18,365.85)	-	-	(18,365.85)
Actuarial gain on gratuity fund including deferred tax thereon	-	-	-	-	-	-	-	2.35	2.35
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(46.01)	(46.01)
Balance as of September 30, 2015	84,774,180	423.87	8.82	11,467.89	10,145.19	11,760.73	1,004.85	(43.66)	34,767.69

(c) Year ended March 31, 2016

(Amounts in ₹ million, except share data)

Particulars	Number of shares	Share Capital	Share application money pending allotment	Securities premium	General reserve	Retained earnings	Employee stock options outstanding	Other comprehensive income	Total equity attributable to equity share holders of the Company
Balance as of April 1, 2015	84,614,859	423.07	0.63	11,046.05	10,145.19	25,402.47	723.99	-	47,741.40
<i>Changes in equity for the year ended March 31, 2016</i>									
Application money received for exercised options	-	-	3.00	-	-	-	-	-	3.00
Shares issued for exercised options	241,319	1.21	(0.63)	571.60	-	-	-	-	572.18
Gross employee stock compensation for options granted	-	-	-	-	-	-	369.95	-	369.95
Stock compensation charge	-	-	-	-	-	-	251.77	-	251.77
Forfeiture of unvested options	-	-	-	-	-	23.39	-	-	23.39
Stock compensation related to options exercised	-	-	-	72.45	-	-	-	-	72.45
Profit for the period	-	-	-	-	-	8,977.55	-	-	8,977.55
Final equity dividend including dividend distribution tax thereon	-	-	-	-	-	(18,365.85)	-	-	(18,365.85)
Actuarial loss on gratuity fund including deferred tax thereon	-	-	-	-	-	-	-	(34.31)	(34.31)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(38.92)	(38.92)
Balance as of March 31, 2016	84,856,178	424.28	3.00	11,690.10	10,145.19	16,037.56	1,345.71	(73.23)	39,572.61

Oracle Financial Services Software Limited

Notes annexed to and forming part of unaudited condensed financial statements for the three and six month period ended September 30, 2016

Note 1: Corporate information

Oracle Financial Services Software Limited (the 'Company') was incorporated in India with limited liability on September 27, 1989. The Company is a subsidiary of Oracle Global (Mauritius) Limited holding 74.16% (March 31, 2016 – 74.30%) ownership interest in the Company as at September 30, 2016.

The Company is principally engaged in the business of providing information technology solutions to the financial services industry worldwide. The Company has a suite of banking products, which caters to the needs of corporate, retail, investment banking, treasury operations and data warehousing.

Note 2: Summary of significant accounting policies

2.1 Statement of compliance

In accordance with the notification issued by the Ministry of Corporate Affairs, the Company has adopted Indian Accounting Standards (referred to as "Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 with effect from April 1, 2015. These financial statements comprising of balance sheet, statement of profit and loss, statement of changes in equity and statement of cash flows as at September 30, 2016 have been prepared in accordance with Indian Accounting Standards ('Ind AS') as prescribed under Section 133 of the Companies Act, 2013 read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016. Previous period numbers in the financial statements have been restated to Ind AS.

These financial statements have been prepared in accordance with Ind AS 34 Interim Financial Reporting as notified under the Companies (Indian Accounting Standards) Rules, 2015 read with Section 133 of the Companies Act, 2013.

2.2 Basis of preparation

The financial statements have been prepared on a historical cost basis, except for the following assets and liabilities which have been measured at fair value:

- Derivative financial instruments
- Certain financial assets and liabilities

In accordance with Ind AS 101 First-time Adoption of Indian Accounting Standard, the Company has presented a reconciliation from the presentation of financial statements under Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 ("Previous GAAP") to Ind AS of shareholders' equity as at September 30, 2015 and of the comprehensive net income for the three and six month period ended September 30, 2015.

Previous period comparative numbers in the financial statements are presented for opening balance sheet as at April 1, 2015 along with March 31, 2016 and have been restated to Ind AS.

The financial results and financial information presented in the opening balance sheet as at April 1, 2015 and for the three and six month period ended September 30, 2015 have been compiled by the management after making the necessary adjustments to give a true and fair view of the results in accordance with Ind AS. These have neither been audited nor reviewed. The Ind AS financial results and other financial information as of and for the year ended March 31, 2016 have been audited.

