

Oracle Financial Services Software Limited

Balance sheet as at March 31, 2017

(Amounts in ₹ million)

	March 31, 2017	March 31, 2016	April 01, 2015
ASSETS			
Non-current assets			
Property, plant and equipment	2,428.13	2,513.90	2,870.65
Capital work-in-progress	6.55	24.53	2.96
Investment property	102.00	102.00	102.00
Financial assets			
Investments in subsidiaries and associate	7,549.57	7,483.25	7,506.31
Other non-current financial assets	550.17	1,285.08	1,484.75
Income tax assets (net)	5,680.53	4,242.09	4,121.60
Deferred tax assets (net)	1,102.19	646.52	522.29
Other non-current assets	713.52	730.41	916.45
	18,132.66	17,027.78	17,527.01
Current assets			
Financial assets			
Trade receivables	5,075.12	8,046.77	6,318.65
Cash and cash equivalents	20,990.75	1,358.23	908.92
Other bank balances	3,385.97	20,553.17	29,434.97
Other current financial assets	3,069.48	2,752.35	2,444.09
Other current assets	369.22	486.32	326.31
	32,890.54	33,196.84	39,432.94
TOTAL	51,023.20	50,224.62	56,959.95
EQUITY AND LIABILITIES			
Equity			
Equity share capital	425.53	424.28	423.07
Other equity	26,333.67	39,148.33	47,318.33
Total equity	26,759.20	39,572.61	47,741.40
Non-current liabilities			
Financial liabilities	21.14	23.03	19.82
Other non-current liabilities	136.86	161.46	156.75
Employee benefit obligations	744.83	633.70	576.77
	902.83	818.19	753.34
Current liabilities			
Financial liabilities			
Trade payables	75.49	265.65	242.65
Other current financial liabilities	20,574.82	7,080.10	6,092.82
Other current liabilities	1,090.85	981.89	935.08
Employee benefit obligations	1,153.48	1,075.41	935.95
Income tax liabilities (net)	466.53	430.77	258.71
	23,361.17	9,833.82	8,465.21
TOTAL	51,023.20	50,224.62	56,959.95

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

Oracle Financial Services Software Limited

Statement of profit and loss for the year ended March 31, 2017

(Amounts in ₹ million, except share data)

	Year ended March 31,	
	2017	2016
Revenue from operations	37,363.12	35,284.31
Finance income	1,420.83	2,151.82
Other income, net	215.76	(23.14)
Total income	38,999.71	37,412.99
Expenses		
Employee benefit expenses	18,108.63	16,908.62
Travel related expenses	2,048.80	1,847.56
Professional fees	1,850.38	1,638.94
Other operating expenses	1,660.57	1,839.14
Depreciation and amortization	667.99	497.71
Total expenses	24,336.37	22,731.97
Profit before exceptional item and tax	14,663.34	14,681.02
Exceptional item [Refer Note 6]	2,162.59	-
Profit before tax	16,825.93	14,681.02
Tax expenses		
Current tax	4,383.88	5,809.58
Deferred tax	(438.92)	(106.11)
Total tax expenses	3,944.96	5,703.47
Profit for the year	12,880.97	8,977.55
Other comprehensive income		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Actuarial (loss) gain on gratuity fund	(48.38)	(52.47)
Deferred tax	16.74	18.16
<i>Items that will be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of foreign operations	44.62	(38.92)
Total other comprehensive income for the year, net of tax	12.98	(73.23)
Total comprehensive income for the year	12,893.95	8,904.32
Earnings per equity share of par value of ₹ 5 (March 31, 2016 ₹ 5)		
Basic	151.57	105.95
Diluted	151.06	105.38

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

Oracle Financial Services Software Limited

Statement of changes in equity for the year ended March 31, 2017

(a) Year ended March 31, 2017

(Amounts in ₹ million, except share data)