Oracle Financial Services Software Limited

Notes annexed to and forming part of unaudited condensed financial statements for the three and six month period ended September 30, 2016

2.3 Summary of significant accounting policies

The significant accounting policies adopted by the Company, in respect of the financial statements are set out as below:

(a) Business combination and goodwill

In accordance with Ind AS 101 provisions related to first time adoption, the Company has elected to apply accounting for business combinations prospectively from April 1, 2015. As such, Indian GAAP balances relating to business combinations entered into before that date, including goodwill, have been carried forward (Refer note 3).

(b) Current versus non- current classification

The Company presents assets and liabilities in the balance sheet based on current / non-current classification. An asset is treated as current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

The operating cycle for assets is the time between the acquisition of assets for processing and their realization in cash and cash equivalents. The operating cycle for liabilities is the time between a liability is booked in the financial statements and its' settlement in cash and cash equivalents. The Company has identified twelve months as its operating cycle.

(c) Property, plant and equipment and intangible assets

Property, plant and equipment and Capital work in progress, are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment. When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. All other repair and maintenance costs are recognized in the statement of profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

In accordance with Ind AS 101 provisions related to first time adoption, the Company has elected to consider historical cost as per Indian GAAP as their deemed cost as at the opening balance sheet as at April 1, 2015 under IndAS. All additions during the reported year are considered at cost (Refer note 3).

Oracle Financial Services Software Limited

Notes annexed to and forming part of unaudited condensed financial statements for the three and six month period ended September 30, 2016

The Company purchases certain specific-use application software, which is in ready to use condition, for internal use. It is estimated that such software has a relatively short useful life, usually less than one year. The Company, therefore, charges to income the cost of acquiring such software.

Depreciation and amortization are computed as per the straight-line method using the rates arrived at based on the useful lives estimated by the management. The estimated useful life considered for depreciation of fixed assets is as follows:

<u>Asset description</u>	<u>Asset life (in years)</u>
Tangible assets	
Improvement of leasehold premises	Lesser of 7 years or lease term
Buildings	20
Computer equipments	3
Office equipments	2-5
Electricals and other installations	2-7
Furniture and fixtures	2-7
Vehicles under finance lease	Lesser of 3 to 5 years or lease term
Intangible assets	
Goodwill on acquisition	3 to 5
Product IPR	5
PeopleSoft ERP	5

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

(d) Foreign currencies

The financial statements are presented in INR, which is the functional currency of the Company. For each branch, the Company determines the functional currency and items included in the financial statements of each branch are measured using that functional currency.

Foreign currency balances

Transactions in foreign currencies are initially recorded by the Company's branches at their respective functional currency using spot rates at the date the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the relevant functional currency at exchange rates at the reporting date.

Non- monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

The assets and liabilities of foreign branch are translated into INR at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the date of the transactions. For practical reasons, the Company uses an average rate to translate income and expense items, if the average rate approximates the exchange rates at the date of the transactions. The exchange differences arising on translation for branch consolidation are recognized in other Comprehensive income (OCI).

Cumulative currency translation differences of the foreign branches are deemed to be zero at the date of transition (Refer note 3).

Oracle Financial Services Software Limited

Notes annexed to and forming part of unaudited condensed financial statements for the three and six month period ended September 30, 2016

(e) Research and development expenses for software products

Research costs are expensed as incurred. Software product development costs are expensed as incurred unless technical feasibility of project is established, future economic benefits are probable, the Company has an intention and ability to complete and use or sell the software and the cost can be measured reliably.

Software product development costs incurred subsequent to the achievement of technical feasibility are not material and are expensed as incurred.

(f) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured under IndAS at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government. The Company has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements as it has pricing latitude and is also exposed to credit risks.