Particulars	Equity share capital		Other equity					Other comprehensive income		Total equity attributable to equity share holders of the Company
	Number of shares	Share Capital	Share application money pending allotment	Securities premium	General reserve	Employee stock options outstanding	Retained earnings	Foreign currency translation reserve	Remeasurement of defined benefit obligation	
Balance as of April 1, 2016	84,856,178	424.28	3.00	11,690.10	10,145.19	1,345.71	16,037.56	(38.92)	(34.31)	39,572.61
<i>Changes in equity for the year ended March 31, 2017</i>										
Application money received for exercised options	-	-	589.42	-	-	-	-	-	-	589.42
Shares issued for exercised options	250,228	1.25	(566.26)	565.01	-	-	-	-	-	-
Stock compensation charge	-	-	-	-	-	780.37	-	-	-	780.37
Forfeiture of options	-	-	-	-	-	(17.58)	17.58	-	-	-
Stock compensation related to options exercised	-	-	-	273.45	-	(273.45)	-	-	-	-
Profit for the year	-	-	-	-	-	-	12,880.97	-	-	12,880.97
Final equity dividend including dividend distribution tax thereon	-	-	-	-	-	-	(9,843.42)	-	-	(9,843.42)
Interim equity dividend including dividend distribution tax thereon	-	-	-	-	-	-	(17,233.73)	-	-	(17,233.73)
Actuarial loss on gratuity fund including deferred tax thereon	-	-	-	-	-	-	-	-	(31.64)	(31.64)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	44.62	-	44.62
Balance as of March 31, 2017	85,106,406	425.53	26.16	12,528.56	10,145.19	1,835.05	1,858.96	5.70	(65.95)	26,759.20

(b) Year ended March 31, 2016

(Amounts in ₹ million, except share data)

Particulars	Equity share capital		Other equity					Other comprehensive income		Total equity attributable to equity share holders of the Company
	Number of shares	Share Capital	Share application money pending allotment	Securities premium	General reserve	Employee stock options outstanding	Retained earnings	Foreign currency translation reserve	Remeasurement of defined benefit obligation	
Balance as of April 1, 2015	84,614,859	423.07	0.63	11,046.05	10,145.19	723.99	25,402.47	-	-	47,741.40
<i>Changes in equity for the year ended March 31, 2016</i>										
Application money received for exercised options	-	-	575.18	-	-	-	-	-	-	575.18
Shares issued for exercised options	241,319	1.21	(572.81)	571.60	-	-	-	-	-	-
Stock compensation charge	-	-	-	-	-	717.56	-	-	-	717.56
Forfeiture of unvested options	-	-	-	-	-	(23.39)	23.39	-	-	-
Stock compensation related to options exercised	-	-	-	72.45	-	(72.45)	-	-	-	-
Profit for the year	-	-	-	-	-	-	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	1,345.71	16,037.56	(38.92)	(34.31)	39,572.61

Oracle Financial Services Software Limited

Notes annexed to and forming part of financial statements for the year ended March 31, 2017

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 domiciled in India and has its registered office at Mumbai, Maharashtra, India. The Company is a subsidiary of Oracle Global (Mauritius) Limited holding 74.09% (March 31, 2016 – 74.30%) ownership interest in the Company as at March 31, 2017.

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 transaction processing and compliance needs of corporate, retail and investment banks across the world.

The financial statements for the year ended March 31, 2017 were approved by the Company's Board of Directors and authorized for issue on May 16, 2017.

Note 2: Basis of preparation

In accordance with the notification issued by the Ministry of Corporate Affairs, the Company has adopted Indian Accounting Standards ('Ind AS') notified under the Companies (Indian Accounting Standards) Rules, 2015 with effect from April 1, 2016. These financial statements comprising of balance sheet, statement of profit and loss, statement of changes in equity and statement of cash flows as at March 31, 2017 have been prepared in accordance with Ind AS as prescribed under Section 133 of the Companies Act, 2013 (the 'Act') read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016. These financial statements are the first financial statements of Company prepared under Ind AS.