In arrangements for software development and related services and maintenance services, the company has applied the guidance in Ind AS 18, Revenue, by applying the revenue recognition criteria for each separately identifiable component of a single transaction. The arrangements generally meet the criteria for considering software development and related services as separately identifiable components. For allocating the consideration, the company has measured the revenue in respect of each separable component of a transaction at its fair value, in accordance with principles given in Ind AS 18. The price that is regularly charged for an item when sold separately is the best evidence of its fair value. In cases where the company is unable to establish objective and reliable evidence of fair value for the software development and related services, the company has used a residual method to allocate the arrangement consideration. In these cases the balance of the consideration, after allocating the fair values of undelivered components of a transaction has been allocated to the delivered components for which specific fair values do not exist.

Revenue from services is recognised by reference to the stage of completion. Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. When the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Interest income

Interest income is recognized using the effective interest method.

(g) Income-tax

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company and its branches operate and generate taxable income.

Current income tax relating to items recognized outside profit or loss is recognized either in other comprehensive income or in equity. Current tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Oracle Financial Services Software Limited

Notes annexed to and forming part of unaudited condensed financial statements for the three and six month period ended September 30, 2016

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

Deferred tax relating to items recognized outside profit or loss is recognized either in other comprehensive income or in equity as applicable. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(h) Investment properties

Investment properties are measured initially and subsequently at cost. The Company has elected to continue with the carrying value for all of its investment property as recognized in its Indian GAAP financial statements as deemed cost at the transition date. Though the Company measures investment property using cost based measurement, the fair value of investment property is disclosed annually in the notes attached to the Fixed Asset Schedule forming part of financials. Fair values are determined based on an evaluation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee.

Oracle Financial Services Software Limited

Notes annexed to and forming part of unaudited condensed financial statements for the three and six month period ended September 30, 2016

(i) Fair value measurement

The Company has measured the financial instruments at fair value at the balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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

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

At the reporting date, the Company analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the accounting policies. For this analysis, the Company verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Company also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Oracle Financial Services Software Limited

Notes annexed to and forming part of unaudited condensed financial statements for the three and six month period ended September 30, 2016

(j) Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Company recognizes a financial asset or a liability in its balance sheet only when the entity becomes party to the contractual provisions of the instrument.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss as appropriate. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement

For purposes of subsequent measurement financial assets are classified in three categories:

- Financial assets measured at amortized cost
- Financial assets at fair value through OCI
- Financial assets at fair value through profit or loss

Financial assets measured at amortized cost

This category is the most relevant to the Company. Financial assets are measured at amortized cost if the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are amortized using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statement of profit or loss. The losses arising from impairment are recognized in the statement of profit or loss in finance costs.

Financial assets at fair value through OCI

Financial assets are measured at fair value through other comprehensive income if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Company has not designated any financial assets at fair value through OCI.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by Ind AS 109. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of profit or loss.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment

Oracle Financial Services Software Limited

Notes annexed to and forming part of unaudited condensed financial statements for the three and six month period ended September 30, 2016

only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

Derecognition

A financial asset is derecognized i.e. removed from the Company's statement of financial position when:

- The contractual rights to the cash flows from the financial asset expire or
- The Company has transferred its contractual rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Impairment of financial assets

The Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the financial assets and credit risk exposure. For trade receivables the Company follows 'simplified approach' for recognition of impairment loss allowance. The application of simplified approach does not require the group to track changes in credit risk. Rather, it recognizes impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognizing impairment loss allowance based on 12-month ECL.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.

The Company uses a provision matrix to determine impairment loss allowance on portfolio of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at amortized cost or financial liabilities at fair value through profit or loss, as appropriate. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Oracle Financial Services Software Limited

Notes annexed to and forming part of unaudited condensed financial statements for the three and six month period ended September 30, 2016

The Company's financial liabilities include trade payables, accrued expenses, advance from customers and unclaimed dividends.

Subsequent measurement

The Company measures all financial liabilities at amortized cost except for financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

Financial liabilities held for trading are measured at fair value through profit and loss. The Company has not designated any financial liability as at fair value through profit or loss.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Embedded derivatives

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract – with the effect that some of the cash flows of the combined instrument vary in a way similar to a standalone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a nonfinancial variable that the variable is not specific to a party to the contract. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

If the hybrid contract contains a host that is a financial asset within the scope of Ind AS 109, the Company does not separate embedded derivatives. Rather, it applies the classification requirements contained in Ind AS 109 to the entire hybrid contract. Derivatives embedded in all other host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss, unless designated as effective hedging instruments.