For all periods up to and including the year ended March 31, 2016, the Company prepared its financial statements in accordance with accounting standards notified under the section 133 of the Act, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Previous GAAP). In accordance with Ind AS 101 - First-time Adoption of Indian Accounting Standards, the Company has presented reconciliation under Previous GAAP to Ind AS of Shareholders' equity as at March 31, 2016 and of the comprehensive income for the year ended March 31, 2016.

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

- certain financial assets and liabilities (including derivative instruments) and contingent consideration that are measured at fair value
- assets held for sale
- defined benefit plan
- share-based payments

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Notes annexed to and forming part of financial statements for the year ended March 31, 2017

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.
- The Company has opted for historical cost of intangible assets as per Previous GAAP as the deemed cost on the opening balance sheet date.

Note 4: Reconciliations between Previous GAAP and Ind AS

(a) Equity reconciliation

Particulars	(Amounts in ₹ million)	
	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

Particulars	(Amounts in ₹ million)	
	Year ended March 31, 2016	
Net income for the year under Previous GAAP		9,288.50
Adjustments:		
Stock compensation charge		(294.12)
Fair valuation of financial assets along with expected credit loss thereon		(18.89)
Deferred taxes		18.86
Deferral of revenue including discounting due to extended payment terms		(91.88)
Exchange differences on translation of foreign operations		23.00
Reclass of actuarial loss on gratuity fund to Other Comprehensive Income		52.47
Others		(0.39)
Profit for the year under Ind AS		8,977.55
Other Comprehensive Income		(73.23)
Total Comprehensive Income for the year under Ind AS		8,904.32

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Notes annexed to and forming part of financial statements for the year ended March 31, 2017

Note 5: Segment information

Business segments are defined as a distinguishable component of an enterprise that is engaged in providing a group of related products or services and that is subject to differing risks and returns and about which separate financial information is available. This information is reviewed and evaluated regularly by the management in deciding how to allocate resources and in assessing the performance.

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').

The business segments are the basis on which the Company reports its primary operational information to management. Product licenses and related activities segment deals with various banking software products. The related activities include enhancements, implementation and maintenance activities.

IT solutions and consulting services segment offers services spanning the entire lifecycle of applications used by financial service institutions. The division's portfolio includes Consulting, Application, Support and Technology Services that help institutions improve efficiency, optimize costs, meet risk and compliance mandates and implement IT solutions finely attuned to their business needs.

(Amounts in ₹ million)			
Particulars	Products	Services	Total
Revenue from operations	31,678.70	5,684.42	37,363.12
Segment result [Refer note 6(a)]	12,666.81	721.94	13,388.75
Unallocable income			(990.25)
Finance income			1,420.83
Other income, net			215.76
Profit before exceptional item and tax			14,035.09
Exceptional item [Refer Note 6(b)]			2,790.84
Profit before tax			16,825.93
Tax expenses			(3,944.96)
Profit for the year			12,880.97

(Amounts in ₹ million)			
Particulars	Products	Services	Total
Revenue from operations	29,558.15	5,726.16	35,284.31
Segment result	12,948.96	698.49	13,647.45
Unallocable expenses			(1,095.11)
Finance income			2,151.82
Other expense, net			(23.14)
Profit before tax			14,681.02
Tax expenses			(5,703.47)
Profit for the year			8,977.55

Other information

(Amounts in ₹ million)				
Particulars	Products	Services	Unallocable	Total
Capital expenditure by segment				
Property, plant and equipment	439.53	123.63	19.15	582.31
Depreciation and amortization	542.97	107.70	17.32	667.99
Other non cash expenses [Refer note 6(a)]	803.99	6.49	(82.63)	727.85
Segment assets	9,054.47	1,973.51	39,995.22	51,023.20
Segment liabilities	5,300.61	1,005.66	17,957.73	24,264.00
Equity	-	-	26,759.20	26,759.20

(Amounts in ₹ million)				
Particulars	Products	Services	Unallocable	Total
Capital expenditure by segment				
Property, plant and equipment	174.70	31.45	4.91	211.06
Depreciation and amortization	362.79	116.65	18.27	497.71
Other non cash expenses	158.03	(1.11)	157.83	314.75
Segment assets	11,518.84	2,140.91	36,564.87	50,224.62
Segment liabilities	8,345.52	1,585.60	720.89	10,652.01
Equity	-	-	39,572.61	39,572.61

(Amounts in ₹ million)				
Particulars	Products	Services	Unallocable	Total
Segment assets	9,206.56	2,927.01	44,826.38	56,959.95
Segment liabilities	6,856.45	1,723.22	638.88	9,218.55
Equity	-	-	47,741.40	47,741.40

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Notes annexed to and forming part of financial statements for the year ended March 31, 2017

Segment revenue and expense:

Revenue is generated through licensing of software products as well as by providing software solutions to the customers including consulting services. The expenses which are not directly attributable to a business segment are classified as unallocable expenses.

Segment assets and liabilities:

Segment assets include all operating assets used by a segment and consist principally of trade receivables, net of allowances, unbilled revenue, deposits for premises and property, plant and equipment. Segment liabilities primarily includes trade payables, deferred revenues, advance from customer, employee benefit obligations and other current liabilities. While most of such assets and liabilities can be directly attributed to individual segments, the carrying amount of certain assets and liabilities used jointly by two or more segments is allocated to the segment on a reasonable basis. Assets and liabilities that cannot be allocated between the segments are shown as part of unallocable assets and liabilities.

Geographical segments

The following table shows the distribution of the Company's sales by geographical market :

Regions	Year ended March 31,			
	2017		2016	
	Amounts in ₹ million	%	Amounts in ₹ million	%
India	2,438.04	7%	2,234.15	6%
Outside India				
Americas				
United States of America	11,226.45	30%	10,304.93	29%
Rest of America	2,284.52	6%	1,971.59	6%
Europe	6,419.37	17%	6,095.69	17%
Asia Pacific	8,966.27	24%	8,320.82	24%
Middle East and Africa	6,028.47	16%	6,357.13	18%
	<u>37,363.12</u>	<u>100%</u>	<u>35,284.31</u>	<u>100%</u>

Revenue of ₹ 30,217.48 million (March 31, 2016 ₹ 27,512.35 million) is derived from a single customer in 'Products' and 'Services' segment.

The following table shows the Company's non-current operating assets by geographical market :

Regions	As at		As at		As at	
	March 31, 2017		March 31, 2016		April 1, 2015	
	Amounts in ₹ million	%	Amounts in ₹ million	%	Amounts in ₹ million	%
India	8,582.69	97%	7,081.09	93%	7,317.56	91%
Outside India						
Europe	221.99	2%	240.10	3%	461.67	6%
Asia Pacific	118.28	1%	272.92	4%	231.90	3%
Middle East and Africa	7.77	0%	18.82	0%	2.53	0%
	<u>8,930.73</u>	<u>100%</u>	<u>7,612.93</u>	<u>100%</u>	<u>8,013.66</u>	<u>100%</u>

Non-current assets for this purpose consist of property, plant and equipment, capital work-in-progress, intangible assets, investment property, income tax assets (net) and other non-current assets.

Note 6: Exceptional item

(a) During the year ended March 31, 2017, the Company has recorded a charge under the Products segment of ₹ 628.25 million on its receivables from customers in Egypt due to significant devaluation of Egyptian Pound post liberalization of exchange rates by the Egypt Government. The same has been disclosed as an exceptional item.

(b) During the year ended March 31, 2017, the Company has received dividend of ₹ 1,146.73 million, ₹ 1,270.10 million and ₹ 374.01 million from its wholly owned subsidiaries Oracle Financial Services Software B.V., Oracle Financial Services Software Pte. Ltd and Oracle Processing Services Limited respectively. Considering the amount of dividend received, the same has been disclosed as an exceptional item. Tax expenses for the year ended March 31, 2017 includes applicable tax credits on this dividend income.