(k) Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Company uses forward currency contracts derivative financial instrument to hedge its foreign currency risks. Such derivative financial instrument is initially recognized at fair value on the date on which a derivative contract is entered into and is subsequently re measured at fair value. Derivative is carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss.

Oracle Financial Services Software Limited

Notes annexed to and forming part of unaudited condensed financial statements for the three and six month period ended September 30, 2016

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment
- Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

Fair value hedges

The change in the fair value of a hedging instrument is recognized in the statement of profit or loss as a finance cost. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in the statement of profit or loss as a finance cost.

The Company enters into foreign currency forward contracts that is used to hedge for the exposure of changes in the fair value of trade receivable on account of foreign currency rate movement.

(l) Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to April 1, 2015, the company has examined and determined that there are no arrangements that contain lease on the basis of facts and circumstances existing on the date of transition (Refer note 3).

(m) Share based payments

Employees of the Company also receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. The cost is recognized, together with a corresponding increase in share-based payment (SBP) reserves in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest (Refer note 3).

Oracle Financial Services Software Limited

Notes annexed to and forming part of unaudited condensed financial statements for the three and six month period ended September 30, 2016

(n) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is presented in the statement of profit and loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

(o) Retirement and other employee benefits

Retirement benefit in the form of provident fund is a defined contribution scheme. The Company has no obligation, other than the contribution payable to the provident fund. The Company recognizes contribution payable to the provident fund scheme as an expense, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre-payment will lead to, for example, a reduction in future payment or a cash refund.

The Company operates a defined benefit gratuity plan in India, which requires contributions to be made to a fund administered and managed by the Life Insurance Corporation of India ('LIC') to fund the gratuity liability. Under this scheme, the obligation to pay gratuity remains with the Company, although LIC administers the scheme.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Non vested past service cost has been adjusted against the retained earnings on the date of transition to IndAS.

Past service costs are recognized in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Company recognizes related restructuring costs.

Any actuarial gains / losses on post employment benefits are recognized in other comprehensive income.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognizes the following changes in the net defined benefit obligation as an expense in the statement of profit and loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income.

(p) Cash dividend to equity share holders of the Company

The Company recognizes a liability to make cash or non-cash distributions to equity share holders when the distribution is authorized and the distribution is no longer at the discretion of the Company. As per the corporate laws in India, a distribution is authorized when it is approved by the shareholders. A corresponding amount is recognized directly in equity.

Oracle Financial Services Software Limited

Notes annexed to and forming part of unaudited condensed financial statements for the three and six month period ended September 30, 2016

(q) Earnings per share

The earnings considered in ascertaining the Company's earnings per share comprise the net profit after tax. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the year. The number of shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share, and also the weighted average number of shares, if any which would have been issued on the conversion of all dilutive potential equity shares. The weighted average number of shares and potentially dilutive equity shares are adjusted for the bonus shares and sub-division of shares. For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

(r) Cash and cash equivalents

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

Note 3: First time adoption of Ind AS

The Company's date of transition to Ind AS is April 1, 2015. Ind AS 101 allows first-time adopters certain exemptions from the retrospective application of certain requirements under Ind AS. The Company has applied the following material exemptions:

- Cumulative currency translation differences for all foreign operations are deemed to be zero as at April 1, 2015.
- Ind AS 102 Share-based Payment has not been applied to equity instruments in share-based payment transactions that vested before April 1, 2015.
- Appendix C to Ind AS 17 requires an entity to assess whether a contract or arrangement contains a lease. In accordance with Ind AS 17, this assessment should be carried out at the inception of the contract or arrangement. However, the Company has used Ind AS 101 exemption and assessed all arrangements based on conditions in place as at the date of transition.
- Company has opted for historical cost of Property, plant and equipment as per Indian GAAP as the deemed cost on the opening balance sheet date.