Oracle Financial Services Software Limited

Statement of cash flow for the year ended March 31, 2017

	(Amounts in ₹ million)	
	Year ended March 31,	
	2017	2016
Cash flows from operating activities		
Profit before tax	14,663.34	14,681.02
Adjustments to reconcile profit before tax to cash (used in) provided by operating activities :		
Depreciation and amortization	667.99	497.71
(Profit) loss on sale / disposal of fixed assets, net	(35.15)	68.66
Employee stock compensation expense	714.10	664.08
Provision for diminution in investment in subsidiary company	-	76.74
(Reversal) / provision for loss in fair value of loan	(82.72)	81.03
Finance income	(1,420.83)	(2,151.82)
Effect of exchange rate changes in cash and cash equivalents	(24.09)	13.41
Unrealised exchange (gain) loss, net	(322.93)	(284.22)
Deferred rent	0.56	22.66
Impairment loss (reversed) / recognized on financial assets	(17.95)	25.89
Bad debts	200.27	131.09
Operating Profit before Working Capital changes	14,342.59	13,826.25
Movements in working capital		
Decrease in other non-current assets	16.89	235.92
Decrease (increase) in trade receivables	2,429.35	(1,554.10)
(Increase) in other current financial assets	(467.12)	(190.64)
Decrease (increase) in other current assets	118.11	(209.89)
Decrease (increase) in non-current financial liabilities	(1.89)	3.21
(Decrease) in other non-current liabilities	(28.92)	-
Increase in long term employee benefit obligations	62.75	4.46
Decrease (increase) in trade payables	(167.79)	23.00
Decrease (increase) in other current financial liabilities	(3,631.40)	818.24
Increase in other current liabilities	86.59	31.29
Increase in short term employee benefit obligations	78.23	139.47
Cash from operating activities	12,837.39	13,127.21
Payment of domestic and foreign taxes	(5,791.60)	(5,758.04)
Net cash provided by operating activities	7,045.79	7,369.17
Cash flows from investing activities		
Additions to fixed assets including capital work-in-progress	(564.33)	(232.41)
Proceeds from sale of fixed assets	35.23	2.05
Refund of deposits for premises and others	52.08	170.40
Repayment of loan by subsidiary company	972.28	80.00
Investments in subsidiary companies and associate	0.00	-
Bank fixed deposits having maturity of more than three months matured	20,847.78	32,549.77
Bank fixed deposits having maturity of more than three months booked	(3,680.58)	(23,667.98)
Refund of margin money deposit	3.72	-
Dividend received from subsidiaries	2,790.84	-
Interest received	1,359.62	1,983.45
Net cash provided by (used in) investing activities	21,816.64	10,885.28
Cash flows from financing activities		
Issue of shares under employee stock option plan	589.42	575.18
Payment of lease obligations	-	(1.06)
Final equity dividend paid	(8,501.20)	(15,259.35)
Tax on final equity dividend paid	(1,342.22)	(3,106.50)
Net cash (used in) provided by financing activities	(9,254.00)	(17,791.73)
Net decrease in cash and cash equivalents	19,608.43	462.72
Cash and cash equivalents at beginning of the year	1,358.23	908.92
Effect of exchange rate changes in cash and cash equivalents	24.09	(13.41)
Cash and cash equivalents at end of the year	20,990.75	1,358.23

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Statement of cash flow for the year ended March 31, 2017 (continued)

(Amounts in ₹ million)
Year ended March 31,

	2017	2016
Component of cash and cash equivalents		
Balances with banks:		
In current accounts	828.45	1,052.95
In deposit accounts with original maturity of less than three months	5,449.27	170.03
In unpaid dividend account *	14,593.93	-
In unclaimed dividend account **	119.10	135.25
Total cash and cash equivalents	20,990.75	1,358.23

* These balances includes amount earmarked towards dividend declared on March 29, 2017.

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