Oracle Financial Services Software Limited

Notes annexed to and forming part of the unaudited condensed financial statements for the three and six month period ended September 30, 2016

Note 4: Capital Commitments and contingent liabilities

(Amounts in ₹ million)

Particulars	September 30, 2016	March 31, 2016	April 01, 2015
(a) Contracts remaining to be executed on capital account not provided for (net of advances)	193.64	226.80	177.24
(b) Contingent liabilities	Nil	Nil	Nil

Note 5: Segment information

The Company is organized by business segment and geographically. For management purposes the Company is primarily organized on a worldwide basis into two business segments:

- a) Product licenses and related activities ('Products') and
- b) IT solutions and consulting services ('Services')

Three month period ended September 30, 2016

(Amounts in ₹ million)

Particulars	Products	Services	Total
Revenue from operations	7,636.08	1,442.14	9,078.22
Segment result	2,882.36	212.19	3,094.55
Unallocable expenses			(207.38)
Finance income			373.20
Other income, net			223.23
Profit before exceptional item and tax			3,483.60
Exceptional item {Refer note 7}			1,908.03
Profit before tax			5,391.63
Tax expenses			(737.45)
Profit for the period			4,654.18

Three month period ended September 30, 2015

(Amounts in ₹ million)

Particulars	Products	Services	Total
Revenue from operations	6,772.84	1,552.30	8,325.14
Segment result	2,857.70	310.84	3,168.54
Unallocable expenses			(177.38)
Finance income			655.61
Other expense, net			(134.69)
Profit before tax			3,512.08
Tax expenses			(1,281.84)
Profit for the period			2,230.24

Six month period ended September 30, 2016

(Amounts in ₹ million)

Particulars	Products	Services	Total
Revenue from operations	16,190.19	2,991.21	19,181.40
Segment result	6,655.15	398.62	7,053.77
Unallocable income			(389.58)
Finance income			775.46
Other income, net			294.66
Profit before exceptional item and tax			7,734.31
Exceptional item {Refer note 7}			1,908.03
Profit before tax			9,642.34
Tax expenses			(2,032.40)
Profit for the period			7,609.94

Six month period ended September 30, 2015

(Amounts in ₹ million)

Particulars	Products	Services	Total
Revenue from operations	14,151.46	3,046.36	17,197.82
Segment result	6,126.68	501.88	6,628.56
Unallocable expenses			(489.90)
Finance income			1,414.58
Other expense, net			(158.60)
Profit before tax			7,394.64
Tax expenses			(2,673.20)
Profit for the period			4,721.44

Oracle Financial Services Software Limited

Notes annexed to and forming part of the unaudited condensed financial statements for the three and six month period ended September 30, 2016

Other information

Three month period ended September 30, 2016 (Amounts in ₹ million)

Particulars	Products	Services	Unallocable	Total
Capital expenditure by segment				
Tangible assets	33.08	8.29	1.00	42.37
Depreciation and amortization	158.68	11.20	2.82	172.70
Other non cash expenses	121.32	3.54	0.04	124.90
Segment assets	12,448.55	2,682.17	30,287.49	45,418.21
Segment liabilities	5,583.16	1,030.23	710.05	7,323.44
Equity	-	-	38,094.77	38,094.77

Three month period ended September 30, 2015 (Amounts in ₹ million)

Particulars	Products	Services	Unallocable	Total
Capital expenditure by segment				
Tangible assets	32.85	6.56	1.28	40.69
Depreciation and amortization	89.83	27.55	4.71	122.09
Other non cash expenses	(25.29)	1.00	0.08	(24.21)
Segment assets	10,946.96	2,741.45	30,744.24	44,432.65
Segment liabilities	7,327.39	1,622.97	714.60	9,664.96
Equity	-	-	34,767.69	34,767.69

Six month period ended September 30, 2016 (Amounts in ₹ million)

Particulars	Products	Services	Unallocable	Total
Capital expenditure by segment				
Tangible assets	381.09	111.08	16.98	509.15
Depreciation and amortization	291.35	55.38	9.21	355.94
Other non cash expenses	146.70	2.36	0.08	149.14
Segment assets	12,448.55	2,682.17	30,287.49	45,418.21
Segment liabilities	5,583.16	1,030.23	710.05	7,323.44
Equity	-	-	38,094.77	38,094.77

Six month period ended September 30, 2015 (Amounts in ₹ million)

Particulars	Products	Services	Unallocable	Total
Capital expenditure by segment				
Tangible assets	53.06	13.79	2.09	68.94
Depreciation and amortization	186.89	59.87	9.39	256.15
Other non cash expenses	(14.56)	12.24	157.82	155.50
Segment assets	10,946.96	2,741.45	30,744.24	44,432.65
Segment liabilities	7,327.39	1,622.97	714.60	9,664.96
Equity	-	-	34,767.69	34,767.69

Note 6: Other expenses for the six month period ended September 30, 2015 include a provision of ₹ 157.77 million against equity investment and loan including interest thereon to a subsidiary company.

Note 7: During the three and six month period ended September 30, 2016, the Company has received dividend of ₹ 971.43 million and ₹ 936.60 million from its wholly owned subsidiaries Oracle Financial Services Software B.V. and Oracle Financial Services Software Pte. Ltd respectively. Considering the amount of dividend received, the same has been disclosed as an exceptional item. Tax expenses for the three and six month period ended September 30, 2016 includes applicable tax credits on this dividend income.

Note 8: Other income for the three and six month period ended September 30, 2016 includes ₹ 245.04 million against liability written-back towards amount due to its wholly owned subsidiary Oracle Financial Services Software, Inc.

Oracle Financial Services Software Limited

**Notes annexed to and forming part of the unaudited condensed financial statements for the
three and six month period ended September 30, 2016**

Note 9: Reconciliations between Previous GAAP and Ind AS

(a) Equity reconciliation

(Amounts in ₹ million)		
Particulars	As at March 31, 2016	As at April 1, 2015
Equity under Previous GAAP	29,893.32	29,907.33
Adjustments:		
Reversal of proposed final equity dividend including dividend distribution tax thereon	10,213.12	18,331.33
Deferred taxes	(378.66)	(397.52)
Stock compensation charge	111.01	57.33
Fair valuation of financial assets along with expected credit loss thereon	(12.01)	28.03
Deferral of revenue including discounting due to extended payment terms	(293.31)	(201.43)
Exchange differences on translation of foreign operations	39.68	16.68
Others	(0.54)	(0.35)
Equity under Ind AS	39,572.61	47,741.40

(b) Comprehensive income reconciliation

(Amounts in ₹ million)		
Particulars	Three month period ended September 30, 2015	Six month period ended September 30, 2015
Net income for the period under Previous GAAP	2,426.00	5,110.60
Adjustments:		
Stock compensation charge	(87.91)	(164.97)
Fair valuation of financial assets along with expected credit loss thereon	(32.29)	(44.97)
Deferred taxes	58.95	134.16
Deferral of revenue including discounting due to extended payment terms	(154.34)	(369.97)
Exchange differences on translation of foreign operations	22.72	108.50
Provisions for current period made in subsequent periods	(11.56)	(36.78)
Reclass of actuarial loss / (gain) on gratuity fund to Other Comprehensive Income	4.90	(3.60)
Others	3.77	(11.53)
Profit for the period under Ind AS	2,230.24	4,721.44
Other Comprehensive Income	(3.22)	(43.66)
Total Comprehensive Income for the period under Ind AS	2,227.02	4,677.78

The accompanying notes form an integral part of the unaudited condensed financial statements.

Oracle Financial Services Software Limited

Unaudited condensed statement of cash flow for the six month period ended September 30, 2016

	(Amounts in ₹ million)	
	Six month period ended	
	September 30, 2016	September 30, 2015
Net cash provided by operating activities	851.79	2,690.29
Net cash provided by investing activities	10,310.28	15,559.48
Net cash (used in) financing activities	(9,450.42)	(17,961.88)
Net increase in cash and cash equivalents	1,711.65	287.89
Cash and cash equivalents at beginning of the period	1,358.23	908.92
Effect of exchange difference on cash and bank balances	34.31	46.18
Cash and cash equivalents at end of the period	3,104.19	1,242.99
Component of cash and cash equivalents		
Balances with banks:		
Current accounts	1,854.29	996.38
Deposit accounts with original maturity of less than three months	1,130.24	130.00
Unclaimed dividend account *	119.66	116.61
Total cash and cash equivalents	3,104.19	1,242.99

* These balances will be utilized only towards the respective unpaid dividend.